2014

MUNICIPAL SUSTAINABILITY INITIATIVE CAPITAL PROGRAM GUIDELINES

MUNICIPAL AFFAIRS

Effective January 1, 2014

www.municipalaffairs.alberta.ca/msi.cfm

Alberta Government

The Building Alberta Plan

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1. What's New?

- The 2014 MSI Capital Guidelines come into effect January 1, 2014.
- Effective April 1, 2014, the Basic Municipal Transportation Grant (BMTG), administered by Alberta Transportation (Transportation), has been consolidated with the MSI Capital program.
  - The 2014 MSI Capital budget is $1.21 billion: $871 million from the former MSI Capital program, $343 million from the former BMTG program.
  - Funding for the consolidated MSI Capital program will be provided under the MSI Capital program conditions.
  - Funding allocations under the consolidated program in 2014 will be calculated using the current MSI formula for the former MSI funds, while the amount of the former BMTG program will be calculated using the current BMTG funding formula.
  - For the transition year, payment of the former BMTG funds will be made separately from funding calculated under the MSI formula (Section 4.4).
  - As the former BMTG funding is not included in the existing MSI funding agreements, the agreements will be amended in 2014 to facilitate the payment of BMTG funds.
- All applications for 2014 allocations should be sent to Municipal Affairs. However, applications proposing to use BMTG funding allocated in 2013 and previous years, and carried forward for use in 2014, should continue to be submitted to Transportation.
  - An MSI project application must be submitted for any project that uses 2014 and future years' funding from the former BMTG, even if the project was previously approved by Transportation.
- Submit 2013 MSI capital Statement of Funding and Expenditures (SFEs) to Municipal Affairs and 2013 BMTG SFEs to Transportation through the Municipal Grant Management Application (MGMA).
- The MSI Online system (MSIO) is now available through MAConnect (Section 5.1). MSIO gives municipalities the ability to:
  - create, edit and submit MSI capital applications and amendments online;
  - create, edit and submit MSI operating spending plans online;
  - view and track the status of MSI capital applications and amendments; and
  - view and print project and allocation related summary reports.
- New resources have been added to the MSI website to assist with completing Questions 4 and 5 on the MSI capital project application form.
  - The *Functional Category Guide* is designed to assist municipalities in selecting the most appropriate functional category for their project.
  - The *Resulting Capital Asset Guide* is designed to assist municipalities in selecting the most appropriate asset type, classification and unit of measure for the capital assets resulting from their project.
  - Both of these documents can be found on the MSI website's Materials, Forms and Resources page at http://www.municipalaffairs.alberta.ca/msi-materials-resources.cfm

2. General Information

2.1) Key Dates

Activity	Timeline
2014 Project Application Submission	Submit anytime between January 1, 2014 and December 31, 2014
2014 Grant Allocation Payment	For MSI funds, by approximately **June 30** following provincial budget approval; payment of the former BMTG funds will be made once the amended long-term MSI agreement is signed (see Section 4.4 for payment conditions)
Statement of Funding and Expenditures (SFE) submission	**2013 SFE: due May 1, 2014** **2014 SFE: due May 1, 2015**

2.2) Contact Information

Signed project applications and SFEs may be submitted by email, fax or mail. Applications can also be submitted through MSIO. Duplicate copies sent by mail are not required.

Electronic file templates for the project application and SFE are available on the program website. Older versions of these forms will not be accepted.

Method	Contact
Phone	780-427-2225 (toll-free: 310-0000) For program specific information, ask for a Grant Advisor. For compliance reporting requirements (SFEs), ask for a Grant Compliance Advisor.
Email	MSI capital applications and SFEs: ma.msicapitalgrants@gov.ab.ca Signage and plaque inquiries: ma.msisigns@gov.ab.ca
Fax	780-422-9133
Mail	Project applications: Alberta Municipal Affairs Grants and Education Property Tax Branch Grant Program Delivery Unit 17th Floor, 10155 – 102 Street Edmonton, AB T5J 4L4 SFEs: Alberta Municipal Affairs Grants and Education Property Tax Branch Grant Accountability Unit 17th Floor, 10155 – 102 Street Edmonton, AB T5J 4L4

Method	Contact
MSI Online System (MSIO)	Questions about gaining access to MSIO may be directed to 780-644-2413 (toll-free: 310-0000) or MSIOaccess@gov.ab.ca
MSI website	www.municipalaffairs.alberta.ca/msi.cfm

3. Program Description

3.1) Overview

The MSI is the Province of Alberta's commitment to provide significant long-term funding to enhance municipal sustainability and to enable municipalities to meet the demands of growth.

Municipalities determine projects and activities to be funded by the MSI based on local priorities, within the general qualification criteria set out in these guidelines.

3.2) Program Objectives

The objectives of the MSI are:

- to work in partnership with municipalities to manage growth pressures;
- to provide municipalities with sustainable funding; and
- to support infrastructure needs.

Municipalities are strongly encouraged to consider these program objectives, as well as their long-term infrastructure needs, when determining their MSI project priorities. Municipalities are also strongly encouraged to support their communities by working together.

3.3) Program Eligibility

Only eligible municipalities may submit applications for MSI capital funding. For the purposes of this program, an eligible municipality means any municipality (city, town, village, summer village, specialized municipality, municipal district, improvement district, and special area), Métis settlement, or the Townsite of Redwood Meadows Administration Society.

<u>Contributions to Other Entities</u>

Municipalities may choose to contribute MSI capital funding to eligible projects that involve assets or land owned by other municipalities, provincially- or municipally-controlled entities, or non-profit organizations defined as follows:

- a municipality as defined in Section 1 of the *Municipal Government Act*;
- a non-profit organization, as defined in Section 241 of the *Municipal Government Act* (see Schedule 3);
- a regional services commission established under Part 15.1 of the *Municipal Government Act*;
- a controlled corporation as defined in Section 241 of the *Municipal Government Act*; and
- provincial agencies, crown-controlled school jurisdictions, universities, colleges, technical institutes, the Alberta Health Services Board, and other health boards, excluding charter schools and school societies that are included in the Government of Alberta annual report.

If a municipality chooses to contribute MSI capital funding to one of the above entities, the municipality is responsible for submitting the project application and ensuring that the contribution is being used to acquire, construct, develop, better, or rehabilitate a capital asset that will be used to provide or deliver municipal services. Projects involving contributions to these other entities must provide a municipal service, and use of the resulting asset must not be limited to cultural or religious groups.

<u>Additional Documentation Requirements</u>

Municipalities contributing funding to a non-profit organization are required to complete a Supplementary Certification Form (found on the MSI website) certifying that they will:

- bind the non-profit organization to all MSI conditions and obligations that apply to the municipality with respect to the project, including adherence to provincial regulations/ standards and Municipal Affairs access to project records; and
- maintain adequate control over public access to the asset, or over the municipal service that it provides.

The supplementary form is not required for applications made through MSIO, as the additional certifications are built into the online application.

To protect the municipal interest in the asset or facility and to meet the obligations of the certification, the municipality should enter into a binding legal agreement with the non-profit organization. Municipal Affairs does not require a copy of the agreement.

3.4) MSI Funding Allocation Formula

The annual program budget for MSI is subject to legislative approval. Municipalities will be advised of their annual MSI funding allocations after the provincial budget has been announced and specific funding allocations have been authorized by the Minister of Municipal Affairs. The annual allocations are available on the MSI website.

The 2014 MSI budget is $1.24 billion: $871 million from the former MSI capital program, $30 million from the MSI operating program and $343 million from the former BMTG program. Funding allocations under the consolidated program in 2014 will be calculated using the current MSI formula for the former MSI capital funds, while the amount of the former BMTG will be calculated using the existing BMTG funding formula.

Operating funding is a designated portion of each municipality's overall MSI funding allocation. This includes a base amount and, if applicable, sustainable investment funding. The remainder of the overall MSI funding will be for qualifying capital projects that meet the criteria described in these guidelines.

The total MSI (capital and operating) allocation is based on the following formula:

- the majority of MSI funding is allocated 48 per cent on a per capita basis; 48 per cent based on education property tax requisitions; and four per cent based on kilometres of local roads;
- municipalities receive $120,000 in base funding, with the exception of summer villages, which receive $60,000 in base funding; and
- municipalities with populations under 10,000 and limited local assessment bases also receive sustainable investment funding, with a total of $9 million allocated to qualifying municipalities.

The existing BMTG allocation formula is based on municipal status, with the cities of Calgary and Edmonton receiving funding based on litres of taxable road-use gasoline and diesel fuel sold in the province; the remaining cities and urban service areas receiving funding based on a combination of population and length of primary highways; towns, villages, summer villages, improvement districts and the Townsite of Redwood Meadows receiving funding based on population; and rural municipalities and Métis settlements receiving funding based on a formula which takes into account kilometres of open road, population, equalized assessment, and terrain.

4. Funding Conditions

4.1) Project Eligibility

An MSI capital project must be for the purpose of providing good government, services, facilities or other items that are necessary or desirable for all or part of the municipality, or to develop and maintain safe and viable communities. The project must clearly align with the objectives, criteria, and general types of projects set out in these guidelines.

To be eligible for program funding, project costs must result in, or directly relate to and support, the acquisition, construction, development, betterment, rehabilitation, or non-routine maintenance of a capital asset (see Schedule 3) owned by a municipality or one of the other entities identified in Section 3.3.

The project must be limited to a single building, facility, or piece of equipment; or involve a group of assets that are of the same type of equipment (e.g., road maintenance equipment or emergency services equipment), in the same project category (e.g., fire truck, fire hall), or typically used together to provide a service (e.g., arena and ice resurfacer)]. If the project includes a road, walkway, water, wastewater, or storm water system, the project application must be for related portions of that system.

The project may also include the purchase and/or betterment of land where the land is intended for a specific eligible capital asset; or the land betterment activities are intended to address specific health and safety concerns (with or without a resulting capital asset).

Schedule 1 provides a list of eligible and ineligible project costs.

Schedule 2 provides a list of general types of capital projects by category. All projects must align with the general types of projects listed.

4.2) Memorandum of Agreement

MSI funding is administered through a long-term Memorandum of Agreement (funding agreement). This funding agreement covers capital and operating funding under the program from 2008 through 2016. A separate agreement covered the 2007 MSI capital funding.

Under the terms of the funding agreement, the municipality is required to provide Municipal Affairs with:

- a project application for each project (previously referred to as a Project Profile);
- a Multi-Year Capital Plan (MYCP) showing all projects receiving MSI capital funding (if requested); and
- an annual SFE for the previous year.

As the former BMTG funding is not included in the existing MSI funding agreements, the agreements will be amended in 2014 to facilitate the payment of BMTG funds.

4.3) *Minimum MSI Amount for Projects*

For all project applications, the total MSI-funded amount must be at least five per cent of the municipality's annual MSI capital funding allocation (MSI capital amount + former BMTG amount) for the year of the application.

For municipalities with annual MSI capital allocations over $20 million, the minimum project threshold is $1.0 million.

The minimum project threshold **does not apply** to projects that involve:

- eligible costs associated with infrastructure management systems;
- remaining project costs on projects that were previously accepted through the BMTG with funding approved beyond 2013; and/or
- contributions to qualifying projects carried out:
  - in conjunction with a neighbouring municipality (excluding maintenance equipment);
  - by regional entities that are controlled by two or more municipalities; or
  - by non-profit organizations.

For a project geographically located in a dissolved municipality, the total MSI-funded amount must be at least five per cent of the dissolved municipality's annual MSI capital funding allocation for the year of the application (see Section 4.9). This exemption remains in place for the five years following the year of dissolution.

4.4) *Payment of Funds*

2014 MSI capital funding allocations[1] will be paid following legislative approval of the provincial budget and are conditional on the following:

- submission and Municipal Affairs' certification of the 2012 MSI capital SFE;
- submission of the 2013 MSI capital SFE;
- submission of sufficient project applications that commit the entire 2014 MSI capital funding allocation[1], and the balance of any uncommitted MSI capital funding from prior years; and
- the total reported expenditures on submitted and certified MSI capital SFEs must equal or exceed the total of a municipality's 2007 and 2008 MSI capital allocations (see Section 4.5); and
- payment of the former BMTG program funds will be made once: the amended long-term MSI agreement is signed; and the 2013 BMTG SFE has been submitted.

A payment of half of a municipality's 2014 MSI capital funding allocation[1] will be made based on submission of the 2012 and 2013 SFEs as above, and the submission of project applications that commit at least half of the 2014 MSI capital funding allocation[1] and the full balance of any uncommitted MSI capital funding from prior years. Payment of the balance of the 2014 MSI allocation will be based on submission of applications that commit this balance, with full payment of the former BMTG program funds being made once the amended long-term MSI agreement is signed, and the 2013 BMTG SFE has been submitted.

[1] The 2014 MSI capital funding allocation includes the combined total of the 2014 MSI capital funds and the 2014 former BMTG program funds.

As indicated in Section 4.5, project applications can be submitted for projects that will start in future years.

4.5) *Time Period to Use Allocated Funds*

To provide flexibility in scheduling capital projects, and to accommodate larger projects requiring more than one year's grant allocation, capital funding provided and not expended or committed in one year may be carried forward to the next five subsequent years. The funding must be expended on an accepted project before December 31 of the fifth subsequent year. This provides a total of six years in which to use allocated funding. For example, the 2009 allocation (not including 2009 BMTG funds) must be expended before December 31, 2014. Funding that is not expended within this period must be returned to the Government of Alberta.

Where a credit item (see Section 6.2) has been recorded on an annual SFE, the amount becomes part of the annual allocation for the year in which it is reported. Credit item amounts not expended or committed in the year they are reported may be carried forward to the next five subsequent years.

Where a municipality intends to carry MSI funding forward to a future project, a project application must be submitted to receive future annual funding allocations (see Sections 4.4 and 5.1).

4.6) *Application of MSI Funding to Project Expenses*

A municipality may initiate projects that will be funded wholly, or in part, by estimated future year MSI capital funding allocations. A municipality may allocate up to 75 per cent of its estimated MSI capital funding allocation for the remaining years of the program to one or more projects.

If a municipality chooses to borrow to finance a project, MSI funding should be applied to the actual project costs in the year(s) they are incurred, rather than to the debt payments. For example, if a piece of equipment is purchased in 2013 for $150,000 and the municipality chooses to finance the purchase over several years, the project application (financial grid) and the SFE report (see Section 6.1) must still reflect the full project cost of $150,000 in 2013. A municipality choosing to use MSI funding for borrowing costs should refer to Section 4.7.

MSI capital funding is subject to program changes and the availability of provincial funding for the program. Acceptance of a project on the basis of estimated future funding allocations does not guarantee program continuance or the timing and amount of future funding.

4.7) *MSI Funding and Borrowing Costs*

Borrowing costs (see Schedule 3) on the amount borrowed in advance of receiving annual MSI funding, commonly known as bridge financing, qualify for capital funding, subject to the following conditions:

- interest costs must have been incurred after January 1, 2009;
- borrowed funds must be used to fund qualifying costs incurred on or after January 1, 2009;
- interest costs do not qualify if incurred after sufficient MSI funds (excluding funding committed or expended on other projects) have been received to fully fund the MSI-funded portion of the project;
- at any time, the MSI-funded borrowing amount for all projects must not exceed one-half of a municipality's estimated long-term allocation;
- a maximum of seven per cent of a municipality's estimated long-term allocation may be applied to interest costs across all of a municipality's projects;

- declaration on the project application that the municipality anticipates cost savings and/or efficiency gains from completing the project using debt financing;
- submission of a current three to five year capital plan that includes anticipated expenditures by year for all of the capital projects the municipality intends to complete; and
- submission of a business case for each project that includes, at a minimum, the following:
  - the total amount borrowed;
  - the term of the borrowing;
  - the amount of principal to be funded by MSI **per year**, over the term of the borrowing;
  - the amount of interest to be paid on the MSI-funded principal **per year** over the term of the borrowing;
  - the amount of principal to be funded by sources other than MSI **per year**, over the term of the borrowing; and
  - the amount of interest to be paid on the principal funded by sources other than MSI **per year**, over the term of the borrowing.

Municipalities are strongly encouraged to contact a program representative prior to submitting an application involving MSI-funded borrowing costs.

4.8) Application of Other Provincial and Federal Grant Funds

MSI capital funds may be used to fund the municipal contribution of provincial-municipal grant programs and the municipal or provincial contribution of federal-municipal grant programs that require a municipal contribution, unless doing so is prohibited by that program. For example, if a municipality is purchasing accessible transit vehicles for $1.0 million, and is receiving GreenTRIP funding of $500,000, MSI capital funds may be used to fund the remaining $500,000 of transit vehicle costs.

MSI permits the use of multiple grant funding sources for an MSI project, however if a municipality chooses this approach, it is the municipality's responsibility to understand the separate requirements of each grant program.

Application of Alberta Transportation Project-Specific Funding

Project-specific funding is one-time funding based on the cost of a project. Alberta Transportation has indicated that in order to receive project-specific funding under their programs (such as the Alberta Municipal Water/Wastewater Partnership (AMWWP) program and the Water for Life (W4L) program), the project-specific funding should be approved before utilizing allocation-based funding such as MSI. Therefore, MSI applications that are also reporting project-specific funding under Alberta Transportation programs will only be accepted if they include a copy of an award letter from the Minister of Transportation approving the project-specific funding.

More information about the requirements of other provincial grant programs can be found on the Municipal Grants Web Portal at http://municipalaffairs.alberta.ca/municipalgrants.cfm

4.9) Municipal Restructuring and Funding Allocations

Municipal restructuring will not negatively affect funding allocations to municipalities for a defined period under the MSI. In cases where amalgamation or dissolution has occurred, the unexpended portion of the funding allocation will be transferred to the amalgamated/receiving municipality.

Restructured municipalities will receive a funding allocation equivalent to that which would have been calculated pre-restructuring for the subsequent five years of the program. This does not apply to municipalities that underwent restructuring prior to April 1, 2007.

For example, if two municipalities amalgamated on June 1, 2011, the restructured municipality will receive the benefit of an MSI allocation calculated as if the two municipalities had not amalgamated, until December 31, 2016. Municipalities that amalgamate in 2014 will receive the same benefit for the five years following amalgamation or until the end of the MSI program, whichever is earliest.

The restructured municipality will receive the combined total of the two calculated amounts. The amalgamated/receiving municipality should be aware that the funding allocation being transferred, or portions thereof, may have been committed to previously approved projects.

Project location will determine the five percent minimum threshold for projects submitted by a restructured municipality. The threshold for a project geographically located in a former (dissolved) municipality will be based on the allocation amount that would have been calculated for the dissolved municipality, pre-restructuring. This will be in place for a maximum of five years plus the year of restructuring. Similarly, the five per cent minimum for projects located outside the geographic area of the dissolved municipality will be based on the allocation amount that would have been calculated pre-restructuring for this same time period.

Municipalities involved in an amalgamation or dissolution should contact a Municipal Affairs program representative for assistance in preparing project applications and confirming their MSI funding amounts.

4.10) Requirements for Award of Contracts

All calls for proposals or tenders for projects to be funded under this program shall be carried out in accordance with the rules, regulations and laws governing such activities and in accordance with the best current practices. They must also be advertised in accordance with the guidelines of the New West Partnership Trade Agreement (NWPTA) (www.newwestpartnershiptrade.ca), effective July 2010, and the Agreement on Internal Trade (AIT) (www.ait-aci.ca).

The municipality may award contracts for planning, design, engineering, and architectural services for a municipal capital infrastructure project based on best overall value consistent with the municipality's policies.

The municipality may award contracts for the construction or purchase of a municipal capital infrastructure project by public tender based on either unit prices or lump sum amounts. The MSI capital program does not require municipalities to award projects to the lowest tender, and does not prohibit municipalities from using a process that qualifies suppliers prior to the close of call for tenders where the process is consistent with the AIT and NWPTA.

Where a municipality has been unable to secure appropriate or cost-effective private sector services, or anticipates that this will be the case, the municipality may propose to utilize its own forces, including municipal staff and equipment, in accordance with Section 5.4

4.11) Provincial Standards

It is expected that MSI projects will comply with provincially regulated standards. For example, MSI projects involving regional water distribution and wastewater collection systems should appropriately align with the *Environmental Protection and Enhancement Act*, administered by Alberta Environment and Sustainable Resource Development. Where an MSI project includes work on a highway under provincial jurisdiction, the municipality must enter into a separate agreement with Alberta Transportation to carry out the work and/or receive permission to access the highway right-of-way.

5. Application Process

5.1) *Project Applications*

The municipality must submit a separate project application to Municipal Affairs for each proposed project. As outlined in Section 4.1, a project must be limited to a single building, facility, or piece of equipment; or involve a group of assets that are of the same type of equipment, in the same project category, or typically used together to provide a municipal service.

A project may also include the purchase and/or betterment of land where the land is intended for a specific eligible capital asset; or the land betterment activities are intended to address specific health and safety concerns (with or without a resulting capital asset).

The objective of the project application is to provide basic information regarding the proposed project asset(s), activities, and affected parties; to provide an estimate of annual project costs and funding sources; and to demonstrate that costs assigned to the project are eligible.
If a project changes significantly, an application form should be updated and re-submitted in accordance with the amendment process described in Section 6.6.

Project applications and amendments must be signed by the Chief Administrative Officer, or duly delegated authority, who certifies that the information on the application is correct and in accordance with the program guidelines and funding agreement.

Applications for projects using former BMTG funds

Applications for projects that use MSI capital funding and 2014 funds from the former BMTG should be submitted on a 2014 MSI capital application to Municipal Affairs. If a project was previously approved by Alberta Transportation that anticipated using 2014 and future years' funding from the former BMTG, an MSI capital project application must be submitted for this funding.

Municipalities requesting to apply unspent BMTG funding (2013 and earlier) to projects should submit an application to Transportation to access this funding. The Municipal Grant Management Application (MGMA) online system will remain available for 2013 and previous years' BMTG allocations and projects.

MSI Online System (MSIO)

Project applications may now be submitted through MSIO. Access to MSIO is through MAConnect, the web portal that provides Government of Alberta staff and external stakeholders secure access to Municipal Affairs' key business applications.

Municipalities that have already signed up for MAConnect can request staff access to MSIO through the municipality's MAConnect Stakeholder Administrator. The Stakeholder Administrator is the person delegated to manage access to applications in MAConnect on behalf of the municipality through the MAConnect Stakeholder Agreement. If the municipality needs to assign another Stakeholder Administrator, a request can be emailed to MSIOaccess@gov.ab.ca.

Municipalities that have do not yet have access to MAConnect will have to enter into a Stakeholder Agreement before requesting access to MSIO. The Stakeholder Agreement can be requested by emailing MSIOaccess@gov.ab.ca or contacting 780-644-2413 (toll-free 310-0000).

Once the Stakeholder Agreement has been signed and returned to Municipal Affairs, the municipality will be able to request access to MSIO through their designated Stakeholder Administrator.

User Guides for MSIO are available through the "Help" button in MSIO, and on the MSI website at www.municipalaffairs.alberta.ca/msi-materials-resources.cfm.

5.2) Joint Projects

Projects that involve joint funding from two or more municipalities should identify all contributing parties in the project description of the application.

Each municipality must submit an application for its own portion of the project. The municipality that is directly responsible for the project should include the complete financial information (total project costs), while a contributing municipality should only include its own portion of these costs.

All funding contributions from municipalities other than the applicant should appear on Line J (Ineligible Costs) of the financial grid on page 3 of the project application form.

5.3) Multi-Year Capital Plan (MYCP)

Municipalities are no longer required to submit an MYCP, unless requested to do so by Municipal Affairs, such as on projects using MSI funds to cover borrowing costs. However, municipalities must declare on page 4 of the project application form that an MYCP has been prepared and includes the project for which MSI funding is being applied.

The objective of the MYCP is to provide a high level overview of anticipated municipal capital expenditures for all grant supported and non-grant supported capital projects over the planning period. Completion of the plan provides the municipality with a structured basis for prioritizing capital projects, facilitates the development of financial strategies, ensures that critical long-term needs are considered in current planning documentation, and supports the community sustainability plan.

The MYCP should be based on the outcome of municipal infrastructure condition reports and/or other planning studies and reports substantiating the need, priority, and timing for the projects. Ideally, the MYCP should list all proposed capital expenditures for the municipality, and cover, at minimum, a three-year planning period. The plan should be in the most practical format available to the municipality, and does not have to be in a prescribed format for MSI program purposes.

It is acknowledged that the MYCP is an estimate only, and that it will likely change as the condition of existing municipal infrastructure and the needs and priorities of the municipality change. Periodic updating of the plan is recommended.

5.4) Use of Municipal Forces

Where a municipality has been unable to secure an appropriate or cost-effective private sector response to a proposal or tender for a capital project, or anticipates that it will be able to carry out the project on a more efficient or cost-effective basis itself, project costs can include the cost of municipal forces (staff and equipment) used to carry out the project. Costs can include all labour costs, including benefits, attributable to work carried out on- and off-site (see Schedule 1). Labour costs associated with general municipal administration are excluded.

The municipality must declare on page 4 of the project application that the use of municipal forces and/or equipment will result in a more efficient, timely, or cost-effective project. Municipalities are not required to submit a business case to Municipal Affairs.

5.5) Review Process

Project applications submitted to Municipal Affairs will be reviewed to ensure they meet the requirements set out in the program guidelines. A recommendation will then be forwarded to the Minister. All decisions by the Minister regarding project acceptance are final.

It is anticipated that project applications that do not require follow up will be processed and municipalities advised of project acceptance status within ten to twelve weeks.

A municipality may proceed with a project that is expected to be wholly or partially funded with an MSI allocation(s) prior to receiving notification of acceptance from the Minister if it believes that the project will be eligible under these guidelines. However, if the Minister should deem a project to be ineligible, the municipality will be responsible for bearing the cost of the project and must apply the MSI funding to a different eligible project.

6. Compliance

6.1) Statement of Funding and Expenditures

Each municipality must submit an SFE for the previous calendar year's expenditures in the prescribed format, summarizing the following:

- the MSI capital carry-forward amount from the previous year;
- the grant allocation in the reporting year, whether or not it was received;
- income earned and credit items;
- project name and expenditures;
- the actual MSI amounts applied to accepted projects; and
- MSI funds to be carried forward to the next year.

Income earned on the MSI capital funding allocation becomes part of the total capital funding available to apply to eligible projects.

The SFE must be signed by the Chief Administrative Officer, who certifies that the municipality is in compliance with the terms of the funding agreement and the program guidelines. The projects listed on the SFE must correspond with project applications that have been accepted by the Minister. All supporting documentation, such as reports, drawings, and invoices for each project must be retained by the municipality for a minimum of three years following completion of the project.

SFEs must be submitted by May 1 of each year, via mail, fax, or email to Municipal Affairs (refer to Contact Information, Section 2.2).

The SFE may be subject to a review by the Provincial Auditor General.

Once the municipality's SFE has been certified by Municipal Affairs for a reporting year, costs for that reporting year included on new project applications will not qualify for MSI funding.

6.2) Credit Items

Where there was a financial contribution from the Province and where any credit item results in net proceeds to the municipality, such proceeds shall be credited to the municipality's MSI allocation amounts so as to be available for allocation to other eligible projects.

Credit items shall be reported on the current year SFE, and can include:

- income earned on deposited or invested MSI grant funds;
- rent and other income derived from capital assets (including land) purchased with provincial funds for a capital project before project completion;
- net proceeds (to a maximum of grant applied) from the sale of land purchased with provincial funds for a capital project included in project costs but not required for the project;
- net proceeds (to a maximum of grant applied) from the sale of land bettered (i.e., rehabilitated, reclaimed or remediated) with provincial funds to address/mitigate health and safety concerns;
- the appraised value of unsold land purchased and/or bettered (i.e., rehabilitated, reclaimed or remediated) with provincial funds for a capital project and included in project costs but not required for the project;
- the net salvage value on disposal of any material obtained from removal or demolition of any structure or any part of the facility or goods acquired using provincial funding for construction and not used;
- the income from the sale, trade-in, or proceeds from an insurance claim of other capital assets that previously received a financial contribution from the Province;
- the funding from other sources such as developers (excluding off-site levies), railway companies, private organizations, and other government agencies (including other provincial government departments) where such funding has been provided for a project funded under the MSI; and
- donations or contributions in-kind, including all goods and services.

6.3) *Calculation of Income Earned*

The municipality must maintain separate accounting records for the grant funds.

The municipality is encouraged to invest and earn income on all unexpended grant funds, subject to the provisions of Section 250 of the *Municipal Government Act*. The amount of income earned on the funds is to be reported on the SFE and becomes part of the total MSI capital funding available for eligible projects.

The amount of income earned on grant funds may be calculated by one of two methods:

- the actual income earned on the funds being held; or
- the estimated (notional) income earned on the funds. For example, multiply the average MSI funding balance over one or more months that the grant funds were held in an account by the average interest rate over those months.

6.4) *Project Recognition Requirements*

The Government of Alberta (GOA) requires that municipalities highlight the provincial-municipal partnership supporting key municipal infrastructure projects across Alberta by publicizing all MSI-funded projects (possible options include council minutes, annual reports, or local newspaper). Additional MSI capital project recognition requirements and activities are outlined below.

Media Activity and Advertising:
News releases referencing an MSI project must acknowledge the province's contribution and must include a quote from the Minister or other GOA representative as determined by the province.

Any advertising of MSI-funded projects should include a reference to the MSI and the province's contribution.

Special Events:
Municipalities should provide the province opportunities to attend special events celebrating the start or completion of an MSI-funded project. The Minister of Municipal Affairs or designates should be invited to attend these events and participate in any ceremony, which may include activities such as funding announcements, speeches and ribbon cutting. When requesting official provincial government representation, please provide at least 15 working days' notice to Municipal Affairs to make arrangements. This provides sufficient time for the province to organize attendance as well as provide input on planned activities and promotional materials (e.g. news releases, advertising).

Questions regarding media activity, advertising, special events, and/or GOA logo requirements should be directed to ma.msicommunications@gov.ab.ca.

Signage and Plaques:
Additional project recognition opportunities are available through temporary signage and permanent plaques for suitable, provincially-funded infrastructure projects.

Questions specific to temporary signage and permanent plaque opportunities can be emailed to ma.msisigns@gov.ab.ca.

6.5) Site Visits

On an annual basis, Municipal Affairs program representatives may select and visit a number of municipalities to discuss the MSI program specific to a completed project(s).

The main objectives of a site visit are to share a municipality's overall experiences with the program including project selection, application process, project implementation, expenditure reporting process, and to highlight the resulting benefits impacting the community.

A site visit offers an opportunity for municipal and program representatives to discuss how the program operates, explore suggestions for improvement, and to view completed projects where applicable.

6.6) Amendment Process

In some cases, a municipality may find that a previously accepted project cannot be completed as originally planned. It is Municipal Affairs' intent to accommodate project changes where possible. However, to meet program accountability and reporting conditions, a project amendment is required where there is significant change to project scope, total project budget, or funding sources. A project scope change occurs when the activities described in the original project application are different than the activities that actually occur. Scope changes may or may not impact project costs or timing.

An amendment is not required when the MSI funding applied to a project exceeds the accepted project amount **in the year the project is reported as completed on the SFE.** Amendments must be submitted for ongoing projects where the MSI funding will increase beyond the accepted project amount.

A decrease in the amount of MSI funding applied to an accepted project does not require an amendment. Once the project is reported as Completed/Fully Funded, the unexpended accepted amount is added back to the available allocation. However, an amendment can be submitted for a decrease in the MSI amount, prior to the project being reported as Completed/Fully Funded on the annual SFE, should the municipality need these funds to apply to other eligible projects.

Increases and decreases to the amount of MSI funding applied to an accepted project should be reported on the annual SFE form.

Amendment requests should be submitted using the project application found on the program website, indicating in Question 1 that this is an amendment to a previously accepted project. Amendment requests may also be submitted through MSIO.

The amended application should include:

- the original project number (e.g., CAP-9999);
- the reason for the change;
- the revised project description, if applicable; and
- the revised financial information for the entire project, if applicable.

Upon receipt of such a request, a program representative will review the application and provide recommendations to the Minister. Municipalities will be advised in writing of the outcome of the request.

Schedule 1 – Eligible and Ineligible Capital Costs

1.a) Eligible Project Costs

- Costs directly related to and in support of, the acquisition, construction, development, betterment, rehabilitation, or non-routine maintenance of a capital asset, including land required for a specific eligible capital project (see bullets below).
- Purchase cost of land, where the land is intended for a specific, eligible capital project; or the appraised value of land owned by a municipality which is to be used for a specific, eligible capital project. Where MSI is used to purchase land, the resulting capital project must be completed within five years of the Anticipated Project Start Date identified on the project application form; ten years for transportation and utility corridors.
- Purchase cost of rights-of-way, including legal and survey fees.
- Land betterment costs (i.e. rehabilitation, reclamation, and remediation) on land owned by a municipality or eligible entity, where the land is intended for a specific, eligible capital asset; or land betterment activities intended to address/mitigate health and safety concerns (with or without a resulting capital asset).
- Where MSI is used to rehabilitate, reclaim or remediate land for the purposes of a specific eligible capital asset, the resulting asset must be completed within ten years of the Anticipated Project Start Date identified on the project application form.
- Purchase of equipment that is a capital asset and that will be used primarily to maintain an asset or system that would qualify as a capital project under these guidelines.
- The purchase or replacement of ancillary or small equipment used to provide services in connection with an infrastructure asset, such as appliances, furniture, remote data access terminals, meter reading devices, radios, equipment location devices, and geographic positioning systems.
- Energy efficiency upgrades to qualifying infrastructure assets.
- Relocation and adjustment of associated utilities, including gas and electric utilities.
- Significant enhancements or improvements for the safety of users of transportation or other municipal infrastructure system.
- Beautification and cosmetic activities, including fixed permanent artistic components of buildings and facilities, community welcome signs, and decorative lighting.
- Restoration of grass-standard landscaping in areas disturbed by construction or reconstruction of infrastructure facilities.
- Enhanced landscaping where necessary for the mitigation of the environmental impacts of qualifying infrastructure facilities.
- Engineering and architecture, including functional planning, design, tender preparation and advertising that are directly related to specific qualifying capital infrastructure projects.
- System-wide reviews where such reviews will have an impact on capital infrastructure expenditures.
- Construction supervision.

- Where capital projects are constructed or developed using municipal staff, all labour costs, including benefits, attributable to work carried out on and off the construction site, as follows:
    - On-site costs: site supervision; operating, leasing, maintenance, and insurance costs attributable to municipal construction equipment used at the construction site; and equipment mobilization and demobilization costs.
    - Off-site costs: staff and space costs associated with off-site design and construction of project components that are subsequently installed on site; off-site construction supervision, material requisitioning and site monitoring; and off-site general project management including contract management, purchasing and procurement of materials and services, project scheduling, and budget monitoring.
- Where capital projects are constructed or developed using construction equipment that is owned or leased by the municipality, the following costs:
    - costs of locating the equipment at and removing the equipment from the construction site (mobilization and demobilization).
    - all operating, leasing, maintenance, and insurance costs attributable to the use of the construction equipment at the construction site.
- Borrowing costs on the amount that is to be funded by the MSI, subject to the conditions in Section 4.7.
- Communications costs when requested by the Minister of Municipal Affairs.
- Installation and maintenance of temporary construction signage on MSI-funded projects.
- Municipal contributions to the types of entities defined in Section 3.3 to enable those entities to carry out eligible projects.
- Other capital infrastructure project costs as may be deemed appropriate by Municipal Affairs.

1.b) Ineligible Project Costs

The following costs **are not eligible** for MSI capital project funding:

- Routine maintenance of a capital asset such as vehicle servicing or oil changes, cleaning of buildings or facilities, and the operation of facility mechanical systems.
- Purchase of new and replacement heavy equipment to be used primarily for construction.
- Costs associated with the following activities:
    - Public relations, stakeholder relations, partnership and governance development, communication/media services, and grant funding application and reporting activities.
    - Management of programs to monitor and maintain existing facilities and components of facilities.
    - General municipal administration activities.
- Purchase of land where the land is <u>not intended for a specific eligible capital asset or is intended for resale.</u>
- Betterment of land (i.e., rehabilitation, reclamation, remediation) where the land <u>is intended for resale</u>.
- Betterment of land where the land is <u>not intended for a specific eligible capital asset</u>, except in cases where the land is rehabilitated, reclaimed or remediated to mitigate/address health and safety concerns.

- Costs of constructing or developing subdivisions. However, some of the costs that are incurred as part of the typical subdivision development process may be eligible under Schedule 2, such as road and sidewalk construction, water and wastewater lines to the property lines, and purchase of transportation and utility corridor rights-of-way.
- Cars and other fleet vehicles.
- Operating costs.
- Planning expenditures not directly related to specific capital infrastructure.
- Loan fees.
- Goods and Services Tax (GST).
- Costs funded under other grant programs.
- Depreciation or amortization.

Some of these costs, including costs for operating, routine maintenance, the purchase of small capital assets, and general planning activities, may be eligible under other provincial grant programs, including the MSI Operating Program.

Schedule 2 – Capital Project Categories

The following sections provide lists of general types of capital projects that are eligible for MSI capital funding by category. Eligible costs are directly related to and in support of, the acquisition, construction, development, betterment, rehabilitation, or non-routine maintenance of a capital asset (see Schedule 1).

2.a) Municipal Roadways, Bridges, and Related Facilities and Equipment

- Roadways, bridges, and related structures
- Gravel roads where new gravel is applied and/or non-routine re-grading of existing gravel back onto roadways
- Aggregate loss activities such as dust abatement
- Railway or Light Rail Transit (LRT) grade separations and roadway crossings
- Other ancillary works such as sidewalks, commuter bikeways, lighting and energy efficient retrofitting, traffic control signals, pedestrian signals, storm drainage, and utility relocations
- Traffic management projects such as major intersection improvements, major traffic signal coordination, etc.
- Noise attenuation devices as a part of a qualifying project, and rehabilitation of existing noise attenuation devices on qualifying roadways or transitways, consistent with the municipality's noise attenuation policy
- Transportation planning studies and major infrastructure systems planning reviews (municipality-wide or regional)
- Pedestrian trail systems along roadways
- Parking facilities
- Transportation studies to address specific environmental and/or safety concerns including environmental impact assessments
- Gravel pits
- Snow dump sites and snow storage facilities

2.b) Public Transit Vehicles and Facilities

- LRT lines, station structures, park and ride facilities, and LRT maintenance facilities. LRT lines must be designated in the municipality's transportation system bylaw
- Major public transit terminals and transit garages
- Public transit vehicles, LRT vehicles, "low-floor" standard buses, "low-floor" articulated buses, and accessible community public transit vehicles as well as specialized transit vehicles for seniors and/or persons with disabilities
- Comprehensive transit-stop retrofit programs to achieve a "barrier free path of travel" to accessible transit services
- System-wide capital transit improvement or betterment projects
- Major capital transit security devices, communication equipment, and other public safety enhancements

2.c) *Water Supply, Treatment, and Distribution Systems*

- Raw-water supply lines and storage facilities (reservoirs)
- Water treatment facilities
- Water quality management and monitoring systems (e.g. SCADA system)
- Water pumping facilities
- Treated-water supply lines, storage facilities and related works
- Water distribution system extensions, betterment, and replacements, including individual services to the property line and municipally owned water meters

2.d) *Wastewater Collection and Treatment Systems*

- Sewage collection system extensions, betterment, and replacements, including service mains to the property line
- Wastewater pumping facilities and lift stations
- Sewer lines from the collection system to the wastewater treatment facilities
- Wastewater treatment facilities
- Outfall sewers from the wastewater treatment facilities to the point of discharge or disposal and related works

2.e) *Storm Sewer Drainage Systems and Facilities*

- Storm water ditches and major relocation of existing storm water ditches
- Storm water or waterway flooding containment structures
- Storm sewer collection lines including service lines, and catch basins
- Storm water retention ponds and treatment facilities
- Outfall storm sewers to the point of discharge or disposal and related works

2.f) *Solid Waste Management Facilities and Equipment*

- Waste collection depots
- Solid waste and recycling collection container systems
- Recycling and material recovery facilities
- Organics management systems
- Thermal treatment systems
- Waste disposal landfills
- Waste transfer vehicles, landfill compactors, loaders, and material handlers

2.g) *Police*

- Police stations
- Police training facilities

- Fixed central communications and computerized information management hardware and software that is integral to the delivery of police services

2.h) *Fire*

- Fire halls
- Fire training facilities
- Specialized fire fighting and rescue vehicles, including the basic on-board equipment necessary to make the vehicle functional, such as:
  - pumper trucks
  - rapid attack trucks
  - aerial trucks
  - water delivery tankers (or tanker shuttles)
  - dangerous goods spill recovery tankers and related equipment
  - mobile command post vehicles (excluding cars and pickup trucks)
  - equipment vehicles
  - personnel carriers (vehicles with the primary purpose of transporting multiple fire services personnel to the scene of the fire)
  - wildland equipment trailers
- Specialized fire fighting and rescue protective equipment
- Fixed central communications and computerized information management hardware and software that is integral to the delivery of fire services

2.i) *Disaster and Emergency Services*

- Emergency operations centres
- Emergency vehicle storage and administration facilities
- Multi-service emergency response facilities
- Emergency response telephone systems
- Portable emergency power generators
- Rural signage systems
- Fixed central communications and computerized information management hardware and software that is integral to the delivery of emergency services

2.j) *Ambulance and First Aid*

- Ground ambulances, as well as the basic on-board equipment necessary to make the vehicle functional
- Ambulance stations
- Fixed central communications and computerized information management hardware and software that is integral to the delivery of ambulance services

2.k) *Other Protective Services*

- Protective services vehicle garages

2.l) *Regional and Community Airport Facilities and Equipment*

- Primary runway, cross-wind runways, secondary runways and taxiways, and runway extensions
- Aprons
- Primary taxiway from main/terminal apron to runway
- Airport buildings, including terminals and storage areas/sheds
- Development areas, access roads, fencing and drainage
- Lighting and navigation equipment

2.m) *Common and Equipment Pool*

- Equipment that is a capital asset and that will be used primarily to maintain an asset or system that would qualify as a capital project under these guidelines such as:
  - backhoe loaders
  - excavators
  - skid steer loaders
  - gravel trucks
  - loaders
  - motor graders
  - sanding trucks
  - sewer cameras
  - snowplows
  - street sweepers
  - tandem trucks
  - tractors
  - tractor-mounted equipment
  - vacuum trucks
  - ice resurfacers
  - pickup trucks
- Small and ancillary equipment used to provide services in connection with an infrastructure asset, such as:
  - furniture
  - appliances
  - meter reading equipment
  - radios
  - geographic positioning systems

2.n) *Infrastructure Management Systems*

- Infrastructure management systems capable of recording and retrieving information on various types of infrastructure, including key infrastructure characteristics and condition, on a consistent basis to assist systematic infrastructure planning and management, including:
  - purchase of computer hardware and software to facilitate the Municipal Infrastructure Management System (MIMS) or other infrastructure management systems
  - collection and input of data

2.o) *General Government and Administration*

- Municipal halls or administrative buildings

- Public works facilities
- Maintenance equipment buildings
- Sand and salt storage sheds
- Animal control facilities and shelters
- Fuel storage tanks
- Operational services buildings
- Telecommunication infrastructure such as fibre optic or copper cable, radio, cell towers, or satellite links
- Community entrance/welcome signs

2.p) Public Health and Welfare

- Daycare centres
- Seniors' centres
- Family and community support facilities
- Youth centres
- Cemeteries

2.q) Parks, Recreation and Sports Facilities

- Recreational and sports facilities, including baseball diamonds, swimming pools, ski areas
- Campground facilities
- Playgrounds and equipment
- Permanent park facilities
- Public wharves, docks, and piers
- Trail systems

2.r) Libraries

- Library buildings

2.s) Other Community and Recreation

- Cultural or community centres
- Convention or trade centres
- Exhibition buildings
- Performing arts facilities
- Museums
- Art galleries
- Tourist facilities

- Designated local heritage sites
- Zoo facilities

2.t) Other

Schedule 3 – Glossary

Betterment: the enhancement of the service potential of a capital asset (including land) that results in an increase in physical output or service capacity, lowering of associated operating costs, extension of the useful life, or improvement in the quality of output.

Borrowing costs: interest expenses related to project financing arrangements.

Capital asset: an asset that has an expected life of more than one year.

Routine maintenance: any routinely scheduled, recurring, or superficial activity necessary to ensure that an asset reaches its normal design life and/or retains an acceptable appearance throughout its life, such as vehicle servicing or oil changes, cleaning of buildings or facilities, and the operation of facility mechanical systems.

Non-routine maintenance: any non-routine, but recurring activity necessary to ensure that an asset reaches its normal design life and/or retains an acceptable appearance throughout its life, such as painting or refinishing of building components; and repair or replacement of individual parts of an infrastructure asset's major components or systems, such as repairing cracks and holes in a road, repairing or replacing sections of water or sewer lines, replacing the compressor in a building's air conditioning system.

Non-profit organization: an organization defined as

- a society, credit union or co-operative established under a law of Canada or Alberta;
- a corporation that is prohibited from paying dividends to its members and distributing the assets to its members on a winding up; or
- any other entity established under a law of Canada or Alberta for a purpose other than to make a profit.

Rehabilitation: the complete replacement or rebuilding of a major component of a capital asset (including land) to extend its useful life beyond the original expected or design life. Examples of qualifying rehabilitation projects include:

- repaving or re-gravelling a road surface;
- replacing or re-lining a section of water or sewer line between logical system nodes or intersections;
- replacing the roof or air conditioning system of a building; or
- substantial reconstruction of the interior of a building.

Remediation: the removal of pollution or contaminants from environmental media such as soil, groundwater, sediment, or surface water for the general protection of the community.

System: a group of independent but interrelated elements that share functional or structural relationships, which comprise a unified capital asset, and where the function of an independent component impacts the functioning of the entire system.