

## 2020 Risk Management Questionnaire

### Introduction

In previous years, we asked you about the policies and procedures in place in your municipality to monitor and manage risk. We're taking a different approach this year.

We want to understand the challenges that you face when implementing the [Municipal Funding Agreement](#) (MFA) in your community – and we want to know what we can do to help you out. We've identified compliance risks affecting municipalities across Ontario. The questions below request your input on how we can best mitigate these risks.

Please read each question in full before answering. The text references relevant guidance materials and compliance requirements and identifies the specific information that we're looking for.

Your responses to this questionnaire will not affect your community's funding or likelihood of being audited – but will help us focus our efforts to enhance administration of the Fund.

### 1. What challenges to incremental investment does your community face?

Municipalities are required to invest federal Gas Tax funds incrementally – i.e., to complement, rather than to replace or displace, other sources of infrastructure funding. This incrementality requirement is set out in [s. 3.2](#) of the MFA – but see our [FAQs](#) for clearer guidance.

We use FIR data to monitor compliance with the incrementality requirement. Our analyses show that many communities are investing federal Gas Tax funds incrementally – but some are not.

Please let us know if you were familiar with the incrementality requirement prior to reading this question, if the requirement is clear, and whether your community has a system in place to periodically assess compliance. Also tell us about the challenges to incremental investment that your municipality faces (e.g., population decline).

### 2. How well does the five-year banking limit work for your community?

Federal Gas Tax funds can be held in reserve for five years under [s. 6.7](#) of the MFA. Funds must be spent by the end of that five-year period.

Most communities invest funds within five years of receipt – but several have struggled to do so in recent years. With the exception of COVID-19 and the complications that it has brought, what do you see down the road that could stall infrastructure investment in your community?

In your response, please let us know if you were familiar with the banking limit prior to reading this question and whether your community has a system in place to ensure that funds are spent within five years of receipt. If there are systemic barriers to compliance (e.g., difficulty securing qualified contractors), take a moment to explain what they are and how they're affecting your municipality.

If you anticipate problems investing federal Gas Tax funds within the five-year limit – whether this year or in the future, and whether due to COVID-19 or other obstacles – be sure to let us know.

### 3. What does your community do with unused federal Gas Tax funds?

Municipalities are required to hold federal Gas Tax funds in an interest-bearing account or investment in accordance with [s. 6.6](#) of the MFA. We leave it to you and your colleagues to work out the details, but provide guidance in our [FAQs](#) (under *Savings, Investment, and Reserve Funds*).

Nearly all communities are meeting expectations – but the risks ahead have grown. Federal Gas Tax reserves are expanding in Ontario, restrictions around municipal investments were relaxed in recent years, and COVID-19 has delayed capital projects across the province. The details that you worked out with your colleagues are now more important than ever.

Please explain what your municipality does with federal Gas Tax funds prior to expenditure. In your response, let us know when funds begin earning interest (i.e., when funds are transferred to an interest-bearing account or investment), when they stop earning interest (e.g., if funds are temporarily transferred to an account that does not earn interest prior to expenditure), and where funds are currently invested (e.g., in GICs, HISAs, bond funds, etc.).

If your community typically spends federal Gas Tax funds immediately and does not transfer funds to an interest-bearing account, let us know.

### 4. Let's talk about staff costs.

Your internal costs – salaries and benefits, equipment leases, overhead costs, etc. – are generally ineligible for federal Gas Tax funding under [s. 3 of Schedule C](#) to the MFA. Exceptions can be made – but only in the extraordinary circumstances described in [s. 2.2 of Schedule C](#). No exceptions have been approved under the MFA.

We understand that contracted services can be comparatively expensive in small and remote communities. Some of your peers across the province have informally spoken to us about the challenges that this presents when planning and delivering capital projects.

Please tell us about the situation in your community. Let us know if your municipality struggles to attract contractors, if bids received for capital projects routinely and significantly exceed estimated in-house costs to do the same work, and the factors that contribute to both.

If your municipality has contracted out services solely to satisfy the requirements set out in s. 3 of Schedule C to the MFA, please tell us. Estimate any additional costs incurred to do so. Provide examples with reference to specific projects in our system if possible.

And if you were unaware of the prohibition against internal costs, please do let us know – particularly if you have financed internal costs with the Fund recently. We'll work with you to find an appropriate path forward that works for all of us.

### 5. How can we help you meet signage expectations?

Municipalities are asked to post federal infrastructure signage when appropriate to do so. Review the communications section of our [FAQs](#) for a quick summary of our expectations regarding signage. Visit [INFC's signage page](#) for detailed guidance and signage templates.

Many projects financed by the Fund in recent years should have had a sign – but did not. What can AMO do to help your community meet signage expectations?

In your response, please let us know if you were familiar with our signage expectations prior to reading this question, if the guidelines are clear, and if there are other barriers to compliance (e.g., the need to coordinate across staff or departments).

### 6. How can we better coordinate to promote your community's investments?

Municipalities are expected to hold regular announcements about projects benefiting from federal Gas Tax funds. These announcements – and any other communications activities or events relating to the Fund (e.g., social media posts, news releases, media events) – must be coordinated with AMO and Infrastructure Canada in accordance with [Schedule E](#) to the MFA.

Several communities regularly loop us in to plan and deliver communications activities – but many do not. How can we better coordinate to help your community comply with communications requirements set out in Schedule E?

In your response, please let us know who is (or would be) typically responsible for coordinating communications activities relating to the Fund, along with their contact information. Also elaborate on any barriers to coordination or collaboration on communications activities. If there's more that we can do to help out, be sure to let us know.