

THE CORPORATION OF THE TOWN OF GEORGINA

COUNCIL AGENDA

-ADDENDUM-

Wednesday, February 25, 2015
7:00 PM

13.2 CONSIDERATION OF REPORTS ON THE CONSENT AGENDA REQUIRING SEPARATE DISCUSSION

13.2.1 Reports from the Administrative Services Department:

13.2.1.4 Federal Gas Tax – Incremental Spending

Report No. DAS-2015-0012

Recommendation(s):

1. That Council receive Report No. DAS-2015-0012 prepared by the Administrative Services Department dated February 25, 2015 respecting Federal Gas Tax – Incremental Spending for information purposes.

21. CLOSED SESSION

21.1 Motion to move into closed session of Council

- I) **ADVICE SUBJECT TO SOLICITOR/CLIENT PRIVILEGE,
INCLUDING COMMUNICATIONS NECESSARY FOR
THAT PURPOSE - SECTION 239 (2) (f), MA**
- Verbal update regarding Thane Developments Ltd.

THE CORPORATION OF THE TOWN OF GEORGINA

REPORT NO. DAS-2015-0012

**FOR THE CONSIDERATION OF
COUNCIL
FEBRUARY 25, 2015**

SUBJECT: FEDERAL GAS TAX – INCREMENTAL SPENDING

1. RECOMMENDATIONS:

- 1. That Council receive Report No. DAS-2015-0012 prepared by the Administrative Services Department dated February 25, 2015 respecting Federal Gas Tax – Incremental Spending for information purposes.**

2. PURPOSE:

This report is to provide supplemental information to Council regarding the requirement that Federal Gas Tax Fund (GTF) revenues must result in incremental capital spending, in compliance with the Administrative Agreement on the Federal Gas Tax Fund.

3. BACKGROUND:

3.1 Administrative Agreement on the Federal Gas Tax Fund

As required under the Administrative Agreement on the Federal Gas Tax Fund, municipalities have committed that there will be no reduction in the amount of municipal capital spending over the life of the agreement. The current agreement is in effect until March 31, 2024.

The Agreement describes “Incrementality” as follows:

“Any GTF funding that AMO and Toronto may receive from Canada is not intended to replace or displace existing sources of funding for a Municipality’s tangible capital expenditures. The total annual expenditures on tangible capital assets of all Municipalities, on average, will not be less than the Base Amount”.

The “Base Amount” means:

“An amount reflecting total municipally-funded capital spending on Infrastructure between January 1, 2000 and December 31, 2004, less monies raised under the *Development Charges Act, 1997*, S.O. 1997, c.27 and monies received by

Municipalities under federal and provincial infrastructure programs against which GTF investments will be measured to ensure that GTF investments are incremental.”

4. ANALYSIS:

4.1 Monitoring of “Incrementality”

As required, the Town of Georgina calculated its “Base Amount” and monitors infrastructure spending on an annual basis. The Attachment to this report entitled “Capital Investment Using Own Funds (Tax Levy Supported) provides the “Base Amount” for the Town and its actual annual allocation of its “own funding sources” to capital spending from the year 2005 for each year to the proposed draft budget for 2015. The Town’s “own funding sources” comprise current year property taxes (tax levy) and draws from its discretionary reserve funds that have been derived from property taxes in prior years and set aside for future use.

As identified on the Attachment, the Base Amount is \$3,793,273, reflecting the average actual total funding allocated to capital for the 5-year period of 2000 to 2004. As at February 18, 2015, the Town’s Draft 2015 Budget reflected Total Capital Investment of \$5,939,831 to be funded using its own sources. Certainly, the Town is in compliance with the Agreement.

Critically, it is evident on the Attachment that the Town’s contribution of current year tax levy to its capital spending is eroded in the 2013 and 2014 Approved Budgets and the Draft 2015 Budget, relying significantly on increased annual draws from its discretionary reserves. This reliance on discretionary reserves is not sustainable. Quite simply, the reserves would quickly diminish and the pressure on the tax levy would not be stable and would escalate going forward.

4.2 Draft Proposed 2015 Budget

At Council’s meeting of February 18, 2015, the Town Treasurer presented a high-level summary of annual budgeted tax levy spending for capital over the 6 years, to demonstrate the reduction over the last few years, as follows:

<u>Budget - Net Tax Levy for Capital</u>	
2015 Proposed	\$563,960
2014	\$813,000
2013	\$1,353,530
2012	\$2,266,820
2011	\$2,046,000
2010	\$1,923,500.

It is recognized that the approved budget amounts for capital will differ greatly from the actual expenditures due to multi-year projects where tax levy funding is carried forward to future years.

Further, the Town Treasurer strongly recommended to Council that the 2015 proposed tax levy contribution to capital be increased by \$789,570, to maintain that same level of annual tax levy contribution to capital that had been budgeted in 2013. Council adopted a resolution to give effect to the recommendation.

4.3 Updated 2015 Proposed Budget

Table 1 below entitled "2015 Proposed Capital Investment Using Own Funds" provides a comparison between the "Base Amount" per the GTF Agreement, the Draft 2015 Budget as at February 18, 2015, and the Proposed 2015 Budget to be presented for Council's approval on today's agenda.

Table 1 – 2015 Proposed Capital Investment Using Own Funds			
Own Source Funding	Base Amount	Draft 2015 Budget at Feb. 18/15	Proposed 2015 Budget
Discretionary Reserves	\$2,128,864	\$5,047,670	\$4,297,670
Current Year Tax Levy, incl. Tax Levy to Unfunded Capital Infrastructure	\$1,664,409	\$892,161	\$1,681,731
Total Own Source Funding	\$3,793,273	\$5,939,831	\$5,979,401

As indicated in Table 1 above, the Proposed 2015 Budget ensures that the Town continues to be in compliance with the GTF Agreement and establishes an annual contribution to capital from current year tax levy of \$1,681,731 (including tax levy allocated to unfunded capital) which is just slightly higher than the Base Amount of Tax Levy Funding of \$1,664,409.

The proposed tax levy allocation to capital is fiscally responsible, ensures compliance with the GTF Agreement in 2015, and mitigates any unstable tax rate increases that may arise for capital purposes in the future.

5. FINANCIAL AND BUDGETARY IMPACT:

Considering that this report is for information purposes only, there are no financial and budgetary impacts associated with the recommendations contained in this report.

6. PUBLIC CONSULTATION AND NOTICE:

Considering that this report is for information purposes only, there has been no public consultation or notice. The report is available to the public on the Town's web site under Mayor and Council – Minutes and Agendas, and upon request.

7. CONCLUSION:

This report provides supplemental information and analysis to Council regarding the requirement that Federal Gas Tax Fund (GTF) revenues must result in incremental capital spending, in compliance with the Administrative Agreement on the Federal Gas Tax Fund. Further, this report provides information to provide assurance that the Proposed 2015 Budget maintains compliance with the GTF Agreement and promotes stable and sustainable funding for capital in both current and future years.

Recommended by:



Rebecca Mathewson, CPA, CGA
Director of Administrative Services
& Treasurer

Approved by:



Winanne Grant, B.A., AMCT, CEMC
Chief Administrative Officer

Attachment: Capital Investment Using Own Funds (Tax Levy Supported)

CAPITAL INVESTMENT USING OWN FUNDS (TAX LEVY SUPPORTED)

	Base 2000 to 2004 Average	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015 Draft	2015 Proposed
Own Source Funding	Actual \$	Actual \$	Actual \$	Actual \$	Actual \$	Actual \$	Actual \$	Actual \$	Actual \$	Actual \$	Budget \$	Budget \$	Budget \$
Discretionary Reserves (0945)	2,128,864	1,280,375	858,409	1,974,507	2,597,572	1,308,911	1,928,324	3,162,567	3,021,360	2,811,263	3,422,360	5,047,670	4,297,670
Tax Levy (0941)	1,664,409	2,157,500	2,179,700	2,296,000	2,412,000	2,092,324	2,526,665	2,434,389	2,933,794	1,945,598	813,000	563,960	1,353,530
Tax Levy to Unfunded Capital											590,290	328,201	328,201
Sub-total - Tax Levy Allocated	1,664,409	2,157,500	2,179,700	2,296,000	2,412,000	2,092,324	2,526,665	2,434,389	2,933,794	1,945,598	1,403,290	892,161	1,681,731
Total Capital Investment Using Own Funds	3,793,273	3,437,875	3,038,109	4,270,507	5,009,572	3,401,235	4,454,989	5,596,956	5,955,154	4,756,861	4,825,650	5,939,831	5,979,401

DAS-2015-0012
Attachment

Prepared by RMathewson / Source DCarson