
Gas Tax Allocation Plan

Recommendation

That the Executive Committee recommend to City Council:

1. That the proposed use of the Federal Gas Tax be approved as presented in the Gas Tax Allocation Plan within this report; and
2. That an updated Gas Tax Allocation Plan be referred to the Annual Corporate Business Plan and Budget deliberations for approval.

Topic and Purpose

The purpose of this report is to provide a plan for the use of Federal Gas Tax Funds received by the City of Saskatoon (City) for priority projects.

Report Highlights

1. The proposed Gas Tax Plan is allocating \$114.3M in Gas Tax revenue for the years 2014 - 2022 under the New Building Canada Plan.

Strategic Goal

The Gas Tax Allocation Plan supports the four-year priority of developing funding strategies for expenses related to new capital expenditures including core services such as fire halls, roadways and underground services, under the Strategic Goal of Asset and Financial Sustainability.

Background

In 2005, the City began to receive Gas Tax funds from the federal government under the “New Deal.” Funding was available from 2005 until March 2014 at which time the Gas Tax became permanent under the New Building Canada Plan. There is approximately \$8M in unallocated Gas Tax funds in the Gas Tax account that is being proposed to be allocated to the Major Transportation Infrastructure Funding Plan.

Under the new Gas Tax Plan, the City’s current funding is approximately \$12.6M per year, but will increase to \$13.2M in 2017 and \$13.9M in 2019 based on a formula tied to population. The recommendation is to allocate these funds as outlined in this report.

Report

The Administration’s strategy on Gas Tax funding allocation is to submit eligible projects that do not necessarily require the funding in order to “free up” the funding so that it can be used as a form of “cash” for other identified projects. This is the same principle used in the 2005 - 2013 Gas Tax Program whereby the New Water Intake Facility was submitted as an eligible project but did not require any of the actual funding. The funding was redirected towards the Circle Drive South Project, and as “cash” to the North Commuter Parkway and Traffic Bridge Replacement (NCPPTBR) Project and the Major Transportation Infrastructure Funding Plan.

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The following table provides a listing of projects that will be submitted for funding under the new Gas Tax (various water projects and the Landfill Cell Relining project), and which funding will then be reallocated to other projects identified in the next table.

Project	Amount (2014 - 2022)	Notes
Project Applications (these eligible projects can be funded by Gas Tax that allows for the reallocation of utility and other funds for other projects identified in the Allocation Table)		
Various Water Projects	\$94.7M	These are capital projects included in the Water Utility Five-Year Capital Plan. By submitting projects through the utilities there would be enough eligible costs to transfer unconditional funding to other projects.
Landfill Cell Relining	\$10.6M	Landfill expansion

The following table is a list of projects that are currently funded by Gas Tax receipts (debt payments for both the Circle Drive Bridge Widening and Circle Drive South) and those that are new projects, including NCPP/TBR payments, a provision to the Major Transportation Infrastructure Funding Plan and bus purchases to meet the needs of the Transit Bus Renewal Strategy. Further explanation around each project is provided within the table.

Plan for Use of Gas Tax Receipts from the New Gas Tax Fund

Project	Amount (2014 - 2022)	Notes
Allocation of Gas Tax (either direct allocation of Gas Tax funds or through the reallocation of funds through the projects identified in the preceding table) Total Gas Tax Available 2015 - 2022 = \$114.3M		
▼ Bus Purchases	\$15.0M	Renewal strategy approved by City Council June 2015. The 2015 and 2016 allocations have been approved at \$5M per year. ▼ The 2017 allocation of \$5M is not committed yet.
▼ Bus Replacement Reserve – Direct Contribution	\$5.4M	This is for the years 2020 - 2022 at \$1.8M per year.
NCPP/TBR P3 Debt	\$21.9M	This amount is for the years 2017 – 2022 of the 30 years of debt payments.
NCPP/TBR Contingency	\$6.0M	Contingency for additional costs that may be required for the project. Total contingency planned is \$8M. An additional contingency of \$2M is planned for 2023 – 2024.

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Plan for Use of Gas Tax Receipts from the New Gas Tax Fund (con't)		
Project	Amount (2014 - 2022)	Notes
Civic Facilities Funding Plan/ Civic Operations Centre	\$15.0M	Annual payments for the years 2017 - 2022 for funding towards the 25 years of operating costs for the Civic Operations Centre P3 project.
▼ Fire Hall Relocations – Stations #3 and #5	\$4.0M	One third of \$12.15M estimated cost.
Circle Drive South - Debt Payments	\$31.4M	Debt expires in 2020 and planned for reallocation to NCPP. Debt payments began in 2011.
Circle Drive Bridge Widening – Debt Payments	\$8.3M	Debt expires in 2018 and planned for reallocation to NCPP. Debt payments began in 2009.
▼ Debt Payments for Borrowing	\$4.0M	Debt of \$46M as part of the Major Transportation Infrastructure Funding Plan is partially paid from Gas Tax as well as mill rate funds. The amount shown is only the portion for the years 2019 - 2022.
▼ Unallocated Gas Tax	\$3.3M	Used as a general plan contingency.
Total	\$114.3M	

▼ indicates projects or reserves that can be adjusted or removed from this Plan

Attachment 1 shows the allocation of the Federal Gas Tax Fund.

Options to the Recommendation

Allocations to the Civic Operations Centre, and the debt payments for the Circle Drive South Project and Circle Drive Bridge Widening Project are committed. Allocations to the North Commuter Parkway and Traffic Bridge Replacement Project are also committed as a funding source for this major project.

Other allocations for projects that were identified with the ▼ symbol in the table can be adjusted or removed from the Plan which could free up funding for other uses. The projects identified total \$18.4M for the years 2017 - 2022 and include the projects listed as follows:

▼ Bus Purchases – Direct Purchases	\$5.0M	The 2015 and 2016 allocations have been approved. (2015 - 2017) \$5M per year. ▼ The 2017 allocation is not committed yet.
▼ Bus Replacement Reserve – Direct Contribution	\$5.4M	2020 - 2022 (\$1.8M per year).
▼ Fire Hall Relocations – Stations #3 and #5	\$4.0M	One third of \$12.15M estimated cost.

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▼Debt Payments for Borrowing	\$4.0M	Debt of \$46M as part of the Major Transportation Infrastructure Funding Plan is partially paid from Gas Tax as well as mill rate funds. This amount shown is only the portion for the years 2019 - 2022.
▼Unallocated Gas Tax	\$3.3M	Used as a general plan contingency.

Gas Tax funds cannot be directly used for mill rate purposes. However, reducing debt would reduce the operating impact required for debt payments and free up Gas Tax funds allocated for this purpose.

For example, debt payments of \$4M or \$1M per year could be eliminated from the Gas Tax Plan as well as the mill rate portion of the debt payment. In total, this would be nearly \$2.6M per year of which the mill rate portion is \$1.6M. However, by not borrowing to meet the requirements of the Plan, this would impact the scope or ability to proceed with projects, as well as provide for reserve contributions as identified in the Plan. The Gas Tax funds could then be reallocated to fund other priority projects but could not be directly used for operations and therefore reduce the mill rate. The property tax supported debt component of \$1.6M could be used to reduce the mill rate or allocated to other programs.

Financial Implications

The financial implications are outlined within the body of this report.

Other Considerations/Implications

There are no policy, environment, privacy or CPTED implications or considerations. Neither public/stakeholder involvement nor a communication plan is required.

Due Date for Follow-up and/or Project Completion

As projects are finalized and updated estimates for future projects are obtained, the Plan provisions will be reviewed and updated as required and brought forward to the Executive Committee.

Public Notice

Public Notice will be required at the appropriate time for any projects included in this Plan that result in borrowing funds.

Attachment

1. Gas Tax Allocation Plan - June 2015

Report Approval

Written by: Kerry Tarasoff, CFO/General Manager, Asset & Financial Management

Approved by: Murray Totland, City Manager

GAX TAX PLAN	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Gas tax available (2019 to 2022 is an estimate)	6,310,168	12,620,335	12,931,400	13,242,464	13,575,748	13,909,031	13,909,031	13,909,031	13,909,031	114,316,241
Allocation of Gas Tax:										
CD Bridge Widening Debenture payments		1,928,876	1,958,386	1,934,152	2,421,612	5,234,771	5,234,771	2,500,000		8,243,025
Circle Drive South - CMHC Payments		5,234,771	5,234,771	5,234,771	5,234,771	2,500,000	2,500,000	2,500,000	2,500,000	31,408,626
Civic Operations Centre				2,500,000	2,500,000	2,500,000	1,000,000	1,000,000	2,000,000	15,000,000
Debt Payments for Major Transportation Plan				1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	4,000,000
NGPP for Additional works (MT/MB Nov 27/14)				705,524	2,822,097	2,822,097	2,822,097	6,390,097	1,000,000	6,000,000
NCP/TBR P3 payment (30 years)				1,732,500					6,390,097	21,952,009
Fire Hall Relocations (1/3 of \$12.15M)							2,277,000			4,009,500
Direct Allocation:										
Bus Purchases (Transferred from Mill Rate)		5,000,000	5,000,000	5,000,000			1,800,000	1,800,000	1,800,000	5,400,000
Bus Purchases										15,000,000
Contingency										3,303,080
Total Gas Tax required	-	12,163,647	12,193,156	18,106,947	13,978,480	11,556,868	16,633,868	12,690,097	13,690,097	114,316,241
Cumulative Balance	6,310,168	6,766,856	7,505,099	2,640,617	2,237,885	4,590,048	1,865,211	3,084,146	3,303,080	