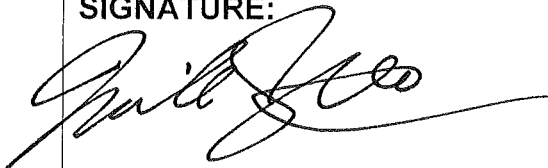


Hamilton

**CITY OF HAMILTON**  
**CORPORATE SERVICES DEPARTMENT**  
**Finance, Administration and Revenue Generation Division**

|  |   |
|--|---|
| <b>TO:</b>   | Chair and Members<br>General Issues Committee   |
| <b>COMMITTEE DATE:</b>   | January 22, 2014  |
| <b>SUBJECT/REPORT NO:</b>  | City of Hamilton/Ministry of Transportation<br>2013/14 Dedicated Gas Tax Funding Agreement<br>(Interim Six-Month Program) (FCS14011) (City<br>Wide) |
| <b>WARD(S) AFFECTED:</b>   | City Wide   |
| <b>PREPARED BY:</b>  | Craig Webb<br><br>(905) 546-2424, Extension 1870  |
| <b>SUBMITTED BY:</b>   | Mike Zegarac<br>Acting General Manager<br>Finance & Corporate Services  |
| <b>SIGNATURE:</b><br> |   |

**RECOMMENDATION**

- (a) That the Mayor and Acting General Manager, Finance & Corporate Services be authorized and directed to enter into an Agreement between the City of Hamilton and the Province of Ontario, related to the funding commitment made by the Province of Ontario to the Municipality under the Dedicated Gas Tax Funds For Hamilton's Public Transportation Program;
- (b) That the Mayor and Acting General Manager, Finance & Corporate Services be authorized and directed to execute the Letter of Agreement attached as Appendix "A" to Report FCS14011;
- (c) That the By-law attached as Appendix "C" to Report FCS14011 authorizing and directing the Mayor and Acting General Manager, Finance & Corporate Services to sign a Letter of Agreement between the City of Hamilton and the Province of Ontario with respect to funding under the Dedicated Gas Tax Funds for Public Transportation Program, be passed;

- (d) That, upon being passed, a certified copy of the By-law together with two copies of the signed Letter of Agreement be forwarded to the Ministry of Transportation.

### **EXECUTIVE SUMMARY**

The attached by-law, accompanying agreement, guidelines and requirements are provided as a condition of the transfer of funding, provided by the Province of Ontario to the City of Hamilton under the dedicated gas tax funds for public transportation program. Under the terms and conditions of the attached agreement, a by-law is required to authorize the Mayor and City Treasurer to sign the *“Letter of Agreement between Her Majesty the Queen in Right of the Province of Ontario, Represented by the Minister of Transportation for the Province of Ontario and the City of Hamilton related to Funding Provided by the Province of Ontario to the Municipality under the Dedicated Gas Tax Funds for Public Transportation Program”*.

Municipalities receiving dedicated gas tax funds must meet the requirements set out in the *“2013/2014 Guidelines and Requirements (Interim Six-Month Program)”*, attached as Appendix “B” to Report FCS14011.

### ***Alternatives for Consideration – Not Applicable***

### **FINANCIAL – STAFFING – LEGAL IMPLICATIONS**

**Financial:** Ratification of the Letter of Agreement is a condition of the City of Hamilton becoming eligible for an estimated \$5,279,511 in provincial funding in 2014 which represents a six-month bridge amount between the end of the 2012/2013 program and the start of the 2014/2015 program. Pro-rated, this represents a modest decrease over the previous year’s total allocation of \$10,675,279.

**Staffing:** None

**Legal:** The enacting of the supporting By-law per Appendix “C” to Report FCS14011 is a requirement to receive funding under the Dedicated Gas Tax Funds for Public Transportation Program.

### **HISTORICAL BACKGROUND**

The Province of Ontario has moved forward with its commitment to make Gas Tax funding permanent. As part of that commitment, the program is changing to align with the Provincial fiscal year. The result is a program that will bridge the gap between the end of the 2012/2013 program and the start of the 2014/2015 program. The Province of Ontario, under the Dedicated Gas Tax Funds for the Public Transportation Program, has agreed to provide bridge funding in the amount of \$5,279,511 to the City of Hamilton, in accordance with and subject to the terms set out in the attached Letter of

**SUBJECT: City of Hamilton/Ministry of Transportation 2013/2014 Dedicated Gas Tax Funding Agreement (Interim Six-Month Program) (FCS14011) (City Wide) - Page 3 of 4**

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Agreement (forms part of the authorizing By-law attached as Appendix "A" to report FCS14011) and the 2013/2014 Guidelines and Requirements (Interim Six-Month Program) - (attached as Appendix "B" to report FCS14011). The Province of Ontario, under the above-noted program, will provide two (2) cents of the existing provincial gas tax to municipalities to support public transportation. In this, the tenth year of the program, that is \$163.4 million in funding.

**POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS**

None

**RELEVANT CONSULTATION**

None

**ANALYSIS AND RATIONALE FOR RECOMMENDATION**

Under the Dedicated Gas Tax Funds for the Public Transportation Program, funding allocated is based on 70% transit ridership and 30% municipal population.

The funding received is deposited into a dedicated reserve that is used to fund the expansion of public transit in terms of capital infrastructure and operating budget funding related to levels of service.

**ALTERNATIVES FOR CONSIDERATION**

None

**ALIGNMENT TO THE 2012 – 2015 STRATEGIC PLAN**

**Strategic Priority #1**

A Prosperous & Healthy Community

*WE enhance our image, economy and well-being by demonstrating that Hamilton is a great place to live, work, play and learn.*

**Strategic Objective**

- 1.4 Improve the City's transportation system to support multi-modal mobility and encourage inter-regional connections.
- 1.6 Enhance Overall Sustainability (financial, economic, social and environmental).

**Strategic Priority #3**

Leadership & Governance

*WE work together to ensure we are a government that is respectful towards each other and that the community has confidence and trust in.*

**Strategic Objective**

- 3.1 Engage in a range of inter-governmental relations (IGR) work that will advance partnerships and projects that benefit the City of Hamilton.

**APPENDICES AND SCHEDULES ATTACHED**

Appendix "A" – Letter of Agreement between the City of Hamilton and the Province of Ontario

Appendix "B" – 2013/2014 Guidelines and Requirements (Interim Six-Month Program)

Appendix "C" – 2014 City of Hamilton/Ministry of Transportation Gas Tax Funding Agreement By-law

Ministry of  
Transportation

Office of the Minister

Ferguson Block, 3<sup>rd</sup> Floor  
77 Wellesley St. West  
Toronto, Ontario  
M7A 1Z8  
(416) 327-9200  
www.mto.gov.on.ca

Ministère des  
Transports

Bureau du ministre

Édifice Ferguson, 3<sup>e</sup> étage  
77, rue Wellesley ouest  
Toronto (Ontario)  
M7A 1Z8  
(416) 327-9200  
www.mto.gov.on.ca



December 12, 2013

His Worship Bob Bratina  
Mayor  
City of Hamilton  
71 Main Street West  
Hamilton, ON L8P 4Y5

Dear Mayor Bratina,

**RE: Letter of Agreement between Her Majesty the Queen in right of the Province of Ontario, represented by the Minister of Transportation for the Province of Ontario (the "Ministry") and City of Hamilton (the "Municipality") Related to Funding Provided by the Province of Ontario (the "Province") to the Municipality under the Dedicated Gas Tax Funds for Public Transportation Program (this "Letter of Agreement")**

---

This Letter of Agreement sets out the terms and conditions for the use of dedicated gas tax funds by municipalities for public transportation.

As the Province desires to increase public transportation ridership to support the development of strong communities, the Ministry maintains a Dedicated Gas Tax Funds for Public Transportation Program (the "Program"), under which two cents of the existing provincial gas tax will be provided to municipalities for public transportation expenditures.

Following the passage of the *Dedicated Funding for Public Transportation Act, 2013*, S.O. 2013, c.2, Sched. 3 (the "DFPTA"), on or after April 1, 2013 and without requiring the amounts to be approved by the Legislature each year, a portion of the provincial gasoline tax revenue is now dedicated to the provision of grants to municipalities for public transportation, including those pursuant to the Program. As a consequence, the Ministry is aligning the Program with the provincial fiscal year. For the past nine years the Program has run from October to September. In future, it will run from April to March.

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The Program will be for a six-month period to bridge the gap between the end of the 2012-2013 Program on September 30, 2013, and the beginning of the 2014-2015 Program on April 1, 2014.

Any funding to the Municipality by the Ministry will be provided in accordance with the terms and conditions set out in this Letter of Agreement and the enclosed Dedicated Gas Tax Funds for Public Transportation Program Guidelines and Requirements (Interim-Six Month Program) (the "guidelines and requirements").

In consideration of the mutual covenants and agreements contained in this Letter of Agreement and the guidelines and requirements, which have been reviewed and are understood by the Municipality and are hereby incorporated by reference, the Ministry and the Municipality covenant and agree as follows:

1. To support increased public transportation ridership in the Municipality, and in recognition of the Municipality's need for predictable and sustainable funding to support investments in the renewal and expansion of public transportation systems, the Ministry agrees to provide funding to the Municipality under the Program in an amount up to \$5,279,511 in accordance with, and subject to, the terms set out in this Letter of Agreement, and the guidelines and requirements, with \$2,639,756 payable on receipt of this signed Letter of Agreement and related authorizing municipal by-law, and any remaining payment(s) payable thereafter.
2. Despite Section 1, the Municipality understands and agrees that any amount payable under this Letter of Agreement may be subject, at the Ministry's discretion, to adjustment to reflect final gas tax receipts and any other adjustments as set out in the guidelines and requirements.
3. If the Municipality receives dedicated gas tax funds on behalf of any other municipality, and the other municipality has agreed to the Municipality collecting the dedicated gas tax funds on its behalf, the Municipality shall provide, upon request and in compliance with the requirements set out in the guidelines and requirements, any applicable municipal by-law and legal agreement between the Municipality and the other municipality providing for such arrangement to the Ministry prior to the payment of any dedicated gas tax funds by the Ministry under this Letter of Agreement.
4. The Municipality shall deposit the funds received under this Letter of Agreement in a dedicated gas tax funds reserve account, and use such funds only in accordance with the guidelines and requirements.

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5. The Municipality shall adhere to the reporting and accountability measures set out in the guidelines and requirements, and shall provide all requested documents to the Ministry.
6. The Municipality understands and agrees that the funding provided under this Letter of Agreement represents the full extent of the Ministry's and Province's financial contribution under the Program, and that no additional funds will be provided by either the Ministry or the Province for such purposes to the Municipality for the 2013/2014 Program year.
7. The Ministry may terminate this Letter of Agreement at any time, without cause, upon giving at least sixty (60) days written notice to the Municipality. If the Ministry terminates this Letter of Agreement without cause, it may cancel all further dedicated gas tax funds payments. Where the Ministry has terminated this Letter of Agreement under this Section, the Ministry may, after determining the Municipality's reasonable costs to terminate any binding agreement for any eligible public transportation service acquired, or to be acquired, with dedicated gas tax funds provided under this Letter of Agreement, provide the Municipality with additional funding to offset, in whole or in part, such costs. The additional funding may be provided only if there is an appropriation for this purpose, and in no event shall the additional funding result in the total funding under this Letter of Agreement exceeding the amount specified under Section 1.
8. Any provisions, including those in the guidelines and requirements, which by their nature are intended to survive the termination or expiration of this Letter of Agreement, shall survive its termination or expiration.
9. The Municipality hereby consents to the execution by the Ministry of this Letter of Agreement by means of an electronic signature.

If the Municipality is satisfied with and accepts the terms and conditions of this Letter of Agreement, please secure the required signatures for the four enclosed copies of this Letter of Agreement and return two fully signed copies to:

Ministry of Transportation  
Division Services and Program Management Office  
27<sup>th</sup> Floor, Suite # 2702  
777 Bay Street,  
Toronto, Ontario  
M7A 2J8

Once the Ministry has received the signed copies, the last signature of which shall be the effective date of this Letter of Agreement, together with a copy of the authorizing municipal by-law, the Ministry will make arrangements for the payment of the dedicated gas tax funds to the Municipality.

Yours sincerely,



Glen Murray  
Minister of Transportation

I have read and understand the terms of this Letter of Agreement as set out above, and by signing below I am signifying the Municipality's consent to be bound by these terms.

City of Hamilton

Per: \_\_\_\_\_  
Mayor

Date: \_\_\_\_\_

Per: \_\_\_\_\_  
Chief Financial Officer/Treasurer

Date: \_\_\_\_\_





**MINISTRY OF TRANSPORTATION**

**Dedicated Gas Tax Funds For  
Public Transportation Program**

**2013/2014 Guidelines and Requirements  
(Interim Six-Month Program)**

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## DEDICATED GAS TAX FUNDS FOR PUBLIC TRANSPORTATION PROGRAM

### 2013/2014 GUIDELINES & REQUIREMENTS (INTERIM SIX-MONTH PROGRAM)

#### 1. DEFINITIONS

When used in these guidelines and requirements, the words set out below that import the singular include the plural and vice versa:

"baseline spending" means a municipality's spending level, which equals the average municipal own spending on public transportation for the years 2001 to 2003 and includes a rate of 2% per year for inflation. For new transit systems that were not operational from 2001 to 2003, the baseline will be determined at the Ministry's discretion, until the municipality has three years of operation, whereby the first three years of municipal spending will be averaged and a rate of 2% per year for inflation will be applied.

"Canadian content policy" means the Canadian Content for Transit Vehicle Procurement Policy attached to these guidelines and requirements as Appendix B: Canadian Content Policy.

"dedicated gas tax funds" means the money provided by the Ministry to a municipality to be used strictly towards eligible expenditures that are reasonable, in the opinion of the Ministry, and related directly to the provision of public transportation services, and "dedicated gas tax funding" has the same meaning.

"dedicated gas tax funds reserve account" means an interest bearing account set up by a municipality, under its name and in a Canadian financial institution, where dedicated gas tax funds are deposited and tracked separately from any other funds.

"DFPTA" means the *Dedicated Funding for Public Transportation Act, 2013*, S.O. 2013, c.2, Sched. 3.

"eligible expenditures" means expenditures made by a municipality in direct support of public transportation operating or capital costs in accordance with Article 3 of these guidelines and requirements.

"guidelines and requirements" means these guidelines and requirements entitled "Dedicated Gas Tax Funds for Public Transportation Program – 2013/2014 Guidelines and Requirements (Interim Six-Month Program)", including Appendices A and B to these guidelines and requirements, which the Ministry may amend from time to time.

"host municipality" means a host municipality as defined in Section 4.2.

"indemnified parties" means each of the following and their directors, officers, advisors, agents, appointees and employees: Her Majesty the Queen in right of Ontario and the members of the Executive Council of Ontario.

"letter of agreement" means an agreement entered into between the Ministry and a municipality, including a host municipality, that sets out the terms and conditions under which the Ministry agrees to provide dedicated gas tax funds to the municipality, including those under these guidelines and requirements, and any amendments to the letter of agreement.

"losses" means liabilities, costs, damages and expenses (including legal, expert and consulting fees).

"major refurbishment" means: (a) for a subway car, light rail car, streetcar or trolley bus, the refurbishment where the life cycle is extended a minimum of six years beyond the designed life cycle set out by the manufacturer; and (b) for a bus thirty feet in length or over, the refurbishment where the life cycle of the bus at a minimum age of nine years is extended for a minimum of six years.

"Ministry" and "Minister", respectively, means the Ministry of Transportation which is responsible for the administration of the Program and the Minister responsible for the Ministry.

"municipal own spending on public transportation" means the funds a municipality contributes towards public transportation expenditures, including funds it contributes for operating and capital expenditures, total operating revenue and local public donations.

"personnel" includes the directors, officers, employees, agents, partners, affiliates, volunteers or subcontractors of a municipality.

"proceeding" includes actions, claims, demands and lawsuits.

"Program" means the Dedicated Gas Tax Funds for Public Transportation Program set up by the Ministry to provide municipalities with dedicated gas tax funds subject to, and in accordance with, these guidelines and requirements.

"PRESTO Fare System" means the public transportation integrated fare collection system for the Greater Toronto and Hamilton area ("GTHA"), and any other municipality that may be added from time to time, to support more seamless use by public transportation customers and the collection of public transportation fares.

"public transportation" means any service for which a fare is charged for transporting the public by vehicles operated by or on behalf of a municipality or local board as defined in the *Municipal Affairs Act*, R.S.O. 1990, c. M. 46, as amended, or under an agreement between a municipality or local board, and a person, firm or corporation, and includes special transportation facilities for the physically disabled, but does not include transportation by special purpose facilities, such as school buses or ambulances.

"public transportation vehicle" refers to a streetcar, bus, subway car, light rail car or trolley bus used for public transportation.

"reporting forms" means the following forms attached as Appendix A (Reporting Forms) to these guidelines and requirements: 1) Dedicated Gas Tax Funds for Public Transportation 2013 Reporting Form (i.e. form MT-O-16); 2) Dedicated Gas Tax Program – Transit 2013 Conventional Transit Reporting Form (i.e. form MT-O-17); and 3) Dedicated Gas Tax Program – Transit 2013 Specialized Transit Reporting Form (i.e., form MT-O-18).

"subcontractor" means any contractor of a municipality or any of its subcontractors at any tier of subcontracting.

## 2. INTRODUCTION

The Province has a vision for a stronger Ontario built around strong communities, a vibrant economy and healthier, more liveable cities with increased access to public transportation, reduced commute times and cleaner air for all Ontarians. By providing a portion of the gas tax for public transportation, the Province assists municipalities to become more self-sustaining in that regard.

As of October 2004, the Province provided 1 cent/litre of gas tax funds to Ontario municipalities, increasing as of October 2005 to 1.5 cents/litre, and since October 2006 has consistently provided 2 cents/litre annually.

Following the passage of the DFPTA on or after April 1, 2013 and without requiring the amounts to be approved by the Legislature each year, a portion of the provincial gasoline tax revenue is now dedicated to the provision of grants to municipalities for public transportation, including those pursuant to the Program. The portion of the gas tax that is dedicated in each fiscal year is an amount determined using a formula set out in the DFPTA. As a consequence, the Ministry is aligning the Program with the provincial fiscal year. For the past nine years the Program has run from October to September. In the future, the Program will run from April to March, with municipal allocation being available in late September at the earliest.

The Program will be for a six-month period, from October 1, 2013 to March 31, 2014, to bridge the gap between the end of the 2012-13 program on September 30, 2013 and the beginning of the 2014-2015 program on April 1, 2014. The new allocation of funding for the interim Program for 96 public transit systems representing 133 municipalities will amount to approximately \$163.4 million.

The Program is an important element of the ongoing relationship between the Province and Ontario municipalities. Municipalities receiving dedicated gas tax funds must meet the requirements set out in these guidelines and requirements.

### 3. GENERAL ELIGIBILITY REQUIREMENTS AND CONDITIONS

The purpose of the Program is to provide dedicated gas tax funds to Ontario municipalities to ensure that local public transportation services continue, and to increase overall ridership through the expansion of public transportation capital infrastructure and levels of service. To be eligible to receive dedicated gas tax funds a municipality must contribute financially towards their public transportation services.

For 2013/2014, only municipalities that have submitted their 2012 annual data survey to the Canadian Urban Transit Association (CUTA) will be eligible to receive dedicated gas tax funds, unless otherwise approved by the Ministry.

Subject to the provision of a municipal by-law indicating its intent to provide public transportation services, a municipality that is not currently providing public transportation services, but decides to begin providing such services, may be eligible for funding. Notification of the municipality's intent to provide public transportation services and specific commitment to annually fund such public transportation services will be required prior to October 1, 2013. After the new public transportation services have been implemented, dedicated gas tax funding may then be available, at the Ministry's sole discretion.

A municipality receiving dedicated gas tax funds must ensure that all funds received and any related interest are used exclusively towards the provision of public transportation services and, unless otherwise approved by the Ministry, disbursement of dedicated gas tax funds and any related interest must be net of any rebate, credit or refund, for which it has received, will receive, or is eligible to receive.

Public transportation services for which dedicated gas tax funds and any related interest are provided must be acquired or provided in accordance with the terms and conditions set out in a letter of agreement, and in compliance with all federal and provincial laws and regulations, all municipal by-laws, and any other orders, rules and by-laws applicable to any aspect of the public transportation services. For greater clarity, all public transportation services and public transportation vehicles must be fully accessible in accordance with the requirements set out under the following statutes and regulations, as may be amended from time to time: the *Accessibility for Ontarians with Disabilities Act, 2005*, S.O. 2005, c. 11 and the *Integrated Accessibility Standards*, O. Reg. 191/11 made under that Act; and the *Highway Traffic Act*, R.S.O. 1990, c. H.8 and the *Accessible Vehicles*, R.R.O. 1990, Reg. 629 made under that Act. In addition to the above, the acquisition of public transportation vehicles must comply with the Canadian content policy requirements.

The Ministry may withhold payment of dedicated gas tax funds until the reporting requirements under Section 8.4 are met.

Unless the Ministry otherwise approves in writing, in 2013/2014, gas tax revenues and any related interest can only be used to support municipal public transportation expenditures above a municipality's baseline spending and not to reduce or replace current levels of municipal public transportation funding. External audit and financial reporting costs are not

eligible expenditures to which dedicated gas tax funding can be applied or the Ministry may reimburse.

**(a) Requirements for All Dedicated Gas Tax Funds Received in 2013/2014 and Beyond**

- o *Dedicated gas tax funds and any related interest will need to be spent on:*
  - Public transportation capital expenditures that promote increased transit ridership, and are above a municipality's baseline spending;
  - Public transportation operating expenditures that are above a municipality's baseline spending;
  - Capital expenditures for the replacement of any public transportation vehicles that are above a municipality's baseline spending;
  - Capital expenditures that provide improvements to public transportation security and passenger safety, and are above a municipality's baseline spending; and
  - Major refurbishment on any fully accessible, or to be made fully accessible, public transportation vehicle, and are above a municipality's baseline spending.
- o For municipalities that provide only specialized transit, transit initiatives that may not initially result in ridership growth but will provide increased accessibility can be considered as eligible expenditures if approved in writing by the Ministry prior to implementation.

**(b) Additional Requirements for the following Municipalities: Regions of Durham and York, the Cities of Brampton, Burlington, Hamilton, Mississauga, Ottawa and Toronto, and the Town of Oakville.**

Prior to the release of any dedicated gas tax funds, the municipalities listed under (b) above will, in addition to any other requirements in this Article 3, be required to:

- o Participate in the PRESTO Fare System project and, as participants, will be required to meet their financial obligations for that project.

**(c) Additional Requirements for GTA Municipalities: Regions of Durham, Halton, Peel and York, and Cities of Hamilton and Toronto.**

Prior to the release of any dedicated gas tax funds, the municipalities listed under (c) above will, in addition to any other requirements in this Article 3, be required to:

- o Demonstrate that they have met their responsibility for the payment of the growth and expansion capital costs of Metrolinx pursuant to the *Amendment to Greater Toronto Services Board By-law No. 40*, O. Reg. 446/04, made under the *Metrolinx Act, 2006*, S.O. 2006, c. 16.

The eligibility requirements for dedicated gas tax funds will be determined in accordance with these guidelines, including the Canadian content policy. The eligibility for any dedicated gas tax funds is at the sole discretion of the Ministry. Where a municipality relies on receiving dedicated gas tax funds for expenditure, a municipality should consider consulting with Ministry staff when in doubt as to whether such expenditure is eligible for dedicated gas tax funds prior to making or committing to make it.

#### **4. GENERAL PROGRAM ALLOCATION METHODOLOGY AND PAYMENT PROCESS**

##### **4.1 General Program Allocation Methodology**

Based on consultation with municipalities, public transportation operators and stakeholders, the Province recognizes the varying needs of public transportation in Ontario municipalities, including those related to large established public transportation systems and communities with different growth rates and levels of public transportation service. Consistent with the above, the Province has established an allocation formula based on a combination of ridership and population. This formula balances the needs of large established public transportation systems, the growth needs of rapidly growing municipalities, and the needs of smaller municipalities that provide public transportation services.

The Province is implementing an allocation based on 70% transit ridership and 30% municipal population. Fully implemented, 70% of \$163.4 million (\$114.4 million) will be distributed to municipalities on the basis of their public transportation ridership levels. Thirty percent (30%) of \$163.4 million (\$49 million) will be distributed on the basis of population levels. Public transportation ridership will include the totals of both conventional and specialized public transportation services.

Both ridership and population figures are updated and revised annually for use in the calculation of dedicated gas tax funds.

CUTA annually collects and reproduces, on behalf of the Ministry, transit ridership data in its Ontario Urban Transit Fact Book and its Ontario Specialized Transit Services Fact Book (the "CUTA Fact Books"). The Ministry used the 2012 ridership data from the 2012 CUTA Fact Books for the above calculation. Where a municipality's ridership data have not been collected nor reproduced in the 2012 CUTA Fact Books, the Ministry used the 2012 transit ridership data received from the municipality.

The 2013/2014 gas tax allocations were calculated using 2012 population estimates derived from the 2006 census data.

Dedicated gas tax funds provided to each municipality in 2013/2014 are not to exceed, based on the 2012 municipal public transportation spending data set out in the CUTA Fact Books, 37.5% of municipal own spending on public transportation. For the purposes of the Program, the standard 75% threshold of municipal own spending on public transportation has been prorated to 37.5% due to the six-month length of the program year. The Ministry may re-



allocate, in support of increasing public transportation ridership, any amounts of moneys dedicated for, but that remains undistributed through, the Program.

The Ministry may undertake an annual review of the dedicated gas tax allocation methodology and eligibility requirements to ensure these funds support the desired outcome of increased public transportation ridership. Municipal public transportation spending will be reviewed on an annual basis to determine if the limits of the dedicated gas tax funds need to be applied where the gas tax allocation may exceed 37.5% of municipal own spending on public transportation.

#### **4.2 Payment Process**

The Minister will advise each municipality that provides public transportation services of the amount of dedicated gas tax funds it is eligible to receive. The Minister will send a letter of agreement to each of these municipalities. The letter of agreement will set out the terms and conditions upon which the dedicated gas tax funds will be released to the municipality, and by which the municipality will have to agree to be bound.

The Ministry may, on a quarterly basis (or other basis, as the Ministry may decide from time to time), make payments of dedicated gas tax funds only after receipt of the following documents: i) the letter of agreement, provided by the Ministry to the municipality, signed by the head of the municipal council and chief financial officer/treasurer; and ii) a copy of a municipal by-law permitting the municipality to enter into the letter of agreement.

Any amount of dedicated gas tax funds provided to the municipality under the Program will be subject to the remedies set out under Article 7. In addition, any dedicated gas tax funds the Ministry provides to a municipality and any related interest, including those kept by the municipality in a dedicated gas tax funds reserve account, will have to be used by the municipality exclusively towards public transportation services and in accordance with the requirements set out in these guidelines and requirements, including those related to eligibility and related conditions, acquisition and disposition, accountability, records, audit and reporting, and liability and indemnity requirements. The above will apply to funds received during the term of a letter of agreement, and will survive such term.

If a municipality agrees to provide public transportation services (a "host municipality") for another municipality, the Ministry, at its sole discretion, may only provide the host municipality with dedicated gas tax funds. Prior to the Ministry making any payment of dedicated gas tax funds to the host municipality, the host municipality and the municipality on whose behalf the host municipality is providing transportation services will be required to provide the Ministry with copies of their respective by-laws designating the host municipality as a public transportation service provider for the municipality or authorizing the host municipality to provide public transportation services to the municipality. The host municipality will be required to enter into a dedicated gas tax funds letter of agreement with the Ministry and be in compliance with the terms and conditions set out in these guidelines and requirements.

## **5. DEDICATED GAS TAX FUNDS RESERVE ACCOUNT AND INTEREST**

### **5.1 Dedicated Gas Tax Funds Reserve Account**

Dedicated gas tax funds must be used only towards public transportation service eligible expenditures. A municipality receiving dedicated gas tax funds prior to the municipality having paid for any eligible expenditures, in accordance with these guidelines and requirements, must keep such dedicated gas tax funds, and all interest earned on such funds, in a dedicated gas tax funds reserve account. Gas tax funds received must be reported annually, using the reporting forms, on a cash basis.

### **5.2 Interest**

Interest on funds deposited in a dedicated gas tax funds reserve account must accrue on any carryover funds over the course of the Program reporting period. A municipality must calculate interest on its average annual balance of funds. The interest must also be reported annually, using the reporting forms and can only be applied towards public transportation services eligible expenditures.

## **6. ACQUISITION AND DISPOSITION OF SUPPLIES, MATERIALS, EQUIPMENT, AND SERVICES**

If a municipality acquires supplies, materials, equipment or services with dedicated gas tax funds, it must do so through a process that promotes the best value (with due regard for economy, efficiency and effectiveness) for the dedicated gas tax funds it spends.

The municipality must report to the Ministry in writing any funds accrued from the sale, lease or disposal of assets purchased with dedicated gas tax funds, and return such funds to a dedicated gas tax funds reserve account (see Article 5).

## **7. ADJUSTMENT, WITHHOLDING AND REPAYMENT OF DEDICATED GAS TAX FUNDS AND OTHER REMEDIES**

If, once the Ministry and a municipality have entered into a letter of agreement and in the opinion of the Ministry, the municipality: i) fails to comply with any of the requirements set out in the letter of agreement, including these guidelines and requirements; ii) uses any of the dedicated gas tax funds or any related interest, for a purpose not authorized without the prior written consent of the Ministry; iii) provides erroneous or misleading information; iv) fails to provide information, including requested audit information, to the Ministry for any reason whatsoever; or v) is unable to provide or acquire or has discontinued the provision or acquisition of public transportation services for which dedicated gas tax funds have been provided, or it is not reasonable for the municipality to continue to provide or acquire public transportation services for which such funds have been provided ("event of default"), the Ministry may, unless the Ministry provides the municipality with written notice of an opportunity

to correct the event of default: i) immediately terminate the letter of agreement; ii) suspend dedicated gas tax funding for such period as the Ministry determines appropriate; iii) reduce the amount of any dedicated gas tax funds; and/or iv) initiate any action the Ministry considers necessary to ensure the successful provision or acquisition by the municipality of any public transportation services, including capital assets, in accordance with the terms of the letter of agreement.

Where the Ministry gives the municipality an opportunity to correct an event of default by giving it notice of the particulars of the event of default and the date by which the municipality is required to remedy it, and: i) the municipality does not remedy the event of default by the date specified in the notice; ii) it becomes apparent to the Ministry that the municipality cannot completely remedy the event of default by the date specified in the notice; or iii) the municipality is not proceeding to remedy the event of default in a way that is satisfactory to the Ministry, the Ministry may initiate any of the remedies for event of default available to it under this Article.

Upon termination of the letter of agreement pursuant to this Article, the Ministry may:

- i) Cancel all further dedicated gas tax fund payments;
- ii) Demand the repayment of any dedicated gas tax funds remaining in the possession or under the control of the municipality; and/or,
- iii) Demand the repayment of an amount equal to any dedicated gas tax funds or any related interest that the municipality used for purposes not agreed upon by the Ministry.

In regards to paragraph iii) above, the Minister may not demand repayment of an aggregate amount greater than the dedicated gas tax funds that were received by the municipality.

Upon the Minister providing a municipality a written demand for repayment of dedicated gas tax funds, the amount of the demand shall constitute a debt due to the Crown of the Province of Ontario and may be recovered as such under applicable law including, without limitation, the *Financial Administration Act*, R.S.O. 1990, c. F.12, as amended, ("FAA"). In addition to any remedy the Crown may have under the FAA, the Ministry may decide to withhold or adjust the amount of any current or future dedicated gas tax funding, or any other funding program, that may be provided to the municipality in an amount equal to such debt or have the amount of such debt deducted from financial assistance payable on any other project(s) of the municipality under any other initiative in which the Ministry is involved (either current or future).

A municipality must inform the Ministry of any contribution received from any source whatsoever towards costs related to the Program. Unless the Minister directs otherwise, the amount of such contribution will be deducted from any amount of dedicated gas tax funding the Minister may provide to the municipality.

Any decision made by the Minister regarding funding under the Program is final.

## **8. ACCOUNTABILITY, RECORDS, AUDIT AND REPORTING REQUIREMENTS**

### **8.1 Accountability**

A municipality receiving dedicated gas tax funds must use such funds, and any interest earned on such funds, exclusively towards public transportation service eligible expenditures and in accordance with these guidelines and requirements. The municipality will not be allowed to use dedicated gas tax funds and related interest to offset other municipal expenditures.

### **8.2 Records**

A municipality receiving dedicated gas tax funds must keep and maintain separate records and documentation related to any dedicated gas tax funds and any related interest, including invoices and any other financially-related documents relating to the provision or acquisition of public transportation services for which dedicated gas tax funds and any related interest have been used. The records and documentation must be kept and maintained in accordance with generally accepted accounting principles. Records containing confidential information must be kept in accordance with all applicable legislation. No provision of these guidelines and requirements shall be construed so as to give the Ministry any control whatsoever over the municipality's records.

### **8.3 Audit**

A municipality receiving dedicated gas tax funds may be subject to audit. The Ministry may, at its sole discretion, audit or have audited by any third party, any records and documentation of the municipality related to any public transportation services provided or acquired with dedicated gas tax funds and any related interest, and such funds. Such audit may require the Ministry, at the municipality's expense (except as provided in the Canadian content policy), to retain external auditors. In addition, the Auditor General may, pursuant to the *Auditor General Act*, R.S.O. 1990, c. A. 35, as amended, audit the accounts and records of the municipality relating to any expenditure of dedicated gas tax funds.

In addition to any adjustments the Ministry may make to dedicated gas tax funding under these guidelines and requirements, the Ministry may, upon recommendation in an audit report, adjust future dedicated gas tax fund payments or other payments the Province may make to the municipality under any other program.

### **8.4 Reporting**

Accuracy in the calculation and reporting of municipal transit ridership and dedicated gas tax funds and any related interest is paramount. When calculating ridership, municipalities have to use one of the acceptable best practices identified in the 2008 Ontario Ridership Data Collection Review Report published jointly by CUTA and iTrans Consultants (retained by CUTA).

A municipality will be accountable to use dedicated gas tax funds and any related interest towards public transportation expenditures that meet the Program eligibility requirements. Each municipality will be required to report on how dedicated gas tax funds and any related interest are spent on an annual basis, including the provision of its Canadian content declaration form(s), in accordance with the Canadian content policy, for any public transportation vehicle funded with dedicated gas tax funds.

For the purpose of the above reporting, municipalities will be required to use the reporting forms which have been developed in consultation with municipal public transportation stakeholders, and submit these reporting forms to the Ministry prior to February 28, 2014.

## **9. COMMUNICATIONS**

A municipality will be required to give a minimum of thirty (30) days written notice to the Ministry regarding any planned local dedicated gas tax funding communication and/or recognition event. The municipality will also be required to provide the Ministry with detailed information regarding such communication and/or event.

The Ministry and a municipality receiving dedicated gas tax funds will, at all times, remain independent of each other and will not represent themselves to be the agent, joint venturer, partner or employee of the other. Neither the municipality nor the Ministry will be allowed to make representations or take actions which could establish or imply any apparent relationship of agency, joint venture, partnership or employment. In addition, neither the municipality nor the Ministry will be bound in any manner whatsoever by any agreements, warranties or representations made by any of them to any other person or entity, with respect to any other action of the other.

If the municipality publishes any material of any kind, written or oral, relating to public transportation services provided or acquired with dedicated gas tax funds, the municipality will indicate in the material that the views expressed in the material are the views of the municipality and do not necessarily reflect those of the Ministry.

## **10. CONFLICT OF INTEREST**

A municipality receiving dedicated gas tax funds and its contractors and any of their respective advisors, partners, directors, officers, employees, agents and volunteers must carry out the acquisition of public transportation vehicles and services and use the dedicated gas tax funds without a conflict of interest (actually or potentially in the sole opinion of the Ministry) with the terms and conditions set out in these guidelines and requirements.

A conflict of interest includes any circumstances where the municipality or its contractors or any of their respective advisors, partners, directors, officers, employees, agents and volunteers has outside commitments, relationships or financial interests that could, or could be seen to, interfere with its/her/his objective, unbiased and impartial judgment relating to the provision or acquisition of public transportation vehicles and services and the use of dedicated

gas tax funds.

A municipality will disclose to the Ministry without delay any situation that a reasonable person would interpret as either an actual, potential or perceived conflict of interest, and comply with any terms and conditions that the Ministry may subsequently impose as a result of the disclosure.

#### **11. FREEDOM OF INFORMATION AND PROTECTION OF PRIVACY ACT**

All applications submitted to the Ministry are subject to the *Freedom of Information and Protection of Privacy Act*, R.S.O. 1990, c. F. 31, as amended ("FOIPPA"). The FOIPPA provides every person with a right of access to information in the custody or under the control of the Ministry, subject to a limited set of exemptions.

Municipalities are advised that the names of municipalities receiving dedicated gas tax funds, the amount of funds provided, and the purpose for which dedicated gas tax funds are provided is information the Ministry makes available to the public.

#### **12. LIABILITIES AND INDEMNITIES**

A municipality receiving dedicated gas tax funds must agree that it is responsible for anything that may arise, directly or indirectly, in connection with the Program, including without limitation the provision and acquisition of public transportation vehicles, services and capital assets with dedicated gas tax funds. The Ministry's involvement under the Program is for the sole purpose of, and is limited to, the provision of dedicated gas tax funds. As such and as a condition of receiving dedicated gas tax funds, a municipality must agree that, through the Program or otherwise, it has no power or authority to bind the Ministry or to assume or create any obligation or responsibility, express or implied, on behalf of the Ministry. Furthermore, the municipality must not hold itself out as an agent, partner or employee of the Ministry. For greater certainty, nothing in the letter of agreement, including these guidelines and requirements, has the effect of creating an employment, partnership or agency relationship between the Ministry and the municipality.

Furthermore, a municipality receiving dedicated gas tax funds must agree to indemnify and hold harmless the indemnified parties from and against all losses and proceedings, by whomever made, sustained, incurred, brought or prosecuted, in any way arising out of or in connection with anything done or omitted to be done by the municipality or any municipality on behalf of which the municipality receives dedicated gas tax funds, or any or their respective personnel, arising out of or in connection with the Program, including, without limitation, the provision or acquisition of public transportation vehicles, services or capital assets with dedicated gas tax funds, or the letter of agreement, unless solely caused by the negligence or willful misconduct of the Ministry.

A municipality receiving dedicated gas tax funds is responsible for its own insurance and must carry, at its own expense, and require the same from its subcontractors and any municipality

on behalf of which it receives dedicated gas tax funds, all the necessary and appropriate insurance that a prudent municipality in similar circumstances would maintain in order to protect itself and the Ministry and support the indemnification, as set out above, provided to the Ministry. For greater certainty, the municipality is not covered by the Province of Ontario's insurance program and no protection will be afforded to the municipality by the Government of Ontario for any losses or proceedings that may arise out of the Program or letter of agreement.

For greater certainty, the rights and remedies of the Ministry under a letter of agreement are cumulative and are in addition to, and not in substitution for, any of its rights and remedies provided by law or in equity.

### **13. WHERE TO APPLY AND REQUEST OR PROVIDE INFORMATION**

Any questions regarding the Program are to be directed to the Ministry Division Services and Program Management Office either by phone at (416) 585-7129 or facsimile at (416) 585-7132.

All forms, agreements and supporting documentation must be forwarded to the following address:

**Ministry of Transportation  
Division Services and Program Management Office  
27<sup>th</sup> Floor, Suite #2702  
777 Bay Street  
Toronto, ON  
M7A 2J8**

**APPENDIX A: REPORTING FORMS**





**Dedicated Gas Tax Funds for  
Public Transportation 2013 Reporting Form**

The Corporation of the \_\_\_\_\_ of \_\_\_\_\_

**A. Dedicated Gas Tax Funds Available Summary**

|    |   |    |             |
|----|---|----|-------------|
| 1. | Dedicated gas tax funds reserve account balance carry forward from 2012 | \$ |             |
| 2. | Dedicated gas tax funds received in calendar year 2013                  | \$ |             |
| 3. | Interest earned in 2013   | \$ |             |
| 4. | <b>Total Dedicated Gas Tax Funds Available</b>                          | \$ | <b>0.00</b> |

**B. Dedicated Gas Tax Funds Disbursements in 2013**

|     |   |    |             |
|-----|---|----|-------------|
| 5.  | Conventional public transportation capital costs (From Form MT-O-17)                                      | \$ |             |
| 6.  | Conventional public transportation operating costs (From Form MT-O-17)                                    | \$ |             |
| 7.  | Specialized public transportation capital costs (From Form MT-O-18)                                       | \$ |             |
| 8.  | Specialized public transportation operating costs (From Form MT-O-18)                                     | \$ |             |
| 9.  | <b>Total dedicated gas tax funds disbursed in 2013</b>  | \$ | <b>0.00</b> |
| 10. | <b>Remaining amount of dedicated gas tax funds in gas tax funds reserve account (as of Dec. 31, 2013)</b> | \$ | <b>0.00</b> |

**C. Public Transit Expenditures**

|  | Conventional Transit | Specialized Transit | Total |
|--|----------------------|---------------------|-------|
| 11. Total operating expenses           | \$                   | \$                  | \$    |
| 12. Total capital expenses             | \$                   | \$                  | \$    |
| 13. Total transit expenditures (11+12) | \$                   | \$                  | \$    |

**D. Municipal Contributions**  
(where more than one, provide municipal names and individual amounts)

|  |    |    |    |
|--|----|----|----|
| 1.   | \$ | \$ |    |
| 2.   | \$ | \$ |    |
| 3.   | \$ | \$ |    |
| 4.   | \$ | \$ |    |
| 14. Operating  | \$ | \$ | \$ |
| 15. Capital  | \$ | \$ | \$ |
| 16. Capital reserves   | \$ | \$ | \$ |
| 17a. Regular Service Passenger Revenue (Farebox Revenue)   | \$ | \$ | \$ |
| 17b. Other Revenue (including school contracts, local charters, advertising, parking, concessions, etc.) | \$ | \$ | \$ |
| 17c. Other Operating Contributions (including donations, fundraising, etc.)                              | \$ | \$ | \$ |
| 18. Total (14+15+16+17a +17b +17c)   | \$ | \$ | \$ |

**E. Provincial Contributions**  
(other than gas tax funding i.e. LHIN, OBRP)

|  |    |    |    |
|--|----|----|----|
|  | \$ | \$ | \$ |
|--|----|----|----|

**F. Federal Contributions**

|  |    |    |    |
|--|----|----|----|
|  | \$ | \$ | \$ |
|--|----|----|----|

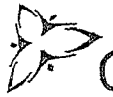
**Declaration**

I/We solemnly declare that the above amounts have been paid out of funds belonging to the Corporation towards the provision of public transit and that the municipality is in compliance with the Dedicated Gas Tax Funds for Public Transportation Program - 2013/2014 Guidelines and Requirements as

of \_\_\_\_\_, 20\_\_\_\_

\_\_\_\_\_  
Municipal Treasurer





Dedicated Gas Tax Program – Transit 2013 Conventional Transit Reporting Form

The Corporation of the \_\_\_\_\_ of \_\_\_\_\_

A. System Profile

| Description  | 2013 | 2012 | % Change |
|--|------|------|----------|
| Regular scheduled service ridership (do not include any transfers) |      |      | %        |
| Regular scheduled service ridership/capita (of service area)       |      |      | %        |
| Number of routes   |      |      | %        |
| Revenue vehicle kilometres (regular schedule)                      |      |      | %        |
| Revenue vehicle hours of service (regular schedule)                |      |      | %        |
| Average age of bus fleet   |      |      | %        |
| Spare fleet %  |      |      | %        |
| % Bus fleet accessible   |      |      | %        |

B. Summary of 2013 Dedicated Gas Tax Disbursements

| Describe all 2013 initiatives supported | Effective Date (yyyy/mm/dd) | Objective/Target | \$ 2013 Capital Gas Tax Funds Only | \$ 2013 Operating Gas Tax Funds Only | Status |
|---|-----------------------------|------------------|------------------------------------|--------------------------------------|--------|
|   |                             |                  | \$                                 | \$                                   |        |
|   |                             |                  | \$                                 | \$                                   |        |
|   |                             | Total            | \$                                 | \$                                   |        |

C. Transit Vehicle Procurement

(Attach Canadian Content declaration for non-exempt vehicles, and retain your records regarding the application of the 5% price preference for exempt vehicles)

|   | Exempt | Non-Exempt |   | Exempt | Non-Exempt |
|---|--------|------------|---|--------|------------|
| Number of replacement vehicles (using Gas Tax Funds): |        |            | Number of expansion vehicles (using Gas Tax Funds): |        |            |

Municipal official responsible for public transportation (signature)

|                          |                   |                  |
|--------------------------|-------------------|------------------|
| Full name (please print) | Date (yyyy/mm/dd) | Telephone Number |
|--------------------------|-------------------|------------------|



## Dedicated Gas Tax Program – Transit 2013 Specialized Transit Reporting Form

The Corporation of the \_\_\_\_\_ of \_\_\_\_\_

### A. System Profile

| Description                                    | 2013 | 2012 | % Change |
|--|------|------|----------|
| Total passenger trips                          |      |      | %        |
| Total passenger trips/capita (of service area) |      |      | %        |
| Unaccommodated trip requests                   |      |      | %        |
| Total no. show/trips cancelled at door         |      |      | %        |
| Revenue vehicle hours – dedicated service      |      |      | %        |
| Number of registrants                          |      |      | %        |
| Advance booking notice - in days/hours         |      |      | %        |

### B. Summary of 2013 Dedicated Gas Tax Disbursements

| Describe all 2013 initiatives supported | Effective Date (yyyy/mm/dd) | Objective/Target | \$ 2013 Capital Gas Tax Funds Only | \$ 2013 Operating Gas Tax Funds Only | Status |
|---|-----------------------------|------------------|------------------------------------|--------------------------------------|--------|
|   |                             |                  | \$                                 | \$                                   |        |
| <b>Total</b>                            |                             |                  | \$                                 | \$                                   |        |

### C. Transit Vehicle Procurement

(Please retain your records regarding the application of the 5% price preference)

Number of replacement vehicles using Gas Tax Funds: \_\_\_\_\_ Number of expansion vehicles using Gas Tax Funds: \_\_\_\_\_

Municipal official responsible for public transportation (signature) \_\_\_\_\_

|                                |                         |                        |
|--------------------------------|-------------------------|------------------------|
| Full name (please print) _____ | Date (yyyy/mm/dd) _____ | Telephone Number _____ |
|--------------------------------|-------------------------|------------------------|



**APPENDIX B: CANADIAN CONTENT POLICY**







**MINISTRY OF TRANSPORTATION**

**Canadian Content for Transit Vehicle Procurement  
Policy**

Issued September 2008  
Amended November 2010

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**CANADIAN CONTENT FOR TRANSIT VEHICLE PROCUREMENT POLICY**

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**Effective Date**

The Canadian Content for Transit Vehicle Procurement Policy is effective as of September 1, 2008.

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## CANADIAN CONTENT FOR TRANSIT VEHICLE PROCUREMENT POLICY

### 1. DEFINITIONS

When used in this document, the words set out below that import the singular include the plural and vice versa:

"Canadian content policy" means this Canadian Content for Transit Vehicle Procurement Policy", as amended from time to time, issued by the Ministry of Transportation.

"component" means any article, subcomponent, material, or supply, whether manufactured or unmanufactured, that is directly incorporated into the transit vehicle.

"dealer" means an agent who distributes transit vehicles on behalf of a manufacturer.

"eligible cost" means the compensation paid by a manufacturer for:

- (a) labour performed in Canada that is directly related to the manufacturing process of transit vehicles;
- (b) work performed in Canada in relation to freight, manuals, special tools, test equipment, or warranties; or
- (c) components, subcomponents and raw materials produced in Canada in respect of transit vehicles or any of the items listed in (b) above.

"engineering" means the application of scientific and technical knowledge to the design, analysis, and/or construction of a subcomponent, component or transit vehicle.

"entity" means a person, firm, corporation, municipality, local board of a municipality, or transit or transportation commission, or authority, acquiring transit vehicles on behalf of a transit operator.

"freight" means the cost for transportation within Canada, and/or paid to a Canadian carrier for a) delivering a subcomponent or component to a manufacturer and b) delivering a transit vehicle to a transit operator or an entity.

"GO Transit" means a division of Metrolinx, established pursuant to the *Metrolinx Act, 2006*, S.O. 2001, c.16.

"irreversible manufacturing process" means a manufacturing process which transforms subcomponents into a component which cannot be separated back into the subcomponents without destroying the subcomponents' integrity.

"labour" means the compensation paid for work performed by a manufacturer or, a

manufacturer's supplier of subcomponents and components, that is directly related to the manufacturing process of transit vehicles, including project management and engineering, plus any benefits paid or general administration and similar expenses recognized and allowed by Canadian accounting rules.

"manual" means a handbook or guidebook, specific to a transit vehicle, that a manufacturer may provide to a transit operator, or an entity.

"manufacturer" means the manufacturer of a subcomponent, component or transit vehicle acquired, or that may be acquired, by a transit operator or an entity and, as applicable, includes a dealer for such manufacturer.

"manufacturing process" means the application of processes to alter the form or function of components or subcomponents to create a component or a transit vehicle.

"Metrolinx" means the corporation continued pursuant to the *Metrolinx Act, 2006*, S.O. 2006, c.16.

"Ministry" means the Ministry of Transportation.

"project management" means the application of knowledge, skills, tools, and techniques to the manufacturing process, distribution and acquisition of transit vehicles.

"public transportation" means any service for which a fare is charged for transporting the public by transit vehicles operated by or on behalf of a transit operator, or under an agreement between a transit operator and an entity, and includes special transportation facilities for the physically disabled, but does not include transportation by special purpose facilities such as school buses or ambulance.

"special tools" means an engineered tool that a manufacturer may provide to a transit operator or an entity to service a transit vehicle after delivery.

"subcomponent" means a part of a component which cannot be further separated into its constituent parts without destroying its integrity.

"submission" means a response from a manufacturer to a fair, open and transparent procurement process.

"test equipment" means the diagnostic equipment a manufacturer provides to a transit operator or an entity.

"transit operator" means a municipality, Metrolinx or GO Transit.

"transit vehicle" refers to a street car, bus, trolley bus, subway car, light rail car, or passenger locomotive used for public transportation, made up of subcomponents and components, and acquired by a transit operator, or an entity under a contract with a manufacturer and for which

the Province of Ontario may provide, in whole or in part, funding.

"warranty" refers to the promise under a contract between a transit operator, or an entity, and a manufacturer that the material and workmanship of the transit vehicle is defect-free and will perform a specified level of performance over a specified period of time.

## **2. INTRODUCTION**

On March 20, 2008, the Government of Ontario announced that all transit vehicles procured with provincial funding must have at least 25 per cent Canadian content. The Canadian content policy is a mandatory requirement for provincial funding of transit vehicles. The policy is expected to promote job retention and creation, foster economic development, protect skilled manufacturing jobs and continue to promote a fair, open and transparent procurement process that ensures value for taxpayers' dollars.

The Ministry of Transportation has conducted extensive stakeholder consultations with municipalities, transit industry manufacturers, suppliers, dealers, as well as its own transit agencies. As a result of the stakeholder consultations, the 25% Canadian content policy will include exemptions and waivers as laid out in this document.

The Canadian content policy is effective as of September 1, 2008. Procurements issued publicly, prior to September 1, 2008, to solicit submissions from manufacturers are exempt from complying with the terms and conditions of the Canadian content policy. The Province took the lead on implementing this policy, through Metrolinx's Request For Proposals for Urban Transit Buses under the 2009 Transit Procurement Initiative.

As outlined above, the Ontario government is committed to a transparent, fair and open process for transit vehicle procurement that ensures value for taxpayers' dollars. The Canadian content policy will apply to the procurement of transit vehicles acquired with funds received from the Province.

Although a minimum of 25% must be achieved and attested to in order to receive provincial funding, a municipality may require a higher percentage of Canadian content for its transit vehicle procurements.

## **3. CALCULATING CANADIAN CONTENT**

Under the Canadian content policy, the overall Canadian content of a transit vehicle is calculated as a percentage of the total final costs to the manufacturer, less any applicable taxes.

The Ministry will only consider, as Canadian content, expenditures for eligible costs in respect of transit vehicles for the items listed below and which are directly related to transit vehicles manufacturing process, distribution and acquisition:

- labour;
- subcomponents and components;
- project management;
- engineering;
- manuals;
- special tools;
- test equipment;
- freight; and
- warranty.

In addition, the percentage of Canadian content for expenditures (see above list of items for which expenditures may be considered eligible) related to transit vehicles, components or subcomponents will be calculated as follows:

1. 100% Canadian for a component that has undergone an irreversible manufacturing process in Canada.
2. 100% Canadian for a component that contains 60% or more Canadian content through any combination of expenditures that may be considered eligible, as described above, if such expenditures are made in Canada.
3. The exact Canadian percentage for a component that contains between 0% and 59% Canadian content through any combination of expenditures that may be considered eligible, as described above, if such expenditures are made in Canada.
4. Where a component or subcomponent is procured from a Canadian supplier, a minimum Canadian content of 15% will be assumed, without the requirement of certifying the percentage of Canadian content of the component or subcomponent in a manufacturer's declaration of compliance with the Canadian content policy. Simply handling the component or subcomponent is not sufficient to qualify. The Canadian supplier must provide added value through the procuring, manufacturing or-after sales support of the component or subcomponent.

#### 4. CANADIAN CONTENT DECLARATION & CONSENT FORM

Transit operators, and entities, must ensure that each manufacturer demonstrates how it will comply with the Canadian content policy requirements, and obtain a written declaration from the manufacturer:

- certifying the percentage of Canadian content of the transit vehicles described in the manufacturer's submission, calculated in accordance with this policy; and
- providing the manufacturer's consent to the disclosure, verification and audit of the information forming the basis of the declaration, both before the contract award and, for the successful manufacturer, during and after the term of the contract. (See Part 9

below for additional details regarding disclosure, verification and audit.)

In addition, transit operators, and entities, must ensure that manufacturers provide such progress reports, during the term of the contract, as they or the Ministry or the Auditor General, or any of their designates, may require, and written declarations of ongoing compliance with the 25% Canadian content requirement.

Should it appear at any time that a manufacturer might not meet the 25% Canadian content level, a transit operator or entity may require the manufacturer to submit a revised plan indicating how it will achieve compliance.

Transit operators, and entities, must ensure that the successful manufacturer demonstrates, upon final delivery of the transit vehicle(s), how it complied with the Canadian content policy requirement, and obtain a written declaration from the manufacturer, certifying the percentage of Canadian content of the transit vehicles, calculated in accordance with this policy.

## 5. EXEMPTIONS

Through the consultation process, concerns were raised regarding the continued availability of certain types of transit vehicles and the ability to procure transit vehicles in an open and fair and fair procurement process in compliance with the 25% Canadian content requirement.

In consideration of the transit operator's efforts to comply with the *Accessibility for Ontarians with Disabilities Act, 2005*, and to procure specific transit vehicles to meet their individual strategic requirements to improve transit services, the following five vehicle types will be exempted from the 25% Canadian content requirement:

- specialized transit buses;
- conventional transit buses under 40 feet in length;
- diesel multiple units (DMUs);
- double decker buses; and
- passenger locomotives.

Despite the above and to encourage Canadian content for the exempted transit vehicles listed above, transit operators and entities will apply a 5% price preference to the price for the submission with the highest percentage of Canadian content. In practice, this will result in the submission with the highest percentage of Canadian content being evaluated as if the price submitted in the manufacturer's offer were 5% lower than that which was actually submitted. The 5% price preference will be applied for evaluation purposes only, and will not represent an effective reduction in the price submitted by the manufacturer.

## 6. WAIVERS

In the event that no Canadian content compliant submissions are received as part of a fair, open and transparent procurement process for non-exempted vehicles, a transit operator may formally request a waiver to comply with the Canadian policy from the Ministry by providing:

- a letter from the Chief Administrative Officer or Chief Executive Office to the Deputy Minister of Transportation supporting the request for a waiver;
- a resolution from the transit operator (e.g., municipal Council or Metrolinx Board resolution) requesting a waiver; and
- a detailed report outlining the procurement process that was used.

Upon receipt of the waiver request, the Ministry will have the above-noted documents reviewed by a Ministry-appointed fairness monitor to determine whether a fair, open and transparent procurement process was used. If the procurement process was determined to be fair, open and transparent, the Ministry may waive the requirement for compliance with the Canadian content policy for that specific procurement. The Ministry intends to communicate its decision in writing and within 20 business days upon receipt of the fairness monitor's determination on whether it will provide a waiver. If the Ministry decides that the procurement process is not fair, open and transparent, the transit operator will have to decide to either initiate, or have the entity initiate, a new procurement process or proceed without provincial funding.

Where the Ministry issues a waiver, transit operators and entities will apply a 5% price preference to the price for the submission with the highest percentage of Canadian content. In practice, this will result in the submission with the highest percentage of Canadian content being evaluated as if the price submitted in the manufacturer's submission was 5% lower than actually submitted. The 5% price preference will be applied for evaluation purposes only, and will not represent an effective reduction in the price submitted by the manufacturer.

## 7. PROVINCIAL ENFORCEMENT

If, in the opinion of the Ministry, a transit operator, or an entity, fails either to comply with or to ensure manufacturers' compliance with any of the Canadian content policy requirements, the Ministry may avail itself of any remedies it may have under the terms of the program or arrangement under which the transit vehicle may be funded, or any other remedies it may have at law or in equity.

## 8. MUNICIPAL ENFORCEMENT

Transit operators, and entities procuring transit vehicles on their behalf, are responsible for ensuring the manufacturers' compliance with the Canadian content policy. As such, transit operators and entities are expected to include, in their contract documents, provisions that



set out the manufacturers' obligations to comply with the Canadian content policy and remedies should a selected manufacturer default in meeting these obligations. Such remedies may include termination for breach of such requirement. In addition, transit operators and entities may require an indemnity from the selected manufacturer for any liability the transit operator and/or entity might incur in the event of such breach. Transit operators and entities should obtain independent legal advice in order to adequately address related issues.

The Province shall not incur any liability whatsoever, expressed or implied, resulting from a transit operator's or entity's implementation of this Canadian content policy.

#### **9. DISCLOSURE, VERIFICATION AND AUDIT**

Transit operators and entities are required to ensure manufacturers from whom they acquire transit vehicles are in compliance with this Canadian content policy. Despite the above, and unless provided otherwise under the terms of a program or arrangement under which provincial funds are provided for a transit vehicle, the Province and/or the Auditor General, or any of their designates, may also perform a verification or compliance audit to ensure manufacturers from whom transit operators and entities procure transit vehicles comply with this Canadian content policy, the costs of which the Province will assume.

#### **10. WHERE TO REQUEST OR PROVIDE INFORMATION**

Any questions from transit operators regarding the Canadian content policy are to be directed to the Ministry's Transit Policy Branch at telephone (416) 585-7359 or fax (416) 585-7343.

Any questions from manufacturers regarding the Canadian content policy for a specific transit operators' procurement should be directed to the transit operator, or entity, responsible for the procurement.



**CANADIAN CONTENT POLICY  
PROCUREMENT DOCUMENT AND AGREEMENT PROVISIONS FORM  
SAMPLE WORDING**

Transit operators receiving provincial funding for the acquisition of transit vehicles and entities must comply with the Canadian content policy (the "policy"). To comply with the policy, transit operators, or an entity on behalf of a transit operator, must ensure manufacturers, from whom transit vehicles are acquired, meet the specified Canadian content requirements set out in the policy.

The following sample wording for procurement document provisions is provided to assist transit operators in implementing and complying with the policy. However, the responsibility for implementing and complying with the policy remains with each transit operator regardless of whether or not it chooses, or requires an entity, to use the sample wording provided in this document. As the form and content of each transit operator's and entity's procurement document will differ, modifications to the sample wording provided below should be made to suit the needs of each transit operator and entity, and each transit operator and entity should obtain any necessary independent legal and procurement advice it may require in that regard.

The Ministry shall not incur any liability whatsoever, expressed or implied, resulting from a transit operator or entity having used all or some of the sample wording provided or from implementing the policy.

**1. SAMPLE PROCUREMENT DOCUMENTS PROVISIONS**

**1.1 Definition**

The procurement document may define the term "Canadian Content".

***Sample Wording***

*"Canadian content" means the Canadian content of the transit vehicle determined in accordance with Schedule • to this procurement document.*

**1.2 Evaluation of Submissions**

The procurement document should explain how the policy will impact the evaluation of submissions and the selection of the successful manufacturer.

***Sample Wording***

*This procurement document is subject to the Ontario Government's Canadian Content Policy for the procurement of transit vehicles, attached as Schedule • to this procurement*

*document. Under the terms of this policy, unless the transit vehicles are exempt from this requirement or this requirement is waived in accordance with the policy, only submissions with a minimum 25% Canadian content, determined in accordance with the policy may be considered for evaluation. Where the transit vehicles are exempt or a waiver has been provided, the policy provides that the submission with the highest percentage of Canadian content, as determined in accordance with the policy, will be given a 5% price preference in the evaluation of submissions for any transit vehicle(s). The 5% price preference will be applied for evaluation purposes only, and will not represent an effective reduction in the price submitted by the manufacturer.*

### **1.3 Evaluation of Level of Canadian Content**

The procurement document should have provisions specifying how the requirement for Canadian content in a manufacturer's submission will be evaluated.

Unless the procurement is for exempt vehicles or the Canadian content requirement is waived in accordance with the policy, there is no requirement for weighting of Canadian content under the policy; only those manufacturers meeting this threshold will be evaluated.

For procurements of exempt transit vehicles or where a waiver has been provided, a 5% price preference will be given to the manufacturer with the highest level of Canadian content.

#### ***Sample Wording***

*Manufacturers should refer to Schedule • in order to calculate the Canadian content of their submissions. Unless the procurement is for exempt vehicles or the minimum level of 25% Canadian content requirement is waived in accordance with Schedule •, to be considered for evaluation, manufacturer's submission must meet the 25% minimum level of Canadian content determined in accordance with Schedule •.*

*For the procurement of exempt transit vehicles or where a waiver has been provided in accordance with Schedule •, a 5% price preference will be given to the manufacturer with the highest level of Canadian content.*

*For example, a transit operator, receives three submissions for a transit vehicle that has been exempted from achieving the 25% Canadian content requirement:*

- Manufacturer #1 submits \$250,000 and attests to achieving a Canadian content level of 22%.*
- Manufacturer #2 submits \$270,000 and attests to achieving a Canadian content level of 23%.*
- Manufacturer #3 submits \$260,00 and attests to achieving a Canadian content level of 19%.*

*During the evaluation, manufacturer #2 will have its submission evaluated as 5% less during*

*that phase of the evaluations, reducing the price for the offer to \$256,500.*

## **2. Canadian Content Declaration & Consent Forms**

Manufacturers should be advised that a Canadian content declaration and consent form, provided by the transit operators or entity to the manufacturers as part of the procurement document, must be included with the form of offer they submit in response to the procurement document. As required by the policy, the declaration and consent form should:

- certify the level of Canadian content of the transit vehicles described in the manufacturer's submission, calculated in accordance with the policy; and
- provide the manufacturer's consent to the disclosure, verification and audit of the information forming the basis of the declaration, both before the contract award and, for the successful manufacturer, during and after the term of the contract.

Manufacturers should also be advised that the successful manufacturer must demonstrate, upon final delivery of the transit vehicle(s), how it complied with the Canadian content policy requirement, and provide a written declaration, certifying the percentage of Canadian content of the transit vehicle(s), calculated in accordance with this policy.

The sample declaration and consent form included in Appendix A to this attachment, assumes that the specific levels of Canadian content are included in the form itself. However, transit operators, and entities, may choose to require that the level of Canadian content be provided in other documentation associated with the procurement document, such as the manufacturer's submission or the form of offer (see Appendix B for sample language).

## **3. Agreement Provisions**

A transit operator or entity, as applicable, should include provisions, similar to those in the procurement document, in any agreement with the selected manufacturer that capture/confirm the selected manufacturer's ongoing obligations related to the Canadian content policy.

In addition, the agreement with the selected manufacturer should include provisions that provide the transit operator with adequate remedies if the manufacturer defaults in its obligations relating to the required level of Canadian content. As each transit operator or entity will need to determine what remedies best address the needs of its particular circumstances, no sample clauses are provided. That said, remedies could include termination for breach of a provision of the contract (which would normally include terms and conditions set out in the agreement, and other documents) relating to the manufacturer's obligations concerning the required level of Canadian content.

A transit operator or entity may also wish to limit its own liability for breach of the manufacturer's Canadian content obligations, and request an indemnity from the manufacturer for any liability the transit operator or entity might incur in that regard.



**SAMPLE FORM: CANADIAN CONTENT DECLARATION & CONSENT FORM**

*The [Transit Operator/Entity] requires all manufacturers to indicate the level of Canadian content in their submissions, determined in accordance with Schedule • to this [Procurement Document]. In this regard, manufacturers are advised that the [Transit Operator/Entity] requires a declaration from all manufacturers setting out and certifying the level of Canadian content. As well, the [Transit Operator/Entity] requires the manufacturers consent to the disclosure and verification of the information certified in the declaration and, if the manufacturer is awarded the contract, to the audit of these levels during the contract term by or on behalf of the [Transit Operator/Entity].*

*This declaration and consent must be submitted in order to be considered for evaluation*

**Declaration – Canadian Content Level**

*On behalf of [Legal Name of Manufacturer], I/we certify that the Canadian content of the transit vehicles, as set out and determined in accordance with Schedule • to this procurement document, is accurate to the best of my/our knowledge.*

Dated at        this        day of        20        .

---

(An authorized signing officer with the authority to bind the manufacturer)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Title)

\_\_\_\_\_  
(Phone Number)

\_\_\_\_\_  
(Fax Number)

*The manufacturer acknowledges that the [Transit Operator/Entity] relies upon this declaration to evaluate submissions and to enter into any contract resulting from this submission. This declaration may be verified or audited in such manner as [theEntity,] the Transit Operator, the Ministry of Transportation or the Auditor General, or any of their designates, may reasonably require. Should such verification or audit disclose a material inaccuracy of the information certified in this declaration, the [Transit Operator/Entity] shall have the right to disqualify the manufacturer or terminate any contract awarded to the manufacturer pursuant to this procurement process.*

**Consent to Disclosure, Verification & Audit**

*I/We consent to the [Transit Operator/Entity] releasing the information certified in this declaration to the Ministry of Transportation, as well as any other information necessary for the purpose of verifying the continuing accuracy of the level of Canadian content certified in this declaration.*

*I/We also consent to [Entity], the Transit Operator, the Ministry of Transportation, and the Auditor General, or any of their designates verifying and auditing the level of Canadian content of the transit vehicles determined in accordance with Schedule • to this procurement document, during the term of any contract awarded by the [Transit Operator/Entity] pursuant to this procurement document to [Legal Name of Manufacturer] and for seven (7) years after such term.*

Dated at                    this                    day of                    20                    .

\_\_\_\_\_  
*(An authorized signing officer with the authority to bind the manufacturer)*

\_\_\_\_\_  
*(Print Name)*

\_\_\_\_\_  
*(Title)*

\_\_\_\_\_  
*(Phone Number)*

\_\_\_\_\_  
*(Fax Number)*



**SAMPLE FORM : CANADIAN CONTENT**

Name of Manufacturer:

Submission No.:

*The manufacturer must set out below the level of Canadian content for all costs included in the transit vehicle:*

| Item  | Category of Item | Percentage of Total Vehicle Cost (A) | Percentage of Canadian Content for Item (B) | Total Percentage Canadian Content (A*B%) |
|---|------------------|--------------------------------------|---|--|
| 1   |                  |                                      |   |  |
| 2   |                  |                                      |   |  |
| 3   |                  |                                      |   |  |
| 4   |                  |                                      |   |  |
| 5   |                  |                                      |   |  |
| 6   |                  |                                      |   |  |
| 7   |                  |                                      |   |  |
| 8   |                  |                                      |   |  |
| 9   |                  |                                      |   |  |
| 10  |                  |                                      |   |  |
| <b>Total Percentage of Canadian Content of Vehicle:</b> |                  |                                      |   |  |

**\*Note:** Manufacturers will be required to submit this form, along with the declaration form, during the initial submission and the successful manufacturer must submit this form upon final delivery of the transit vehicle(s).



**Authority:** Item , Name of Committee  
Report  
CM: Date

**Bill No.**

**CITY OF HAMILTON**

**BY-LAW NO. \_\_\_\_\_**

**To Authorize the Signing of an Agreement between the City of Hamilton and the  
Ministry of Transportation Related to Funding Provided Under the Dedicated  
Gas Tax Funds for Public Transportation Program.**

**WHEREAS** the Council of the City of Hamilton deems it advisable to enter into an agreement with Her Majesty the Queen in right of Ontario, as represented by the Minister of Transportation related to funding provided by the Province of Ontario to the Municipality under the Dedicated Gas Tax Funds for Public Transportation Program;

**NOW THEREFORE** the Council of the City of Hamilton enacts as follows:

1. The Mayor and Acting General Manager, Finance & Corporate Services are authorized and directed to sign the Letter of Agreement between the City of Hamilton and Her Majesty the Queen in right of Ontario, as represented by the Minister of Transportation which is attached Schedule A and forms part of this By-law.
2. This By-law may be cited for all purposes as the 2013/2014 City of Hamilton/Ministry of Transportation Gas Tax Funding Agreement Bylaw.
3. This By-law is deemed to have come into force on \_\_\_\_\_, 2014.

**PASSED** this \_\_\_\_\_ day of \_\_\_\_\_, 2014.

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Bob Bratina  
MAYOR

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Rose Caterini  
CLERK