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The Regional Municipality of Durham Report

To: Finance and Administration Committee
From: Commissioner of Finance
Report: #2023-F-20
Date: September 12, 2023

Subject:

Additional Allocation and Revision of Canada Community-Building Fund Program Funds to Road Rehabilitation Projects

Recommendation:

That the Finance & Administration Committee recommends to Regional Council:

- A) That in order to fully utilize Canada Community-Building Fund (CCBF) Program Funds, an additional allocation of \$3.3 million be approved for the following road rehabilitation projects, replacing the previously approved Road Rehabilitation Reserve Fund financing:

Main Street Uxbridge / Concession Road 7 (Project R2216)	\$1,900,000
Lake Ridge Road from north of Regional Road 5 to south Chalk Lake Road (Project R1718)	<u>\$1,400,000</u>
Total	<u>\$3,300,000</u>

- B) That the Commissioner of Finance be authorized to adjust the split between the CCBF and other financing for the roads rehabilitation projects as required to ensure that the full CCBF funding is utilized prior to the expiry of the applicable expenditure period.
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Report:

1. Purpose

- 1.1 The purpose of this report is to seek approval for an additional allocation of Canada Community-Building Fund (CCBF) and revise the financing for various projects to ensure that the program funding is fully utilized on eligible projects. As the CCBF

funding agreement contains time limited expenditure periods, it is critical that all funding be spent within the 5-year expiry period.

- 1.2 The report also seeks approval for the Commissioner of Finance to adjust CCBF funding to ensure that the program funding set to expire in 2023 and 2024 is fully utilized on eligible projects and expenditures, in compliance with the CCBF funding agreement.

2. Background

- 2.1 The Canada Community-Building Fund (CCBF), previously known as the Federal Gas Tax program, was established by the Federal Government in 2004 as a stable and predictable source of revenue for Canadian municipalities to be used for funding sustainable municipal infrastructure projects.
- 2.2 Funds are distributed twice annually to all Canadian municipalities on a per capita basis. The Association of Municipalities of Ontario (AMO) is directly responsible for administering the CCBF in Ontario.
- 2.3 The current CCBF funding agreement covers the ten-year period to March 31, 2024.
- 2.4 Funds under the CCBF must be expended within five (5) years of the end of the year in which the funds were received. Thus, the funds received in 2018 must be utilized by December 31, 2023, and the 2019 amount must be used by December 31, 2024.
- 2.5 Based on a review of the total available CCBF funds for use and the status of all CCBF funded projects, staff have identified an unexpended amount of \$3,000,000 which is subject to 5-year expiry this year. This unutilized funding arises from savings on completed roads rehabilitation projects of \$1,000,000 and cumulative interest earnings of \$2,000,000 on CCBF funds. An additional unexpended amount of \$300,000 has been identified for the December 31, 2024 expenditure period.
- 2.6 To make use of the unexpended funding, staff of the Finance and Works Departments reviewed projects currently in progress to identify those that would qualify under CCBF spending categories and which are anticipated to incur eligible expenditures by December 31, 2023, in order to offset expenditure shortfalls from the 2018 and 2019 funding periods. Road rehabilitation projects that are currently underway, that are financed from sources that could be exchanged for CCBF funding, and where spending would total \$3,300,000 by the end of December 31, 2023, were deemed the most applicable.

3. Previous Reports and Decisions

- 3.1 The following reports relate to the allocation of 2018 and 2019 CCBF financing to roads rehabilitation projects:

- a. In February 2018, Regional Council approved Report 2018-COW-19, the 2018 Regional Business Plans and Budgets for Property Tax Purposes, including \$4,800,000 of CCBF funding for critical roads rehabilitation projects.
- b. In March 2019, Regional Council approved Report 2019-F-11, the 2019 Regional Business Plans and Budgets for Property Tax Purposes, including \$7,500,000 of CCBF funding for critical roads rehabilitation projects.

4. Identification of Capital Projects Eligible CCBF Spending

- 4.1 A review of roads rehabilitation projects was undertaken by Finance and Works staff and two current road rehabilitation projects were identified for which spending in 2023 would be sufficient to address the unexpended CCBF funding situation.
- 4.2 Main Street and Concession Road 7, in the Township of Uxbridge, is currently under construction. This project has approved Roads Rehabilitation reserve fund financing of \$2,648,000 and has a combination of CCBF eligible costs and ineligible expenditures. It is anticipated that CCBF eligible costs of \$1,900,000 will be incurred by December 31, 2023.
- 4.3 Lake Ridge Road from north of Regional Road 5 to south of Chalk Lake Road, in the Township of Uxbridge, is also under construction in 2023. The project has an approved budget of \$7,942,135, with current financing from the Roads Rehabilitation reserve fund and the CCBF. It is anticipated that eligible CCBF costs of \$5,400,000 will be incurred by December 31, 2023, or \$1.4 million more than the currently approved CCBF financing.
- 4.4 Substituting a portion of the currently approved Roads Rehabilitation reserve fund amounts with an additional allocation of CCBF financing for these two projects would fully utilize the unexpended 2018 and 2019 CCBF program funds. Consequently, no CCBF programs funds would be in jeopardy, avoiding the potential return of the funding to AMO.

5. Financial Implications

- 5.1 In order to fully utilize the CCBF program funds for which the spending period will expire, an additional allocation of \$3.3 million of CCBF funds, replacing the previously approved Road Rehabilitation reserve fund financing for the above-noted projects, is being recommended.

- 5.2 The revised financing for the projects, with the allocation of the additional CCBF funding is shown as follows:

	Roads Rehabilitation Reserve Fund \$	CCBF \$	Total \$
Main Street Uxbridge / Concession Road 7 (Project R2216)			
Previously Approved Financing	2,648,000	-	2,648,000
CCBF allocation	<u>(1,900,000)</u>	<u>1,900,000</u>	=
Revised Financing	<u>748,000</u>	<u>1,900,000</u>	<u>2,648,000</u>
Lake Ridge Road from north of Regional Road 5 to south Chalk Lake Road (Project R1718)			
Previously Approved Financing	3,492,135	4,000,000	7,942,135
CCBF allocation	<u>(1,400,000)</u>	<u>1,400,000</u>	=
Revised Financing	<u>2,092,135</u>	<u>5,400,000</u>	<u>7,942,135</u>

- 5.3 Funding originally approved utilizing the Road Rehabilitation Reserve Fund will be returned to the reserve fund and will be available for future roads rehabilitation priorities as determined in the annual Regional Business Plans and Budgets.
- 5.4 Should it be necessary to prevent the expiry of funds due to underspending or project delays and to ensure unexpended funds are fully utilized, it is also recommended that the Commissioner of Finance be authorized to adjust the split between the CCBF and Roads Rehabilitation reserve fund or other financing as required.

6. Relationship to Strategic Plan

- 6.1 This report aligns with/addresses the following strategic goals and priorities in the Durham Region Strategic plan:
- a. Goal 2: Community Vitality – To foster an exceptional quality of life with services that contribute to strong neighbourhoods, vibrant and diverse communities, and influence our safety and well-being.

- b. Goal 3: Economic Prosperity – To build a strong and resilient economy that maximizes opportunities for business and employment growth, innovation and partnership.
- c. Goal 5: Service Excellence – to provide exceptional value to Durham taxpayers through responsive, effective and fiscally sustainable service delivery.

7. Conclusion

- 7.1 In order to fully utilize the CCBF funding within the five year expenditure limit, an additional allocation of \$3.3 million of unexpended CCBF program funds, in lieu of previously approved Road Rehabilitation reserve fund financing, is being recommended. This will preserve Durham's entitlement to the CCBF funds received in 2018 and 2019 and return funds to the applicable reserve fund for spending in future years.

Respectfully submitted,

Original Signed By

Nancy Taylor, BBA, CPA, CA
Commissioner of Finance

Recommended for Presentation to Committee

Original Signed By

Elaine C. Baxter-Trahair
Chief Administrative Officer