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REPORT TO ELECTORAL AREAS COMMITTEE MEETING OF WEDNESDAY, SEPTEMBER 08, 2021

SUBJECT **Community Works Fund Program Overview**

ISSUE SUMMARY

This report provides an update on the administration and the upcoming expiry of the Community Works Fund (CWF) Program.

BACKGROUND

Overview

Community Works Funds are provided under the Administrative Agreement of the Canada Community Building Fund (formerly, Federal Gas Tax Fund). This is a tripartite agreement between the federal government, Province of BC, and Union of BC Municipalities (UBCM) to administer the program. Funding is delivered through three programs: the Community Works Fund (CWF), the Strategic Priorities Fund, and the Greater Vancouver Regional Fund.

This report details the CWF program, which distributes funding to local governments on a per capita model. To receive funding in BC, local governments are required to enter into a funding agreement with UBCM (Appendix A). The program supports local government infrastructure and capacity building projects through eligible project categories. Project categories include recreation, wastewater, and drinking water, among others. A list of project categories is detailed in Appendix A (pp. 13-14). Recently, the program was amended to include fire halls and fire-station infrastructure as an eligible project category.

The Capital Regional District (CRD) has been a recipient of CWF under two agreements of 2005–2014 and 2014–2024. The program is approaching the expiry of the current agreement; it is anticipated a third agreement may be announced during the upcoming Federal election. CWF received by the District is re-allocated to the three Electoral Areas (EA): Juan de Fuca (JDF), Salt Spring Island (SSI), and Southern Gulf Islands (SGI), on a per capita basis, in accordance with CRD Board direction (August 2014).

Process

Within the parameters of the agreement, local governments have autonomy to make decisions about what projects to fund. Once the funds are allocated to EAs, CRD staff administer the program through applications from CRD services and third parties. Local governments are unable to use CWF to fund program administration costs under the current agreement.

Since 2020, to determine EA project eligibility and ensure compliance with the agreement, applicants undergo a two-step review process to better assess projects under the terms of the agreement. Proposed projects begin with a joint pre-screening process involving UBCM and the CRD. The pre-screening process was introduced in spring 2020 to provide advice and guidance on eligibility. Due to broad definitions in the agreement, interpretation often included negotiation with the plan administrator. Introduction of the pre-screening process has improved the downstream approval process.

Additionally, feedback from local governments has resulted in changes to project categories and eligible expenses, as mentioned, with fire halls and station infrastructure. Both the pre-screening process changes and amendments to categories, while mutually beneficial, have added volume and work content to staff and applicants.

When a project is deemed eligible, applicants proceed to the full application phase. Applications undergo an internal review by the grant management team and internal approval from the Chief Financial Officer through the delegation bylaw. Upon approval, funds are transferred to services or, for third parties, upon execution of the third party agreement. Appendix B details the application review and approval process.

Communications Protocol

As required by the funding agreement, the CRD participates in communications announcements of Canada Community Building Fund projects. Two compliance letters have been received since March 2020 for both project signage and media releases. In 2021, CRD staff worked with the federal government and UBCM to promote 2020 projects through joint media releases. Schedule D in the agreement outlines CRD's Communications Protocol, which is also provided to third parties in the third party agreement.

Reporting

As a recipient of the Canada Community Building Fund, the CRD is required to complete an Annual Expenditures Report (AER) by June 1 detailing projects for the previous calendar year. Projects continue to be reported until completed. UBCM releases guidelines to follow when reporting. Compliance is a mandatory requirement of the program. In addition to expenses, the CRD reports on project category, outcome, total cost, etc. The AER is accompanied by a signed declaration from the Chief Financial Officer confirming compliance with the funding agreement terms. This year, the CRD was required to forecast unspent funds. In consultation with the EA Directors, all funds are expected to be allocated to projects by March 31, 2024.

For third party projects, once payment is issued, the CRD considers the project to be 100% completed and funds fully spent. The third party agreement outlines the parameters for reporting. The CRD reserves the right to request this information when needed.

As the agreement nears its expiration date, staff have experienced and are expecting a higher level of reporting, audits, and compliance enforcement with the program.

IMPLICATIONS

Service Delivery Implications

As stipulated in the agreement, local governments are subject to program audits at the discretion of the plan administrator. From 2016 to 2020, the CRD was selected three times. When non-compliance is raised, staff work with UBCM to determine next steps and corrective action. Outcomes may include: reduction in future payments and/or penalties, re-allocation of funds to another eligible project, and removal from the AER. Since 2016, three CRD projects were deemed ineligible, which ultimately resulted in a negotiated reduction in the next payment to the EAs.

To help mitigate compliance risks, UBCM and staff began a collaborative pre-screening process to optimize downstream approvals and reporting. Over the last year, staff and UBCM have gained

a much better understanding of EA needs and program limitations to inform the upcoming consultation for future agreements. While the collaborative process has been beneficial to all parties, the work content has been temporarily absorbed within current resourcing levels.

In addition to incrementally adding work content to the process, staff continue to experience increases in volume of applications and forecast this trend to continue at least for the next three years. The CRD is entering the final years of the current agreement (2024), and is proceeding with the assumption all funds will be allocated. Historically, on average the amount awarded to projects each year is \$0.8M. To fully allocate the nearly \$9.1M in funding remaining, this would involve awarding \$3.0M to projects for the final three years of the agreement. Based on future projections, this would involve awarding 3.75 times more to projects than the average amount awarded from 2014-2020 (See Appendix C for details). To meet this future demand, resourcing of the program may need to be increased.

CONCLUSION

The administration of CWF has evolved to better determine EA project eligibility and ensure program compliance. Since the adoption of the prescreening process, staff have continued to work with UBCM to better understand the program and eligibility under the agreement. Both the remaining allocations and the prescreening process has incrementally added work to the review and reporting process. The volume of applications is anticipated to increase as the CRD approaches the end of the agreement.

RECOMMENDATION

The Electoral Areas Committee recommends to the Capital Regional District Board:
That the Community Works Fund Program Overview be received for information.

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ATTACHMENT(S)

Appendix A: 2014-2024 Gas Tax Agreement

Appendix B: CWF Process Overview

Appendix C: Summary of CWF Funding and Average Rate of Projects Awarded