AUMA Analysis of the Integrated Bilateral Agreement between Canada and Alberta for the *Investing in Canada Infrastructure Program*

June 2018

Executive Summary

- The provincial and federal governments have signed a bilateral agreement outlining how the Government of Canada will deliver $3.398 billion in infrastructure funding to Alberta over a 10 year period.
- The four streams of funding at public transit; green infrastructure; community, culture and recreation; and rurual and northern communities.
- The province has committed to several application windows over the next few years.
- Funding will **not** be awarded on a first come, first serve basis. Each project will be evaluated against the criteria outlined by the program and projects that best meet the criteria will be selected.
- The province could award all the projects this year if enough qualified projects are submitted, so we encourage our members to put forward their best projects as soon as possible.
- Municipalities can use their MSI dollars to cover the municipal portion of projects; we are waiting for clarification from the province on whether MSI can be used to cover the provincial portion.
- The following analysis summarizes the details of the agreement and areas of concern.
- AUMA has partnered with RMA and Alberta Infrastructure to offer a webinar on June 27, 2018, to provide additional information and answer any questions from municipalities on the Investing in Canada program.

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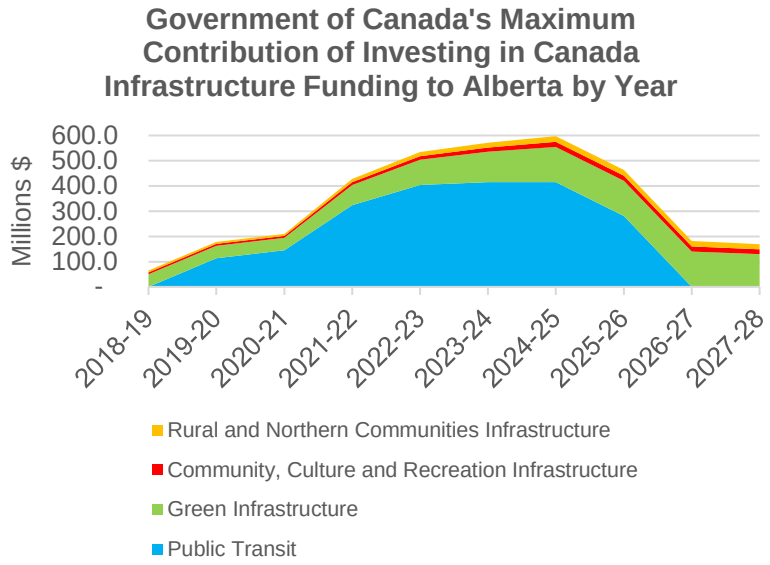
Canada and Alberta signed the Investing in Canada Infrastructure Program (ICIP) agreement on April 3, 2018. The agreement outlines how the Government of Canada will deliver $3.398 billion in infrastructure funding to Alberta over a ten-year period. Alberta can distribute portions of that funding to municipalities and other organizations for local and regional projects. The funding is allocated to four funding streams:

- Public transit
- Green infrastructure
- Community, culture and recreation infrastructure
- Rural and northern communities infrastructure



Funding will be rolled out over the next ten years. April 3 was the first opportunity to apply, and that round is set to close on August 1, 2018. The second application will open on August 2, 2018, and close December 31, 2018. The province has committed to a few application dates opening annually; this provides multiple opportunities for submissions by municipalities. The province has been clear that they could award all the projects in the first couple of years of the program so municipalities should apply early with their best project proposals to ensure they have the opportunity to access the grant funding.

The funding however, will not be granted on a first-come-first-serve basis, it will be granted based on criteria set by the province, and successful applicants will be selected by an interdepartmental committee. For the Green Infrastructure, the Rural and Northern Communities, and the Culture, Community and Recreation Infrastructure streams, project eligibility and will need to align with the program outcomes and provincial government priorities. Prioritized projects will be submitted to the federal government for review and approval. Projects are not considered approved until the federal application form is submitted and Infrastructure Canada approves the projects. As more details become available the department has committed to sharing them with municipalities and AUMA.

Members have asked whether they can utilize MSI and other grant money to cover their portion of the project under the ICIP. MSI funding can be used as the municipal contribution for the Investing in Canada Infrastructure Program, as long as the project qualifies for MSI funding, and the municipality has sufficient MSI funding available. When applying for MSI funding, municipalities should specify the total project costs, including the portions funded by other grant programs, and note the source of those funds. Other provincial grant programs can be leveraged as the provincial cost-share component of ICIP.

Municipalities can apply for funding under any of the streams at a single portal www.alberta.ca/ICIP.

AUMA will be partnering with the Province to offer a webinar in late June to provide more information and answer questions municipalities may have. More information about this webinar will be shared as it is available.

Key areas of concern:

- The bilateral agreement does not define the minimum amount of funding that shall be invested in municipal projects. Clause 4.n. only states that the Government of Canada and Government of Alberta "must agree that the funding is spent on a balance of municipal and provincial projects." The department has indicated that the Public Transit stream, which accounts for approximately 60 per cent of Alberta's ICIP allocation, is dedicated specifically to municipalities with regional transit authorities. For the other streams, there is no set division of funding.

- Municipalities will be challenged to obtain federal funding for road infrastructure projects. The majority of funding is allocated to public transit and green infrastructure projects. The Rural and Northern Communities infrastructure stream will fund traditional road projects; however, there is only $159 million available over a 10-year period for communities under 100,000 population. This means all but four of Alberta's municipalities could be competing for this funding. Infrastructure Canada will be using Stats Canada's 2016 data to determine municipal population.

- While projects could be selected and awarded early, the majority of funding is not scheduled to be released until 2021 and beyond. A federal election is scheduled to occur before that time, and annual funding amounts are still subject to approval by the Government of Canada.

- The province is required to contribute aa minimum of 33.3% towards municipal projects. This was the minimum outlined by the federal government and AUMA along with FCM and territorial organizations across the country felt provinces should be contributing 40%. The province has indicated that provincial grant funding will be awarded based on provincial program criteria and funding availability, which will be determined on a project by project basis.

Government of Canada's Maximum Contribution of Funding to Alberta by Year
$ millions

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	
Public Transit	-	113.0	145.0	324.0	404.0	415.0	415.0	280.5	-	-	**2,096.5**
Green Infrastructure	50.1	50.1	50.1	80.1	100.1	120.1	140.2	140.2	140.2	130.1	**1,001.1**
Community, Culture and Recreation Infrastructure	7.0	7.0	7.0	11.2	14.1	16.9	19.7	19.7	19.7	18.3	**140.6**
Rural and Northern Communities Infrastructure	8.0	8.0	8.0	12.8	16.0	19.1	22.4	22.4	22.4	20.8	**159.6**
Total	**65.1**	**178.1**	**210.1**	**428.1**	**534.1**	**571.1**	**597.2**	**462.7**	**182.2**	**169.2**	**3,397.8**

Please note that annual funding breakdowns provided in the IBA Schedules are estimates and should not be considered maximum claim thresholds.

The following summarizes notable items related to the funding agreement:

NOTABLE ITEM	COMMENT
GENERAL	
Projects over $10 million will require a greenhouse gas emissions assessment (cost-per-tonne calculation) and a climate resilience assessment as part of the application submission. (Clause 4.h.i.) All projects in the Green Infrastructure: Climate Change Mitigation sub-stream will require a greenhouse gas emissions assessment. All projects funded under the Green Infrastructure: Adaptation, Resilience and Disaster Mitigation sub-stream must complete a climate resilience assessment.	Assessments are required as part of the federal application process. The costs to conduct these assessments are eligible for funding, if the project receives federal government approval. (Schedule A – A.1.c.iv.)
Projects over $25 million shall report on the employment benefit of the project to at least 3 of the following targeted groups (Clause 4.i.): • Apprentices • Indigenous Peoples • Women • Persons with disabilities • Veterans • Youth • New Canadians • Small-medium sized enterprises • Social enterprises	Details on the required scope of reporting are not yet defined.
The province is required to fund a minimum of 33.33% of <u>each</u> municipal project under the Green Infrastructure, Community Infrastructure and Rural and Northern Communities streams. However, for the Public Transit stream, the province only needs to fund a minimum of 33.33% of total spending for all Public Transit projects. (Clause 4.j. and 4.j.i.)	The clause for the Public Transit stream provides the province flexibility to fund certain projects at less than 33.33%. For example, the province could fund 50% of one project but only 10% of another project as long as its total contribution is at least 33.33% of all spending. This allows the province to favour projects that it deems to be a priority.
Successful applicants for public transit funding will have to prove that the federal funding does not displace what would have already been spent by the municipality. (Clause 4.m.)	In other words, the funding is intended to increase total spending on public transit, not subsidize the municipality's costs.
Alberta and Canada must agree that the funding is spent on a balance of municipal and provincial projects. (Clause 4.n.)	This is unclear to as the agreement does not define "an appropriate balance."
The stability of the funding is dependent on future budget approval. If the Government of Canada were to reduce budget for this program in the future then it may reduce or terminate payment of funds and will not be liable for damages. (Clause 5.a.)	The chart on page one highlights that the majority of funding is not scheduled to be delivered until 2021 to 2025. A federal election is

Federal funding is also subject to the province providing the required matching funding amounts. (Clause 5.b.)	scheduled before that time. The outcome of the federal election may impact the sustainability of the funding. Similarly, there is a risk that the province will not provide the necessary matching funding to take advantage of the federal monies.
Projects must meet or exceed the highest accessibility standard for the jurisdiction. (Clause 10.b.)	This is a positive step for advancing inclusion for mobility challenged persons.
Each project will be assessed by the federal or provincial government to determine if there is a duty to consult Aboriginal groups. (Clause 12)	
The province will be required to submit a progress report on May 31st and November 30th of each Fiscal Year on all projects except projects involving municipalities under 5,000 population which will only have to submit a project progress report by Nov. 30 of each year. (Clause 14.a.i)	This relieves some of the administrative burdens on smaller municipal governments.
If a municipality sells a funded asset within five years after it being substantially completed, the municipality may be required to reimburse the Government of Canada for any federal funding received for the project. (Clause 24.b.)	This aligns with other grant programs such as the Municipal Sustainability Initiative.
Land acquisition costs are not eligible for funding. (Schedule A.1.e.iv)	This is consistent with past federal funding programs; however, it presents an additional financial challenge for municipalities to have the monies to purchase land needed for development of new roads or other infrastructure.

PUBLIC TRANSIT STREAM | $2,096,548,228	
Funding will be allocated to communities based on ridership numbers listed in the Public Transit Sub-Allocation Table. (Schedule A – A.2.b.ii)	This means that Public Transit funding will only be available for the eighteen municipalities listed in the Sub-Allocation Table. However, there is a provision that allows the table to be amended.
A minimum of 85% of federal funding must go towards new public transit projects. A maximum of 15% can be spent on rehabilitation of existing public transit infrastructure. (Schedule A – A.2.b.ii.c). With rehabilitation projects federal money can cover up to 50% of the project costs.	This ensures that public transit systems will expand to new geographic areas in communities.
The federal funds must be allocated based solely on the Public Transit Sub-Allocation Table located in the agreement.	To facilitate regional cooperation, the province has the authority to combine allocations from municipalities for use on regional transit integration.

GREEN INFRASTRUCTURE STREAM | $1,001,082,871	
The green infrastructure stream includes three sub-streams: • Climate change mitigation; • Adaptation, resilience, disaster mitigation; and • Environmental quality.	

Targeted outcomes are:
• For climate change mitigation:
  ○ Increased capacity to manage more renewable energy
  ○ Increased access to clean energy transportation
  ○ Increased energy efficiency of buildings
  ○ Increased generation of clean energy
• For adaptation, resilience, disaster mitigation:
  ○ Increased structural capacity
  ○ Increased natural capacity to adapt to climate change impacts, natural disasters, and or extreme weather events.
• For environmental quality:
  ○ Increased capacity to treat and/or manage wastewater and stormwater
  ○ Increased access to potable water
  ○ Increased capacity to reduce and/or remediate soil and/or air pollutants	

A minimum of 45% ($450,487,292) of Green Infrastructure stream funding must be invested in projects qualifying under the climate change mitigation sub-stream.	
COMMUNITY, CULTURE and RECREATION STREAM | $140,575,109	
Projects must be community-orientated, non-commercial in nature and open to use to the public and not limited to a private membership.	Federal priority will be given to projects that support Alberta's vulnerable populations and Indigenous peoples
Funding is not eligible for sites and facilities that are used for religious purposes. (Schedule A – A.4.d.i.c.)	
Funding is not eligible for professional or semi-professional sport facilities that are primarily a commercial operation. (Schedule A – A.4.d.i.d.)	
Health and education facilities must benefit Indigenous people by advancing the Truth and Reconciliation Commission's Calls to Action. (Schedule A – A.4.e.v.)	
Approximately 15% ($21.5 million) of the Community, Culture and Recreation Infrastructure Stream funding must benefit Indigenous peoples not living on reserve. (Clause 4.k.)	

RURAL and NORTHERN COMMUNITIES INFRASTRUCTURE STREAM | $159,650,831	
Targeted outcomes are: • Improved food security • Improved and/or more reliable road, air and/or marine infrastructure • Improved broadband connectivity • More efficient and/or reliable energy • Improved education and/or health facilities (specific to the Truth and Reconciliation Commission's Calls to Action)	
Funding is restricted to projects that benefit communities of less than 100,000 population.	Following input from members at the March 2017 Mayors' Caucus, AUMA had advocated to the Government of Canada and Government of Alberta that small communities be defined as a population threshold of 10,000 or less. AUMA was pleased to see that the federal government will provide 50% of costs for municipalities with a population greater than 5000 and 60% for municipalities with a population less than 5000.
COMMUNICATION PROTOCOL	
The municipality is responsible for providing onsite communications and logistics support for joint communications with the Government of Canada.	
Joint communications of projects must be presented in English and French.	Many municipalities may have to rely on resources from other levels of government to meet this requirement.
The municipality is required to provide a minimum of one photograph of the project in progress or complete and any communications must state that the project is funded in part by the Government of Canada.	This aligns with past federal funding programs.