

CANADA
BRITISH COLUMBIA
UNION OF BRITISH COLUMBIA MUNICIPALITIES

Canada



AGREEMENT IN PRINCIPLE
TRANSFER OF FEDERAL GAS TAX REVENUES UNDER
THE NEW DEAL FOR CITIES AND COMMUNITIES

This Agreement made as of April 15, 2005,

BETWEEN: HER MAJESTY IN RIGHT OF CANADA, (“Canada”) represented by the Prime Minister of Canada and the Minister of State (Infrastructure and Communities) (“Federal Minister”)

AND: HER MAJESTY IN RIGHT OF THE PROVINCE OF BRITISH COLUMBIA (“British Columbia”) represented by the Premier of British Columbia and the Minister of Community, Aboriginal and Women’s Services (“Provincial Minister”)

AND: UNION OF BRITISH COLUMBIA MUNICIPALITIES (“UBCM”) as established under the *Union of British Columbia Municipalities Incorporation Act* SBC 1959, c.106, as represented by the President.



PREAMBLE

WHEREAS Canada and British Columbia and local governments of British Columbia, as represented by the UBCM, wish to cooperate in making a transformative difference in the sustainability and future prosperity of cities and communities in British Columbia for Canada's future.

WHEREAS The New Deal for Cities and Communities will: engage governments, stakeholders and the citizens of Canada in purposeful partnerships; foster vibrant, creative, prosperous and sustainable cities and communities across Canada; and enable all Canadians to achieve a higher quality of life and standard of living.

WHEREAS Canada, British Columbia and local governments of British Columbia, as represented by the UBCM, recognize that all orders of government must work together collaboratively and in harmony to ensure that investments in communities are strategic, purposeful and forward-looking.

WHEREAS Canada, British Columbia and the local governments of British Columbia, as represented by the UBCM, have agreed to cooperate under the New Deal for Cities and Communities, which is based on a long-term vision of sustainability and which integrates four interdependent dimensions: economic, environmental, social and cultural.

WHEREAS Canada, British Columbia and local governments of British Columbia as represented by the UBCM, agree to be open, transparent and accountable.

WHEREAS the Government of Canada's Budget 2005 outlined an intent to provide provinces and territories an amount equivalent to a portion of the federal excise tax on gasoline (gas tax).

WHEREAS this Agreement includes the specific provisions on the gas tax for environmentally sustainable municipal infrastructure to support environmental sustainability objectives under a New Deal for Cities and Communities.

WHEREAS Canada, British Columbia and local governments of British Columbia, as represented by the UBCM, agree that open communication with the public will best serve the right of Canadians to transparency, public accountability, and full information about the benefits of New Deal investments in communities.

WHEREAS Canada, British Columbia and local governments of British Columbia, as represented by the UBCM, acknowledge that this Agreement reflects the scope of expected areas of cooperation under a New Deal for Cities and Communities, and are committed to future collaboration on additional New Deal elements for which Canada and British Columbia may enter into separate agreements, including possible trilateral agreements, to support sustainability objectives.

WHEREAS the Union of British Columbia Municipalities is a legal entity as established under the *Union of British Columbia Municipalities Incorporation Act* SBC 1959, c. 106.

THEREFORE, in accordance with the understandings set out above, Canada, British Columbia and the UBCM by this Agreement signal their intention to conclude a final contribution agreement respecting the transfer of a portion of federal gas tax revenues as an initial component of the New Deal for Cities and Communities.

PRINCIPLES

Canada, British Columbia and UBCM are committed to working in partnership with local governments in British Columbia to ensure that British Columbia communities are culturally vibrant, socially cohesive, economically strong and environmentally sustainable. The New Deal represents a collaborative way of doing business that is respectful of jurisdictions and provides opportunities to build new relationships among the federal government, provincial and territorial governments, First Nations, local governments and the private and not-for-profit sector, that will support the development of effective solutions to address the significant challenges facing urban and rural communities in British Columbia.

Canada, British Columbia and UBCM commit to the following principles which will govern their actions with respect to the development and implementation of a final contribution agreement:

Principle 1 – Respect for jurisdiction: Canada, British Columbia and UBCM will respect the roles of all orders of government. Furthermore, Canada, British Columbia and UBCM recognize the merit of partnerships across all orders of government to support the New Deal.

Principle 2 – A flexible approach: In recognition of the diversity of Canadian provinces and territories, First Nations, regions, cities and communities, Canada, British Columbia and UBCM will agree to a funding allocation formula and delivery mechanism that meet the specific needs of British Columbia local governments.

Principle 3 – Equity: Canada is committed to treating provinces, territories and First Nations equitably and British Columbia and UBCM commit to ensuring equity between urban and rural/remote communities, recognizing the different capacities of local governments.

Principle 4 – Focus on long-term solutions: Canada, British Columbia and UBCM recognize the need to establish a long-term vision for Canadian cities and communities. This vision requires permanent collaboration between all orders of government on issues that significantly affect cities and communities and which will be further developed in the final contribution agreement.

Principle 5 – Transparency: Canada, British Columbia and UBCM will report regularly to Canadians on the outcomes achieved with gas tax funds using agreed upon performance measures.

Principle 6 – Accountability and Reporting to Canadians: Canada, British Columbia and UBCM commit to due diligence in the management of gas tax funding. To make the most effective use of gas tax funding, existing management structures and accountability/reporting mechanisms will be used where appropriate.

A NEW DEAL FOR CITIES AND COMMUNITIES

1.0 INTERPRETATION

1.1 Definitions

Canada, British Columbia and the UBCM (the Parties), will negotiate and attempt to reach agreement on a full list of definitions to be included in the final contribution agreement.

1.2 Agreement in Principle

This Agreement in Principle (also referred to as “Agreement” hereafter) reflects:

- the current understanding and intentions of Canada, British Columbia and UBCM;
- the understanding that the Parties intend to execute a legally binding final contribution agreement once that agreement is finalized as promptly as possible;
- that all Parties, as appropriate, will need to refer such finalized agreement to their respective authorities for review, approval and mandate to sign a final legally binding contribution agreement;
- that Parliamentary approval will be required before funding is available and may be disbursed; and,
- that nothing in this Agreement precludes the Parties from including additional elements to a final contribution agreement.

The Parties agree that in the case of a discrepancy between this section and any other portion of this Agreement, this section shall prevail.

1.3 Schedules

The following schedules are attached to form part of this Agreement:

Schedule A- Eligible Investment Categories and Subcategories

Schedule B- Eligible Costs

Schedule C- British Columbia Allocation Formula, Delivery Mechanism and Accountability Framework

Schedule D- Reporting, Audits and Evaluations

Schedule E- Communications Protocol

2.0 PURPOSE

2.1 The purpose of this Agreement is to:

- a) Confirm the commitment of Canada, British Columbia and UBCM to further co-

operation on other elements of the New Deal for Cities and Communities, which may result in other, separate agreements, which may be parallel to the final contribution agreement or appended as separate schedules.

- b) Outline a joint framework for the transfer of funds, whose purpose is to provide British Columbia local governments with stable, reliable and predictable funding for environmentally sustainable municipal infrastructure.

3.0 AREAS OF FURTHER COLLABORATION

3.1 Objectives

- 3.1.1** In order to achieve shared national objectives and to support the sustainability and prosperity of cities and communities in British Columbia, the Parties recognize the need for collaboration on other issues that affect British Columbia cities and communities, such as collaboration demonstrated by agreements or arrangements such as the Fraser Basin Council.

The Parties will negotiate and attempt to reach agreement on a full list of areas of collaboration to be included in the final contribution agreement.

GAS TAX FUNDING

4.0 GAS TAX PURPOSE / OUTCOMES

4.1 Purpose

Federal gas tax funding will provide cities and communities in British Columbia with a source of stable, predictable and long-term funding towards environmentally sustainable municipal infrastructure to help them address their infrastructure needs and meet sustainability objectives. The gas tax funding is incremental to existing federal, provincial and local government support measures for community infrastructure.

4.2 Outcomes

Gas tax funds under the New Deal will be directed toward the achievement of the following three key environmental sustainability outcomes for Canadian cities and communities:

- Reduced Greenhouse Gas (GHG) emissions
- Cleaner water
- Cleaner air

The Parties will negotiate and attempt to reach agreement on a full list of outcome indicators to be included in the final contribution agreement.

5.0 COMMITMENTS OF THE PARTIES

5.1 Commitments by Canada

Canada agrees that it will:

- a) honour any existing contribution agreement with British Columbia in respect of infrastructure, in accordance with its terms;
- b) ensure that the funding described in this Agreement is in addition to federal funding available to British Columbia under the Municipal Rural Infrastructure Fund, the Border Infrastructure Fund and the Canada Strategic Infrastructure Fund;
- c) provide gas tax funding to First Nations on Reserve communities in British Columbia to address their infrastructure needs; and,
- d) collaborate with British Columbia, First Nations, local governments and the private and not-for-profit sector on other elements of the New Deal.

5.2 British Columbia Commitments

5.2.1 British Columbia has made a significant contribution to local government infrastructure needs and the long-term sustainability of British Columbia local governments including the following:

- a) Adoption of the *Community Charter*, which ensures that British Columbia communities are broadly empowered and have the tools they need to plan for, develop and operate environmentally sustainable infrastructure;
- b) adoption of the *Growth Strategies Amendment Act* which mandates provincial planning goals for local governments and enables regional districts to engage in regional planning;
- c) creation of the Smart Development Partnership Program (SDPP) to support innovation in local government planning;
- d) creating a single transportation agency within the Greater Vancouver Regional District (GVRD), the Greater Vancouver Transportation Authority, with a comprehensive set of revenue sources including the property tax, user fees, parking charges, air care charges and a share of the provincial gas tax;
- e) adoption of the Public Sector Accounting Board Standards for financial accountability;
- f) returning 100% of traffic fine revenues to municipalities; and,
- g) establishment of the Municipal Finance Authority (MFA), a local government controlled entity that undertakes long term financing on behalf of local governments enabling low cost financing for sustainable infrastructure.

5.2.2 British Columbia will build on these past actions by committing to:

- a) ensuring that gas tax funding is incremental to provincial infrastructure funding available to local governments;
- b) the development of appropriate integrated sustainability plans, either by municipalities, regional districts or at some other appropriate level of agglomeration (the Parties will negotiate and attempt to reach agreement on the definition of these plans in the final contribution agreement);
- c) ensuring the implementation of the accountability framework referenced in Schedule C;
- d) collaborating with Canada, First Nations, local governments and the private and not-for profit sector on other elements of the New Deal;
- e) facilitating capacity building at the local government level and support for local governments to prepare integrated sustainability plans; and,
- f) strengthening the partnership role for local governments, as represented by the UBCM, in the management of the final contribution agreement.

5.3 Union of British Columbia Municipalities Commitments

The UBCM will play a leadership role in the implementation of the final contribution agreement, including but not limited to the administration of programs under the final contribution agreement and collaborating with Canada and British Columbia on issues of mutual interest.

6.0 CONTRIBUTION PROVISION

6.1 Allocation and Payment

Canada's total gas tax contribution with respect to the final contribution agreement will be as follows:

Fiscal year	Canada's Contribution
2005-2006	\$76.3 million
2006-2007	\$76.3 million
2007-2008	\$101.7 million
2008-2009	\$127.1 million
2009-2010	\$254.2 million
TOTAL	\$635.6 million

A detailed payment schedule will be included in the final contribution agreement.

7.0 ALLOCATION TO LOCAL GOVERNMENTS, DELIVERY MECHANISM AND USE OF FUNDS

7.1 Allocation to Local Governments

Funding to British Columbia local governments will be based on population but modified to promote strategic investments at the local and regional level.

7.2 Delivery Mechanism

Two complementary component programs will be established and an Innovations Fund may be established to support the achievement of the outcomes in Section 4.2. A full explanation of the delivery mechanism in British Columbia is detailed in Schedule C of this Agreement.

7.2.1 *Community Works Fund*

The **Community Works Fund** will disburse, in accordance with a *Community Works Fund* agreement described in Schedule C, funding directly to local governments based on a percentage of the per capita allocation for local spending priorities (See Table 1 for percentages). A funding “floor” starting at \$25,000 per local government in 2005/06 increasing to \$50,000 by 2009/10, will ensure a reasonable base allocation of funds for smaller communities.

For the purposes of the *Community Works Fund*, local government means municipalities, including the City of Vancouver, and regional districts.

7.2.2 *Strategic Priorities Fund*

- a) A *Strategic Priorities Fund* will provide funding for strategic investments that are larger in scale or regional in impact. This fund will be created by pooling a percentage of the per capita allocation (see Table 1 for percentage). All British Columbia local governments will be eligible to apply for funding under the *Strategic Priorities Fund*; and,
- b) For the purposes of the *Strategic Priorities Fund*, local government means: a municipality, including the City of Vancouver; a regional district; the trust council, a local trust committee and the trust fund board within the meaning of the *Islands Trust Act*; a greater board; British Columbia Transit; and the Greater Vancouver Transportation Authority.

7.3 Establishment of Tiers

The total amount of funding that will be available in the respective funds will be based on differing community characteristics including population density, degree of urbanization, adjacency of communities to urbanized areas and the need for inter-regional infrastructure. To support the distribution of New Deal funds, British Columbia has been divided into three tiers. Table 1 outlines the percentage of total per capita allocation that will be delivered through both component programs.

Table 1

Community Tier	Applicable Area of BC	Community Works Fund % of total tier per capita allocation	Strategic Investment Fund % of total tier per capita allocation
Tier 1	<i>All areas of British Columbia except those areas in Tier 2 and Tier 3</i>	75%	25%
Tier 2	RDOS, CORD, NORD, CRD, CVRD, RDN, FVRD, SLRD	50%	50%
Tier 3	GVRD	Up to 25%	Up to 100%

*Tier 2 means the following collection of regional districts: Regional District of Okanagan-Similkameen, Regional District of Central Okanagan, Regional District of North Okanagan, Capital Regional District, Cowichan Valley Regional District, Regional District of Nanaimo, Fraser Valley Regional District, Squamish Lillooet Regional District.

7.4 Innovations Fund

An Innovations Fund comprising up to 5% of the total New Deal allocation for British Columbia may be established.

7.5 Use of Funds

7.5.1 To support the achievement of environmentally sustainable outcomes, the Parties agree that funds will be used solely for projects within eligible categories as contained in Schedule A and eligible costs contained in Schedule B.

7.5.2 Canada, British Columbia and the UBCM will negotiate an arrangement, to be included in the final contribution agreement, whereby the gas tax funding will flow directly to, and be administered by, the UBCM. For this purpose, the provincial Minister may enter into an agreement with the UBCM to administer provisions of the final contribution agreement, including provincial responsibilities set out in Section 9 of this Agreement.

7.5.3 The Parties agree that the UBCM will require capacity support to manage and implement the final contribution agreement. The Parties agree to negotiate and include in the final contribution agreement an amount of gas tax funding to support this requirement.

8.0 GOVERNANCE

8.1 Partnership Committee

Upon execution of the final contribution agreement, the Ministers shall promptly establish a Partnership Committee to be co-chaired by two members, one of whom is to be appointed

by the Federal Minister, and designated as Federal Co-Chair, and one of whom is to be appointed by the Provincial Minister, and designated as Provincial Co-Chair. This Partnership Committee shall:

- a) in addition to the Co-Chairs, consist of two representatives from the UBCM and an additional representative from the provincial and federal government;
- b) co-ordinate the development of a plan for the next phases of the New Deal for British Columbia including:
 - i. developing further elements of the New Deal for British Columbia Cities and Communities;
 - ii. encouraging inter-governmental cooperation in priority setting and program delivery;
 - iii. responding to sustainability planning outcomes;
 - iv. approve, as may be agreed to, the establishment of appropriate advisory, coordination and implementation committees;
 - v. making recommendations for consideration by federal and provincial ministers, the UBCM, First Nations, and other affected parties;
 - vi. manage the resolution of disputes that arise between the Parties in relation to the administration of the final contribution agreement.
- c) approve all procedures in respect of its own meetings, including rules for the conduct of meetings and the making of decisions where the members are not physically present in one place.

8.2 Concluding the Final Contribution Agreement

Unless the Parties agree otherwise in the final contribution agreement, the Partnership Committee will have responsibility for the following:

- a) definition of Integrated Sustainability Plans;
- b) design and development of the Community Works agreements; and,
- c) development of outcome indicators.

8.3 Management Committee

A Management Committee will be established to administer and manage the implementation of the final contribution agreement. The Management Committee shall consist of three local government members (appointed by the UBCM), two provincial members (appointed by the Minister of Community, Aboriginal and Women's Services) and one federal member (appointed by the Minister of State, Infrastructure and Communities).

The Management Committee shall be headed by a Chair appointed by the UBCM, who would cast the deciding vote in the event of a tie.

The Parties will negotiate and attempt to reach agreement on additional roles of the Management Committee to be included in the final contribution agreement.

9.0 REPORTING, AUDITS AND EVALUATION

9.1 Reporting

9.1.1 In respect of the final contribution agreement, British Columbia will:

- a) prepare and deliver to Canada no later than September 30 of each year, in respect of the prior Fiscal Year, an Annual Expenditure Report; and,
- b) prepare, publish and disseminate to the public, by no later than December 30th, 2009 an Outcomes Report, which will report on results achieved over the first three years of the final contribution agreement.

9.1.2 Canada may incorporate all or any part or parts of the said reports into any report that Canada may prepare for its own purposes, including any reports that may be made public.

9.2 Audits

9.2.1 Annual Expenditure Reports will be accompanied by an Audit Report.

9.2.2 British Columbia agrees to ensure that proper and accurate accounts and records, including invoices, statements, receipts and vouchers in respect of all projects that receive funds, are kept for at least three (3) years after termination of the final contribution agreement and will, upon reasonable notice, make them available or cause the applicable local government to make them available to Canada for inspection or audit.

9.2.3 Upon request by Canada, British Columbia agrees to provide to Canada a copy of any project audit completed in accordance with the audit framework.

9.3 Evaluation

9.3.1 No later than March 31, 2009, Canada, British Columbia and UBCM shall complete a joint formative evaluation of the program set out in the final contribution agreement, the results of which will be made public.

9.3.2 At a minimum, the evaluation will address the issues related to achievement of the objectives of this Agreement and the final contribution agreement, the use of funding, the effectiveness of the funding approach, including scope of eligible investment categories of this Agreement, and the effectiveness of the communications protocol.

9.3.3 In addition to the foregoing, no later than June 30, 2009, Canada will, at its cost, complete a national evaluation, incorporating the results of the joint evaluations described above. Canada will share the results of this national evaluation with British Columbia and UBCM, prior to its completion.

9.3.4 See Schedule D for additional details on reporting, audits and evaluations.

10.0 DISPUTE AVOIDANCE AND RESOLUTION

The parties agree to develop a dispute avoidance and resolution process to be included in the final contribution agreement.

11.0 COMMUNICATIONS

The Parties agree to undertake joint communications activities and products that will enhance opportunities for open, transparent, effective and proactive communications with Canadians about the benefits achieved through the New Deal for Cities and Communities.

Appropriate, sustained and consistent public information activities with maximum visibility will be undertaken that recognize the contribution of the Parties and local governments. A Communications Protocol is contained in Schedule E.

12.0 AMENDMENTS TO THE AGREEMENT

This Agreement and the final contribution agreement may be amended from time to time on written agreement of the Parties.

Where the Canada concludes an agreement for similar purposes with any other province or territory of Canada, and that agreement taken as a whole is materially different from this Agreement or the final contribution agreement, British Columbia may require Canada to agree to amend this Agreement or the final contribution agreement so that taken as a whole it affords similar treatment to British Columbia as the other agreement affords to the other province or territory.

13.0 REVIEW AND RENEWAL

13.1 The Parties agree to a review of the terms and conditions of the final contribution agreement within four (4) years of the signing of the final contribution agreement.

13.2 Every five (5) years, or earlier if agreed to by the Parties, the Parties agree to renew the final contribution agreement.

13.3 Notice

Any notice, information or document provided for under this Agreement will be effectively given if delivered or sent by letter, postage or other charges prepaid, or by facsimile or email. Any notice that is delivered will have been received on delivery; and any notice mailed will be deemed to have been received eight (8) calendar days after being mailed.

Any notice to Canada will be addressed to:

Assistant Deputy Minister, Cities Secretariat
Infrastructure Canada
90 Sparks Street
Ottawa (Ontario)
K1P 5B4

Any notice to British Columbia will be addressed to:

Assistant Deputy Minister
Ministry of Community, Aboriginal and Women's Services
PO Box 9490 Stn Prov Gov
British Columbia
V8W 9N7

Any notice to the UBCM will be addressed to:

Executive Director
Union of British Columbia Municipalities
60-10551 Shellbridge Way
Richmond, BC
V6X 2W9

Each Party may change the address that it has stipulated by notifying in writing the other party of the new address.

SCHEDULE A

ELIGIBLE INVESTMENT CATEGORIES & SUBCATEGORIES BY COMMUNITY TIER¹

INVESTMENT CATEGORY	SUB-CATEGORY	TIER 1	TIER 2	TIER 3
Public Transit	Develop or improve public transit system (rapid transit, buses, bus ways, sea-buses, commuter rail, ferries, street cars, cycling and pedestrian infrastructure, etc)	●	●	●
	Road system improvements that encourage a reduction in car-dependency (express bus lanes, HOV lanes, park and ride, bike paths, queue, etc.)	●	●	
	Implement innovative technologies that support environmental sustainability	●	●	●
	Rehabilitation of roads and bridges	●	●	
	Paths and trails	●		
Community Energy Systems	Improving energy systems through the use of water systems to generate hydro	●	●	
	Community energy systems (wind, solar, thermal, geothermal etc.)	●	●	
	Alternative energy systems that serve local government infrastructure	●	●	
	Retro-fit local government buildings and infrastructure (e.g. water pumps, street lights, etc.)	●	●	
	Reduce the GHG impact of solid waste (e.g. biogas recovery and conversion of biomass to bio-oil)	●	●	
	Fleet vehicle conversion	●		
	Implement innovative technologies that support environmental sustainability	●	●	
Water and Wastewater	Developing or upgrading drinking water systems to improve water quality, and reduce water use, increase energy efficiency and secure water supply in the face of drought	●	●	●
	Developing or upgrading wastewater and storm water systems to improve water quality and improve aquatic habitat	●	●	●
	Implement innovative technologies that support environmental sustainability	●	●	●
	Acquisition, enhancement and or protection of community green space such as streams and natural corridors including habitat protection systems to improve water quality and improve aquatic habitat	●		

¹Note: Rehabilitation of roads and bridges in Tier 2 is limited to communities with a population of 25,000 or less.

Solid Waste Management	Develop or improve solid waste collection, treatment, and disposal strategies in ways that reduce resource use, or encourage recycling and re-use	•	•	
	Support full cost recovery from users through improved application of user charges	•	•	
	Reduce the environmental impact of solid waste (e.g. composting, bio gas recovery)	•	•	
	Implement innovative technologies that support environmental sustainability	•	•	
Capacity Building	Increase local government capacity to undertake integrated sustainability planning including:			
	Regional growth strategies	•	•	
	Community development plans	•	•	
	Community plans	•	•	
	Community Energy Planning	•	•	
	Transportation plans	•	•	
	Infrastructure development plans	•	•	
	Liquid waste management plans	•	•	
	Solid waste management plans	•	•	
	Long-term cross-modal transportation plans	•	•	
	Water conservation/demand management plans	•	•	
	Drought management contingency plans	•	•	
	Air quality plans	•	•	
	Greenhouse gas reduction plans	•	•	
Energy conservation plans	•	•		
Implementing/planning innovative environmental technologies that support sustainability	•	•		

SCHEDULE B

ELIGIBLE COSTS

Note: The following Schedule reflects the current state of negotiations between the Parties on eligible and ineligible costs. This Schedule is not binding on the Parties. Eligible and ineligible costs that would be included in the final contribution agreement are subject to approval by the Treasury Board of Canada.

1. Eligible Capital Costs

1.1.1 Project Costs

Eligible costs will be all direct costs which are properly and reasonably incurred; are paid by local government for an eligible investment; and are paid under a contract for goods or services necessary for the implementation of a project. Eligible costs may include only the following:

- a) the capital costs of acquiring, constructing or renovating a capital asset;
- b) the fees paid to professionals, technical personnel, consultants and contractors specifically engaged to undertake the surveying, design, engineering, manufacturing or construction of a project infrastructure asset and related facilities and structures;
- c) the costs of environmental assessments, monitoring, and follow-up programs as required by the *Canadian Environmental Assessment Act* or the *British Columbia Environmental Assessment Act*;
- d) the costs of any public announcement and official ceremony, or of any temporary or permanent signage.

1.2 Employee and Equipment Costs

The incremental costs of the local government's employees or equipment may be included in its eligible costs under the following conditions:

- a) the local government has determined that it is not economically feasible to tender a contract;
- b) employees or equipment are employed directly in respect of the work that would have been the subject of the contract; and,
- c) the arrangement is approved in advance and in writing by the Management Committee.

2. Ineligible Capital Project Costs

Costs related to the following items are ineligible costs:

- a) eligible project costs incurred before the signing of the final contribution agreement;
- b) services or works that, in the opinion of the Province, are normally provided by the local government or a related party;

- c) salaries and other employment benefits of any employees of the local government except for as indicated in sections 1.2;
- d) a local government's overhead costs, its direct or indirect operating or administrative costs, and more specifically its costs related to planning, engineering, architecture, supervision, management and other activities normally carried out by its applicant's staff;
- e) costs of feasibility and planning studies for individual projects;
- f) taxes for which the community applicant is eligible for a tax rebate and all other costs eligible for rebates;
- g) costs of land or any interest therein, and related costs;
- h) cost of leasing of equipment by the community applicant except for as indicated in section 1.2 above;
- i) legal fees; and,
- j) routine or ongoing maintenance costs.

3. Capacity Building Costs

Eligible capacity building costs include costs of capacity building activities in relation to sustainability planning detailed in Schedule A.

SCHEDULE C

BRITISH COLUMBIA ALLOCATION FORMULA, DELIVERY MECHANISM AND ACCOUNTABILITY FRAMEWORK

Two complementary component programs and an Innovations Fund will be established to support the achievement of the New Deal outcomes and priorities.

Component Program 1: *Community Works Fund*

A *Community Works Fund* will be established to support the achievement of local priorities that are in alignment with federal and provincial New Deal priorities and outcomes.

The *Community Works Fund* will be allocated to local governments based on a percentage of the per capita share and disbursed directly to local governments for local spending priorities. A funding "floor," starting at \$25,000 per local government in 2005/06, increasing to \$50,000 in 2009/10 will ensure a reasonable base allocation of funds to smaller communities.

For the purposes of the *Community Works Fund* local government means municipalities, including the City of Vancouver, and regional districts.

The percentage of per capita share that a given local government would receive would be based

on individual community characteristics. For example, remote and or less densely populated communities as represented by Tier 1 and Tier 2 communities, will receive a relatively larger proportion of their share of New Deal funding under the *Community Works Fund* as their spending priorities will tend to be community specific. The table below illustrates the proportional amount of New Deal funds that will be allocated under the *Community Works Fund*, by tier.

Community Tier	Proportion of per capita calculation received as direct entitlement
Tier 1	75%
Tier 2	50%
Tier 3	Up to 25%

For the unincorporated area of Stikine, the *Community Works Fund* will be administered by British Columbia and disbursed for the benefit of that area.

To provide flexibility for communities to finance local spending priorities, local governments may choose to borrow against future year New Deal allocation amounts, consistent with local government legislation, in order to finance *Community Works Fund* spending priorities.

Local governments receiving funding under the *Community Works Fund* will

enter into a *Community Works Fund* agreement (CWFA) with the UBCM. The amount of funding provided under individual CWFA's may vary, reflecting the scope of services provided by the local government. CWF funds are intended to result in net incremental spending on local government infrastructure and or capacity building investments. Key elements of the CWFA with local governments include:

- agreement to spend their CWF allocation in alignment with federal outcomes and provincial priorities.
- agreement to spend their CWF allocation in accordance with established spending criteria, including:
 - Incremental investment — the proposed investment does not duplicate or replace existing spending
 - Capital or capacity building — the proposed investment falls into one of these two categories
 - Measurable results — the proposed investment can be meaningfully measured and reported on
 - Demonstrable public use or benefit — the proposed investment is relevant and contributes to enhanced community livability
 - Environmentally sustainable — the proposed investment is in keeping with fundamental principles of environmental sustainability

- agreement in relation to eligible investments under the CWF, including that investments made under the CWF are in accordance with the scope of eligible investment categories provided in Schedule A to this Agreement.
- agreement to report on CWF results in accordance with performance measurement requirements established by the Management Committee.

Within six (6) months of signing the final contribution agreement the Management Committee will establish performance measurement requirements for local governments in relation to the *Community Works Fund*.

Public accountability and reporting requirements for local governments in relation to the *Community Works Fund* will be met through the normal cycle of local government progress reporting as required under the *Community Charter*.

Public accountability and reporting requirements for regional districts in relation to the *Community Works Fund* will be met through the normal cycle of regional district financial reporting as required under the *Local Government Act*.

If a local government fails to observe or comply with any of the terms or conditions set out in the CWF agreement, including the established spending criteria, the Management Committee may, at its discretion exercisable by written notice to the local government reduce, suspend or terminate any further payment under the *Community Works Fund*.

Component Program 2: *Strategic Priorities Fund*

A *Strategic Priorities Fund* will be established to support the achievement of identified federal and provincial New Deal priorities and outcomes through investment in environmentally sustainable municipal infrastructure.

For the purposes of the *Strategic Priorities Fund*, local government means: a municipality, including the City of Vancouver; a regional district; the trust council, a local trust committee and the trust fund board within the meaning of the *Islands Trust Act*; a greater board; British Columbia Transit; and the Greater Vancouver Transportation Authority.

The *Strategic Priorities Fund* is a pooled fund derived from the per capita calculation. British Columbia has been divided into three tiers reflecting differing community characteristics including population density, degree of urbanization, adjacency of communities to urbanized areas and the need for inter-regional infrastructure. The table below illustrates the proportional pooling of New Deal funds in British Columbia, by tier, for the purposes of the *Strategic Priorities Fund*:

Community Tier	Proportion of per capita calculation to be pooled
Tier 1	25%
Tier 2	50%
Tier 3	Up to 100%

The *Strategic Priorities Fund* will provide funding for local government projects on an application basis. All British Columbia local governments except those in Tier 3 will be eligible to apply for funding of projects under the *Strategic Priorities Fund*. The Tier 3 allocation will be allocated to the GVRD to support Greater Vancouver Transportation Authority (GVTA) transportation investments.

Projects to be considered for funding under the *Strategic Priorities Fund* include strategic investments that are larger in scale or regional in impact and in alignment with federal and provincial New Deal priorities and outcomes. Eligible projects may include multi-year capital investments in environmentally sustainable municipal infrastructure and or capacity building.

The Management Committee shall make a decision about approval in respect of all projects proposed under the *Strategic Priorities Fund*, and in respect of any material changes to the scope of a project approved under the *Strategic Priorities Fund*, including a decision to reduce, suspend or terminate funding of an approved project for failure to comply with any of the terms or conditions of the project agreement between the applicant and the Management Committee.

The Management Committee will monitor and evaluate projects approved under the *Strategic Priorities Fund* in terms of achievement of intended results. Within six (6) months of signing the final contribution agreement the Management Committee will develop performance measures in relation to project outputs and outcomes.

Innovations Fund

An Innovations Fund comprising up to 5% of the total New Deal allocation for British Columbia may be established.

Management Committee

A Management Committee will be established to administer and manage the implementation of the final contribution agreement. The Management Committee shall consist of three local government members (appointed by the UBCM), two provincial members (appointed by the Minister of Community, Aboriginal and Women's Services) and one federal member (appointed by the Minister of State, Infrastructure and Communities).

The Management Committee shall be headed by a Chair appointed by the UBCM, who would cast the deciding vote in the event of a tie.

SCHEDULE D

REPORTING, AUDITS AND EVALUATIONS

1. Reporting

1.1 Annual Expenditure Report

1.1.1 The Annual Expenditure Report will report on:

- the amounts received from Canada under this Agreement
- the amounts paid to local governments
- the amounts received from Canada for future payments to local governments
- amounts paid by local governments in aggregate for eligible investments
- amounts held at year end by local governments in aggregate to be paid for eligible investments

1.1.2 The Annual Expenditure Report will also indicate in a narrative the progress that British Columbia has made in meeting its commitments and contributions.

1.1.3 The Annual Expenditure Report will also include a listing of all eligible projects that have been approved for funding, indicating the location, investment category, amount of federal contribution, nature of the investment and expected outcomes.

1.2 Outcomes Report

The Outcomes Report will report on the cumulative investments made, including information on the degree to which these investments have actually contributed to the objectives of cleaner air, cleaner water and reduced GHG emissions.

2. Audit Report

The Audit Report will provide an opinion as to whether all of the information contained in the Annual Expenditure Report is complete and accurate and whether British Columbia has complied with all material provisions of this Agreement.

SCHEDULE E

COMMUNICATIONS PROTOCOL

Canada, British Columbia and the UBCM agree that transparency and public accountability in government operations are essential and are best served by provision of full information about the benefits of the New Deal for Cities and Communities.

This communications protocol establishes the principles and practices that will guide all announcements and events related to this Agreement and the final contribution agreement, funding to local governments under the final contribution agreement and the New Deal. Communications activities may include but are not limited to public events, speeches, press releases, websites, advertising, promotional material or signage.

The Parties agrees that:

1. Signing of this Agreement will be marked by a public event/media availability. This event will be developed cooperatively by officials from Canada, British Columbia and the UBCM.
2. In addition to joint communications activities, Canada, British Columbia and the UBCM may develop individual communications products and activities around their respective commitments to the New Deal.

Canada agrees that:

1. It will make periodic announcements, through public events, press releases and/or other mechanisms, of the transfer of federal gas tax revenues to British Columbia for allocation to local governments within its jurisdiction.
2. It will make regular announcements, on a community or regional basis, of projects that have benefited from federal gas tax investments. Key milestones may be marked by public events, press releases and/or other mechanisms.
3. It will work cooperatively with the province and the UBCM in developing these communications materials/events.
4. It will report regularly to the public on the outcomes of the investments entered into under this Agreement, including through the Treasury Board Secretariat Canada's Annual Performance Report, and through the national evaluation described in Section 9 of this Agreement.

British Columbia and the UBCM agree that:

1. Funding agreements will include the following provisions:
 - a. All communications referring to projects funded under this Agreement will clearly recognize respective governments' investments, as the case may be, and, when appropriate, include the Canada, British Columbia or UBCM wordmarks and taglines.

- b. Local governments will ensure permanent signage at the location of projects receiving investments under this Agreement, prominently identifying the Government of Canada's investment and including the Canada wordmark. Where there is no fixed location for signage, such as a transit vehicle, a prominent marker will recognize the Government of Canada's contribution. All signage/ plaques will be located in such a way as to be clearly visible to users, visitors and/ or passersby.
2. British Columbia and the UBCM will report regularly to the public on the outcomes of the investments entered into under this Agreement, including through the Outcomes Reports described in Section 9 of this Agreement.

General

1. The timing of public events shall be sufficient to allow for all orders of government to plan their involvement. The Parties shall provide a minimum of 21 days notice of an event or announcement.
2. Unless otherwise arranged, the Parties shall each pay their own costs associated with their communications activities.
3. The Parties agree that they will each receive appropriate recognition in joint communications materials.
4. Joint communications material and signage will reflect Government of Canada communications policy, including the *Official Languages Act*, and federal-provincial/ territorial identity graphics guidelines. Costs related to compliance with the *Official Languages Act* shall be borne by Canada.

Assessment

Communication results will be assessed as part of the evaluation process set out in the final contribution agreement.

SIGNATURES

This Agreement has been executed on behalf of Canada by the Minister of State (Infrastructure and Communities), and on behalf of British Columbia by the Minister of Community, Aboriginal and Women’s Services and on behalf of the Union of British Columbia Municipalities by the President.

GOVERNMENT OF CANADA

GOVERNMENT OF BRITISH COLUMBIA

Prime Minister of Canada

Premier of British Columbia

GOVERNMENT OF CANADA

GOVERNMENT OF BRITISH COLUMBIA

Minister of State
(Infrastructure and Communities)

Minister of Community, Aboriginal
and Women’s Services

UNION OF BRITISH COLUMBIA
MUNICIPALITIES

President