

April 3, 2009

Open Letter to Municipal Councils – Update on Federal Infrastructure Funding: From Minister John Baird and FCM President Jean Perrault

Dear Municipal Leader,

The current economic crisis is of great concern to all Canadians. In response to this global economic downturn, the Government of Canada, provinces and territories and municipal governments across the country have joined in a national effort to invest in job-creating stimulus to our economy while improving Canada's public infrastructure.

In addition to accelerating billions of dollars in infrastructure investments under the seven-year (2007-2014) Building Canada Plan, the Government of Canada's Economic Action Plan (Budget 2009) provides \$12 billion in new infrastructure investments over the next two years. For their part, Canadian municipalities will continue to make multi-billion dollar annual investments in capital projects from their own funds.

This funding will help create jobs and boost our economy. It will also help municipal governments meet their varied and growing infrastructure needs.

This letter and attached backgrounder is a joint undertaking between the Government of Canada and the Federation of Canadian Municipalities (FCM) to provide an update to municipal governments on the development and implementation of new federal infrastructure programs. It is also intended to help municipalities prepare to put stimulus dollars to work in their own communities. As the attached backgrounder describes, there are specific steps municipal councils can take to identify stimulus opportunities and prepare for new funding programs.

FCM and the federal government have both committed to provide additional updates to municipalities as new information becomes available. Regular updates will also be posted online at www.buildingcanada.gc.ca. For details about the rollout of federal stimulus programs in a specific region, municipalities should also contact their provincial/territorial municipal association.

Sincerely,

Original signed by

Jean Perrault
FCM President
Mayor of Sherbrooke

John Baird
Minister of Transport,
Infrastructure and Communities

Federal Infrastructure Update

ACCELERATING BUILDING CANADA

The **2007 \$33-billion Building Canada Plan** was designed to provide a long-term, seven-year commitment to infrastructure investments. However, with the downturn in the economy, and following discussions with FCM and municipal representatives, provinces and territories, a number of steps have been taken to accelerate investments under the Plan.

These steps include:

- Changes to the *Navigable Waters Protection Act* passed with the *Budget Implementation Act* that received Royal Assent on March 16;
- Regulatory changes under the *Canadian Environmental Assessment Act* that will exempt many infrastructure projects under Building Canada or allow a provincial environmental assessment process to substitute for a federal assessment, reducing duplication; and
- Streamlining the federal review and approval of projects, simplifying criteria and reducing the amount of information required in the application process.

Together, these steps will streamline the process and accelerate federal approvals, in some cases by up to 12 months.

Small Communities

Since late January 2009, the Government of Canada has approved 500 projects in small communities (less than 100,000 people) worth over \$1.5 billion in combined funding under the Communities Component of the Building Canada Fund (BCF) in several provinces across Canada.

Major Projects

The federal government is also working with provinces and territories to accelerate major projects. Of the \$7 billion available across Canada, \$2.9 billion has been announced for major projects under the BCF and the federal government is in discussions with provinces about allocating remaining funds as quickly as possible.

Recent Funding Announcements

Recent announcements include: \$250 million to improve GO Transit in the Greater Toronto Area; \$350 million to build the new Evergreen transit line in Vancouver; almost \$12 million for a water treatment plant in Lévis, Quebec; as well as highway investments that will help rural communities in Nova Scotia, British Columbia and Saskatchewan. Recently, the Prime Minister and Premier Jean Charest announced a joint investment of \$820 million under Building Canada for large and small community projects in Quebec.

Gas Tax Fund

The Gas Tax Fund's annual allocation doubles to \$2 billion per year on April 1, 2009, and the first payments in this fiscal year will be made in April rather than in July to put funds in municipal hands as quickly as possible. As announced in Budget 2008, this \$2-billion commitment will become permanent at this level. FCM estimates this funding will create more than 22,000 jobs each year.

Provincial Base Fund Allocations

The Government is prepared to allocate all of the \$175 million remaining in the Provincial Base Fund allocations to jurisdictions for construction-ready projects over the next two years. Some provinces are already taking advantage of this opportunity.

NEW FUNDING UNDER BUDGET 2009

The 2009 federal budget announced \$12 billion in new and accelerated infrastructure funding, largely over the next two construction seasons. Some of this new funding will be provided through top-ups to or advances on existing funds, while much of it will come from new funds such as the \$4-billion Infrastructure Stimulus Fund, the \$1-billion Green Infrastructure Fund and the \$500-million Recreational Infrastructure Fund.

THE \$4-BILLION INFRASTRUCTURE STIMULUS FUND

The \$4-billion Infrastructure Stimulus Fund provides funding to provincial, territorial, municipal, community and private sector construction-ready infrastructure projects. The focus is on rehabilitation of existing assets but new construction is also eligible. The federal government has said that eligible projects will need to be built over the next two construction seasons, and completed by March 31, 2011, in order to create jobs quickly enough to counter the economic slowdown.

The \$4 billion is notionally allocated on a per capita basis for projects in each province and territory. However, should progress be slow, funds may be reallocated to federal infrastructure elsewhere in that province or to other regions of the country where they can be quickly injected into the economy.

Eligibility

The Government wants to maximize the stimulus provided to the economy through cost-sharing partnerships with provincial, territorial and municipal governments. All project proponents will have to attest that the project would not have been completed in the next two years without federal funding. The federal government will provide one-third of the funding for approved municipal projects.



In the municipal sector, eligible projects can include water and wastewater, transit, roads and bridges, parks and trails, solid waste, and recreation and culture. Projects from community groups for community and social services are also eligible.

Wherever possible, existing programs will be used to accelerate approvals and get funding flowing quickly, notably by avoiding duplication in the application process. For example, in many jurisdictions, applications to the BCF's cost-shared Communities Component far exceed the available funding. Where this program is oversubscribed, it may be used as a source of projects considered for stimulus funding. In other cases, provinces have already compiled lists of municipal and community projects, or have existing programs that can be enhanced to undertake incremental projects. In others, specific calls for proposals will be made for stimulus projects using a short application form and quick approval process.



THE \$1-BILLION GREEN INFRASTRUCTURE FUND

The \$1-billion Green Infrastructure Fund will provide \$1 billion over five years for infrastructure that supports green infrastructure projects with a focus on sustainable energy. Funding will be allocated based on merit to support green infrastructure projects on a cost-shared basis. The merit of the projects will be based on basic eligibility criteria, financial and legal requirements, and environmental benefits.

Eligibility

The fund will support green projects including the generation and transmission of clean energy, carbon capture and storage, wastewater treatment, and solid waste management. It is expected that the fund will support a relatively small number of large, strategic, cost-shared projects.

Applications

Proponents are encouraged to submit an initial letter and short summary of the project to Infrastructure Canada (visit www.buildingcanada.gc.ca for contact information). Following an initial assessment, the proponent may then be asked to submit a more detailed project proposal that describes the project and its components, cost estimates, expected results and environmental benefits. Proposals will be accepted on a continual intake.



THE \$500-MILLION RECREATIONAL INFRASTRUCTURE FUND

The \$500-million Recreational Infrastructure Fund will be provided over two years to renew community recreation facilities across Canada. The federal government will typically fund up to 33 per cent of eligible costs but may, on occasion, fund up to 50 per cent. The remaining funding will need to be sourced from provincial or municipal governments, community organizations, or the private sector. The maximum federal contribution to any one project under this program will be \$1 million.

Project Selection

There is no formal allocation of funding. Projects will be selected on the basis of merit and construction readiness. The program will be delivered by the regional development agencies across Canada. These agencies will be soliciting and reviewing applications.

Project Proposals

Please contact your regional development agency regarding the submission of your project proposals.

THE \$500-MILLION TOP-UP TO THE BCF COMMUNITIES COMPONENT

The \$500-million top-up to the BCF Communities Component will accelerate infrastructure projects in small communities (populations less than 100,000) over the next two years. Projects are selected through an application-based process. This fund will kick in once a province or territory has committed its entire Communities Component to approved projects, and additional projects remain that could be completed over the next two years.

UP TO \$2 BILLION IN LOW-COST LOANS FOR MUNICIPAL INFRASTRUCTURE

The new federal Municipal Infrastructure Lending Program will inject up to \$2 billion over two years in direct, low-cost loans to municipalities through Canada Mortgage and Housing Corporation (CMHC). There will be a focus on projects that are shovel-ready, as this is a targeted, short-term, temporary measure intended to create jobs.

These low-cost loans will significantly decrease the cost of borrowing for municipalities, and can be used by them to directly invest in infrastructure projects or fund their contribution to cost-shared federal infrastructure programming.

CMHC will announce program details in the coming weeks.

What you can do

The federal government is working with each province and territory to identify:

- Where underfunded and/or oversubscribed funding programs can be quickly activated with an infusion of new dollars; and
- Where new application intakes are needed to be launched specifically for stimulus funding.

The mix of stimulus-funded programs will vary by region, and individual programs will come online at different stages. For example, in British Columbia, the federal and provincial governments announced the first stimulus projects to be funded and are cost-sharing up to 160 projects identified through the Towns for Tomorrow program. In Quebec, the province and federal government have announced a joint \$700-million stimulus program to partner with municipalities in order to repair and replace water and sewage conduits. This secures provincial funding for stimulus projects and provides a flexible approach to ensuring stimulus funding reaches communities quickly and avoids duplication in application processes.

Additional announcements in each province and territory will follow in the coming weeks and months. In the interim, there are steps municipalities can take to help identify stimulus opportunities and prepare to put new dollars to work:

1. Identify Existing Funding Applications

Calls for applications are underway in many provinces across the country for the Communities Component of Building Canada. Ensure your municipality submits its application by the deadline in your province (see www.buildingcanada.gc.ca). Your municipality may be waiting to hear whether previously submitted funding applications to the Building Canada Fund or other federal and/or provincial/territorial infrastructure programs will be approved. If these projects do not receive funding under their original program, there is still a possibility they will be considered for new stimulus funding where the province/territory has agreed to provide additional funding; the project can be built in the next two years; and the project is incremental, meaning that it would not be undertaken in the next two years without new federal funding.

Your municipality should have a running list of these outstanding applications, and be prepared to speak to their eligibility for stimulus funding if and when they are up for consideration. In particular, it will be important to establish how quickly the project can be completed.

2. Identify Additional Priorities for Stimulus Funding

In addition to identifying existing funding applications, it may be worthwhile to establish further priorities for stimulus funding, particularly if there is reason to expect your province or territory will launch a new intake of funding applications.

In establishing a list of priorities, make sure to note:

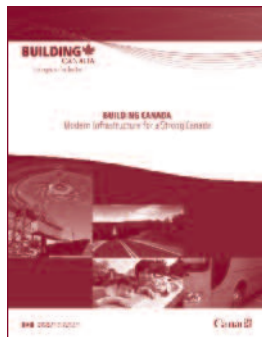
- The type of infrastructure project;
- The approximate number of jobs the project will create;
- The total cost of the project and the required federal and provincial/territorial contributions;
- That the project is shovel-ready (all required permits, status of environmental assessments and plans complete) and can be completed by the federal deadline of March 31, 2011; and
- That the project would be incremental, meaning that it would not be undertaken in the next two years without new federal funding

3. Communicate Your Stimulus Priorities

As the federal government rolls out funding programs tailored to the circumstances in each province and territory, it is important for municipalities to show their provincial and territorial government the local projects that new stimulus dollars could help get off the ground. Encourage your provincial and territorial governments to provide matching funding to take advantage of the federal stimulus funding available.

Inform your provincial or territorial government so that it knows what applications your municipality has pending, and what additional stimulus priorities you have identified. Also, let them know how important it is that your province or territory provides additional funding that allows stimulus dollars to start flowing to your community.

Make sure to share this information with your provincial/territorial municipal association.



For more information about the federal government's infrastructure funding programs visit