

Municipal Sustainability Initiative

Capital Program Guidelines

Out of date

Municipal Affairs, Government of Alberta

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Municipal Sustainability Initiative Capital Program Guidelines

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Out of date

1. Guidelines

These guidelines are intended to assist applicants in completing the Municipal Sustainability Initiative (MSI) capital grant application and financial reporting requirements, and apply to all applications and Statement of Funding and Expenditures (SFE) received as of January 1, 2019.

2. Program Updates

The MSI capital guidelines are no longer program year specific (i.e. January 1, 2019 – December 31, 2019). The guidelines will not be updated annually and any significant changes will be communicated through an Addendum to the guidelines.

Municipalities will be advised of the project status of their applications via email notification and the MSI online system (see Section 9.).

3. Program Objectives and Term

The MSI is the Government of Alberta's (GOA's) commitment to work in partnership with municipalities to manage growth pressures, provide municipalities with sustainable funding, and support infrastructure needs. Municipalities are encouraged to consider their long-term infrastructure needs when identifying project priorities, and are required to report annually on how these funds are spent.

These objectives are outlined in Memorandums of Agreement (MOA) signed with each municipality. The MOAs were amended in 2014 to facilitate payment of the Basic Municipal Transportation Grant (BMTG) portion of the consolidated MSI capital program funding (see section 8.8), in 2017 to extend the program for two years to March 31, 2019, and again in 2018 to extend the program for three years, to March 31, 2022.

All municipalities in Alberta are eligible to receive MSI funding based on these funding agreements, subject to the municipality providing Municipal Affairs with: a project application for each project, a Multi-Year Capital Plan (MYCP) if requested, and an SFE for the prior year.

4. Key Dates and Contacts

ACTIVITY	TIMELINE	QUESTIONS? CONTACT
Project Application Submission	Submit anytime through MSIO	Call a Grant Advisor at 780-422-7125 (toll-free 310-0000), or email ma.msicapitalgrants@gov.ab.ca
Annual Allocation Payment	By approximately June 30, following provincial budget approval	
Annual Statement of Funding and Expenditures (SFE)	Due May 1 of the following year	
Communication and Project Recognition Requirements	Ongoing	

5. Submission Method

All MSI documentation, including capital project applications and amendments, and capital and operating SFEs, must be submitted through the MSI online system (MSIO). These documents are not accepted through email, fax, or mail.

Questions or requests to access MSIO can be directed to 780-644-2413 (toll-free 310-0000) or MSIOaccess@gov.ab.ca. MSIO access is through MACconnect, the GOA web portal www.maconnect.alberta.ca/MACconnect.

MSIO user guides are located under the “Help” button in MSIO, and on the MSI program website.

6. Funding Formula and Allocations

MSI funding is allocated annually with authorization of the program budget and individual allocations. Following legislative approval of the provincial budget, payments are made to municipalities that meet all payment conditions.

- The total MSI (capital and operating) allocation is generally 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 4 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 BMTG allocation formula is based on municipal status, with 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 receive funding based on a combination of population and length of primary highways. Towns, villages, summer villages, improvement districts and the Townsite of Redwood Meadows receive funding based on population; and rural municipalities and Métis Settlements receive funding based on a formula that takes into account kilometres of open road, population, equalized assessment, and terrain.

6.1) Restructured Municipality

Municipal restructuring will not affect funding allocations to municipalities for a defined period under the MSI program. In cases where amalgamation or dissolution has occurred (post April 1, 2007), the restructured municipality will receive a funding allocation equivalent to that which would have been calculated pre-restructuring for a subsequent five years, and any unexpended funding will be transferred to the amalgamated/receiving municipality.

An amalgamated municipality should be aware MSI funds, or portions thereof, may have been committed to previously approved projects.

For example, if two municipalities amalgamated on June 1, 2014, the restructured municipality will receive the benefit of an MSI allocation calculated as if the two municipalities had not amalgamated for the next five consecutive program years (i.e., 2015 through 2019). Municipalities that amalgamate will receive the same benefit for five years following amalgamation or until the end of the MSI program, whichever is earliest.

Project location will determine the minimum 5 per cent threshold for projects submitted by a restructured municipality (see section 8.3).

6.2) Carrying Forward Funds and Committing Future Years' Funding

- Annual Grant Allocation Carry Forward

To provide flexibility in scheduling capital projects and/or accommodate larger projects requiring more than one year's grant allocation, capital funding provided and not expended in the current year may be carried forward to the next five subsequent years.

Funds that are carried forward 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 2014 capital allocation must be expended before December 31, 2019, or returned to the GOA.

If the 2014 allocation has not been fully expended within the six year period, future allocation payments and SFE certifications will be held until the municipality can demonstrate they have fully expended their 2014 allocation on eligible project costs on their SFE.

At the Minister's discretion, the spending deadline for an allocation may be extended by one year, subject to the execution of an amending MOA. If the municipality is unable to sufficiently demonstrate expenditure of the funds, all unexpended funds shall be returned to the GOA.

- Credit Items Carry Forward

Where a credit item (see section 10.3) 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 in the year they are reported may be carried forward.

- Committing Future Years' Funding

Acceptance of a project on the basis of future funding does not guarantee that future funding will be available. MSI funding is subject to program changes and the availability of provincial funding for the program. Municipalities are responsible for meeting all financial obligations with respect to MSI projects regardless of the availability of MSI funding (see Section 8.4). There is no mechanism to pay a municipality more than what has been allocated to-date; however borrowing costs associated with financing a project that draws from future years' funding are eligible under MSI capital (see section 8.5).

7. Eligibility Requirements

7.1) Eligible Applicants

All municipalities in Alberta are eligible applicants, and may receive MSI funding based on their established funding agreements. For program purposes, an eligible applicant includes any city, town, village, summer village, specialized municipality, municipal district, improvement district, special area, Métis settlement, or the Townsite of Redwood Meadows Administration Society.

Applicants may contribute funds to other eligible entities for activities and assets identified in Schedule 1 and 3 that provide a municipal service or benefit, and do not limit public access.

Eligible entities include:

- eligible applicants as noted above;
- a non-profit organization, as defined in Section 241 of the *Municipal Government Act (MGA)* (i.e., 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).
- libraries and library systems established under the *Libraries Act*;
- a regional services commission established under Part 15.1 of the *MGA*;
- a controlled corporation as defined in Section 241 of the *MGA*; 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 GOA annual report.

When contributing to a non-profit organization, the municipality must certify that they will bind the 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. This is declared on the online application in MSIO.

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

7.2) Eligible Projects

MSI capital funding is limited to projects that involve the purchase, construction, development, betterment, rehabilitation, or non-routine maintenance of a capital asset, owned by a municipality or eligible entity identified in section 7.1.

An asset is a resource that has an expected life of more than one year. Eligible MSI capital assets are defined in Schedule 3 and 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.

8. Application and Amendment Process

New and amended project applications can be submitted any time and should include sufficient information to determine project eligibility, including: a description of the proposed asset(s), activities, estimated annual project costs, funding sources and partnerships (including municipal partner names), where applicable.

Applications must be digitally signed by the Chief Administrative Officer (CAO), or duly delegated authority, who certifies that the information is correct and in accordance with the program guidelines and funding agreements.

8.1) Grouping Similar Assets

A separate application is required for each capital asset, except where assets can be grouped together because they perform or provide a similar function (e.g. fire truck replacement and purchase of rescue protective equipment); are typically used together to provide a service (waste disposal landfill construction and installation of a recycling collection container system); and/or are related to the same system (road construction and replacement of associated sidewalks, water and wastewater lines).

A system is 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.

See Schedule 1 and 3 for a complete list of project activities and assets that qualify for MSI funding. Schedule 2 outlines ineligible activities.

8.2) Amending a Project

An amendment is required when a previously accepted project has experienced a change in scope, costs, and/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.

The project description should clearly state why the project is being amended, particularly if there is a change in scope or significant monetary difference.

An amendment is not required when:

- a project's schedule or timing has changed, yet scope, costs and/or funding sources remain the same.
- MSI funding applied to a project exceeds the accepted amount in the year the project is reported as Completed/Fully Funded on the SFE.
- MSI funding applied to a project is less than the accepted amount. In these instances, the unexpended amount will be returned to the municipality's available allocation in the year the project is reported as Completed/Fully Funded on the SFE. However, an amendment can be submitted for a decreased MSI amount prior to the project being reported as Completed/Fully Funded, should the municipality require these funds to apply to other eligible projects.

Applicants should follow the same application process as they would for a new project and include the reason for the change; a revised project description; and a revised financial grid that captures the entire project costs, including certified expenditures from prior years.

8.3) Minimum 5 Per Cent Project Threshold

The amount of MSI capital funding applied to each project must be at least 5 per cent of the applicant's current year capital allocation. For municipalities with annual capital allocations over \$20 million, the minimum project threshold is \$1.0 million. The minimum project threshold will be waived in cases where the project involves: infrastructure management systems (e.g., MIMS); contributions to eligible projects carried out in partnership with other municipalities (excluding maintenance equipment), by regional entities controlled by two or more municipalities, and by non-profit organizations.

Project location will determine the 5 per cent minimum threshold for projects submitted by a restructured municipality. The threshold for a project geographically located in a 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 5 years plus the year of restructuring. Similarly, the 5 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 period (see section 6.1).

8.4) Maximum Project Commitment Limit

A municipality may commit future years' MSI capital funding to eligible project(s) prior to receiving its annual allocation, subject to a commitment limit.

The maximum amount of MSI funding a municipality may request for new project(s) is calculated as all of its historical allocations plus five times its current year allocation, plus credit items, less MSI funding applied to completed projects and MSI funding accepted for ongoing projects.

For example, if a municipality has:

- Historical allocations of \$10.0 million,
- A current year allocation of \$900,000,
- Credit items worth a total of \$100,000,
- \$7.0 million in MSI funding applied to 10 completed projects, and
- \$2.5 million in accepted MSI funding for 3 on-going projects;

Then the maximum amount a municipality can request for new project(s) is \$5.1 million:

$$\$10,000,000 + (5 * \$900,000) + \$100,000 - \$7,000,000 - \$2,500,000 = \$5,100,000$$

Acceptance of a project on the basis of estimated future funding does not guarantee that future funding will be available. MSI funding is subject to program changes and the availability of provincial funding for the program. Municipalities are responsible for meeting all financial obligations with respect to MSI projects regardless of the availability of MSI funding.

Where a municipality intends to commit future MSI funding to a project, an application must be submitted to receive approval for the project. The application should include all project costs, including future years. If a municipality is financing the project in advance of receiving its annual allocation(s), the financial grid on the application should show project costs and funding sources (including MSI) in the year of budgeted expenditure (not the debt payment amounts/years).

8.5) Borrowing Costs / Interest Expense

Municipalities are encouraged to contact a Grant Advisor prior to submitting applications involving MSI-funded borrowing costs. Borrowing costs, also defined as Interest Expense, are an eligible expenditure under MSI capital. Municipalities can borrow temporarily to keep projects moving forward, in advance of receiving their annual MSI allocation, subject to the following conditions:

- interest costs must have been incurred on or after January 1, 2009;
- borrowed funds must be used to fund qualifying project costs incurred on or after January 1, 2009;
- for any project, interest costs may not exceed seven per cent of the portion of the project costs funded through the MSI;
- declaration on the application that the municipality anticipates cost savings and/or efficiency gains from completing the project using debt financing; and
- submission of a business case (supported by a copy of the debenture and the Multi-Year Capital Plan) for each project that includes: the total amount borrowed; the term of the borrowing; the amount of interest to be funded by MSI per year over the term of the borrowing; and the amount of principal payment(s) to be funded by MSI per year of the term.

Municipalities are responsible for updating the actual interest expense funded by MSI and the borrowing amount per project on an annual basis; this can be done through a project amendment.

8.6) 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.

8.7) Joint Projects

Projects that involve funding from more than one municipality 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 to be funded by MSI. The municipality that is directly responsible for the project should include the complete financial information (total project costs), listing the contributions of the other municipality(s) in the “Other Grant Funding” line of the application financial grid. The other contributing municipality(s) should include only its portion/contribution of these costs.

8.8) Projects Using Former BMTG Funds

Effective April 1, 2014, the BMTG was consolidated with the MSI capital program. Annual MSI capital allocations for 2014 onwards, include a BMTG funding component (see section 6) and follow MSI capital program conditions. Allocation tables for every program year are posted on the program website.

All projects proposing to use BMTG funding allocated in 2014 and onwards should be submitted to Municipal Affairs on an MSI capital application, even if the grant funds are to be applied to a project that was previously approved by Transportation. To this effect, the SFE for 2014 and onwards should report all project expenditures for the consolidated MSI capital and BMTG funding allocation.

8.9) Use of Other Grants

MSI capital 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 Green TRIP funding of \$500,000, MSI capital may be used to fund the remaining \$500,000 of transit vehicle costs.

When choosing to use multiple grant funding sources, it is the municipality's responsibility to understand the separate requirements of each grant program. For example, Alberta Transportation requires that project-specific funding under the Alberta Municipal Water/Wastewater Partnership (AMWWP) program and Water for Life (W4L) be approved prior to using allocation-based funding such as the MSI. In order for MSI applications that also include AMWWP or W4L funding to be processed, a copy of the award letter from the Minister of Transportation approving the project-specific funding is required.

More information about the requirements of other provincial grant programs can be found on the Municipal Grants Web Portal at www.alberta.ca/municipalities-funding.aspx.

9. Review and Approval Process

Each new capital application and/or amendment is reviewed by program staff to ensure it meets the requirements outlined in these guidelines.

It is anticipated that applications not requiring follow-up and/or corrections will normally be processed and municipalities advised of project status, via email notification and MSIO, within eight to ten weeks. Decisions by the Minister regarding project status are final.

Municipalities may proceed with a project in anticipation that it will be accepted for MSI funding. However, if the project is deemed ineligible the municipality remains responsible for all financial obligations it has undertaken with respect to the project.

Applications must be digitally signed by the CAO, or duly delegated authority, who certifies that the information is correct and in accordance with the program guidelines and funding agreements.

9.1) Provincial Standards

It is expected that MSI-funded projects undertaken by municipalities will comply with provincially regulated standards. For example, MSI-funded projects involving regional water and wastewater systems should appropriately align with the *Environmental Protection and Enhancement Act*, administered by Alberta Environment and Parks. 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. Grant advisors may request confirmation of the agreement.

9.2) Requirements for Award of Contracts

All calls for proposals or tenders for projects to be funded under MSI 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 Canadian Free Trade Agreement (CFTA) (www.cfta-alec.ca/agreement-on-internal-trade).

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 CFTA 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 8.6.

9.3) Multi-Year Capital Plan

The Multi-Year Capital Plan (MYCP) provides a high level overview of anticipated municipal capital expenditures for all grant supported and non-grant supported capital projects over a minimum three-year planning period to assist in prioritizing capital projects, develop financial strategies, and to ensure that critical long-term community needs are considered. The plan should be in the most practical format available to the municipality, and should be updated periodically.

Municipalities are no longer required to submit a MYCP with their application, unless requested to do so by Municipal Affairs and if MSI is being used to fund borrowing costs (interest expense). Municipalities must declare on their application that an MYCP has been prepared and includes the project for which MSI funding is being applied.

10. Payment Process and Financial Reporting Requirements

10.1) Payments

MSI payments are based on annual allocation amounts. For example, payment of the 2019 annual allocation will occur following legislative approval of the provincial budget, and is conditional on meeting the following requirements:

1. submission of the previous year's (i.e. one year prior) SFE;
2. certification of all other previous program year SFEs;
3. submission of sufficient project applications that commit all MSI capital funding allocated to date; and
4. sufficient reported expenditures on submitted and certified MSI capital SFEs to commit funds that have been carried forward the maximum six years. For example, the 2007 through 2014 MSI capital allocations must be fully expended by December 31, 2019 (see section 6.2).

Half of a municipality's annual allocation amount will be paid upon submission of applications committing at least half the current year funding allocation, and provided conditions 1, 2 and 4 outlined above have been met.

10.2) Statement of Funding and Expenditures (SFEs)

By May 1st of the current program year, each municipality is required to submit an SFE that reports the previous program year's expenditures (e.g., the 2018 SFE is due by May 1, 2019). The SFE captures the following information:

- the MSI capital carry-forward amount from the previous program year;
- grant allocation for the reporting year, whether or not it was received;
- credit items earned in reporting year (see section 10.3);
- total funding available in reporting year;
- all active projects, and those projects completed in the reporting year, including the project name, status, reporting year expenditures and funding sources;
- total MSI expended in the reporting year; and

- MSI funds to be carried forward to the next program year.

All projects listed on the SFE must be 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 may be subject to a review by the Provincial Auditor General.

SFEs must be submitted through MSIO by the CAO or an authorized representative of the municipality (see section 5).

On an annual basis, Municipal Affairs will compare a sample of SFEs against municipalities' audited financial statements to ensure alignment with their MSI SFE reporting. If discrepancies are noted, Grant Advisors will work with the municipality and/or their municipal accountant to determine the nature of the discrepancy and/or determine next steps (if applicable). It is recommended that the audited financial statements break down the deferred revenue by specific grants to reduce any unforeseen administrative burden on the municipality.

10.3) Credit Items

When an MSI allocation results in net proceeds to the municipality, within five years of project completion, these proceeds become part of the MSI allocation and shall be expended on Ministry accepted projects.

These credit items are to be reported on the reporting year SFE, and can include:

- income earned on deposited or invested MSI grant funds;
- rent and other income derived from capital assets purchased with MSI funds for a capital project prior to project completion (e.g., rent from land purchased);
- net proceeds (to a maximum of grant applied) from the sale of land purchased with MSI funds;
- net proceeds (to a maximum of grant applied) from the sale of land bettered (i.e., rehabilitated, reclaimed or remediated) with MSI funds;
- appraised value of unsold land purchased and/ or bettered (i.e., rehabilitated, reclaimed or remediated) with MSI funds, but not required for the project;
- net proceeds (to a maximum of grant applied) from the sale or trade-in of capital assets purchased with MSI funds;
- net proceeds from an insurance claim on capital assets purchased with MSI funds;

- net salvage value (to a maximum of grant applied) on disposal of any asset purchased with MSI funds, or from any material obtained from removal or demolition of any structure or any part of a facility purchased with MSI funds.

Credit item amounts not expended in the year they were reported may be carried forward to the next five subsequent years.

10.4) Calculation of Income Earned

The municipality must maintain separate accounting records for MSI 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:

- actual income earned on the funds being held; or
- notional income earned on the funds. This can be calculated by multiplying the average MSI funding balance by the number of months the grant funds were held in an account, by the average annual interest rate for those months. For example: If a municipality has a carry forward amount of \$100,000 held in an interest bearing account for a period of eight months with an annual interest rate of one percent, the credit item amount reported should be \$667 (e.g. $\$100,000 \times 8/12 \times 1\%$).

11. 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.

12. Communications and Project Recognition Requirements

GOA signage may be required on some MSI funded capital projects, specifically those with total project costs of over \$5 million, and those with over \$5 million in MSI funding. Signage must follow the GOA signage guidelines found at www.alberta.ca/government-identity-program.aspx (refer to the Capital Project Signage section of the Visual Identity Manual).

In addition, municipalities are required to highlight the provincial-municipal partnership on MSI-funded projects by publicizing the projects (e.g., council minutes, annual reports, local newspapers).

Municipalities may also choose to mark a project milestone through advertising, public information campaigns, or ceremonies and events. If a municipality initiates a communications event related to an MSI-funded project, they are asked to advise Municipal Affairs of the proposed event a minimum of 15 working days prior to the celebration/launch/completion.

News releases should acknowledge the province's contribution and, when doing so, 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 program and the province's contribution.

To discuss project recognition options or communications requirements, please call Municipal Affairs at 780-422-7125, toll free by first dialing 310-0000, or email ma.msicapitalgrants@gov.ab.ca.

Schedule 1:

Eligible Capital Project Activities

Costs directly related to, and in support of the following activities are eligible for MSI capital funding, where the activity is associated with an eligible asset defined in Schedule 3.

1.a) Acquisition

- Purchase of equipment that will be used primarily to maintain a capital asset and/or system.
- 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.
- Purchase of land and rights-of-way (including legal and survey fees), where the land is intended for a specific, eligible capital project (see Schedule 3); 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 asset must be completed within 5 years of the Anticipated Project Start Date identified on the project application; or within 10 years for transportation and utility corridors.

1.b) Construction and Development

- Engineering and architecture, including functional planning, design, tender preparation and advertising.
- 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 are eligible:
 - 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.
- Restoration of grass standard landscaping in areas disturbed by construction or reconstruction of infrastructure facilities.

1.c) 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, including:

- Removal of pollution or contaminants from environmental media such as soil, groundwater, sediment, or surface water intended to address/mitigate health and safety concerns (with or without a resulting capital asset), including enhanced landscaping necessary for the mitigation of environmental impacts to eligible capital infrastructure, facilities, etc.
- Land betterment (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 the betterment activities are intended to address/mitigate health and safety concerns (with or without a resulting capital asset).
- Significant enhancements or improvements for the safety of users of transportation or other municipal infrastructure system.
- Energy efficiency upgrades.

1.d) 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. Project examples include:

- Repaving or re-gravelling a road surface.
- Replacing or re-lining a section of water or wastewater line between logical system nodes or intersections.
- Replacing the roof or the heating, ventilation and air conditioning (HVAC) system of a building.
- Substantial reconstruction of the interior of a building.

1.e) 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.
- 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 wastewater lines, replacing the compressor in a building's air conditioning system.
- Aggregate loss activities such as dust abatement, or sealant application.

1.f) Other

- Studies, plans, and system-wide reviews that directly relate to capital infrastructure.
- Relocation and adjustment of associated utilities, including gas and electric utilities.
- Communications and project recognition costs for MSI-funded projects when requested by the Minister of Municipal Affairs.
- Borrowing costs on the amount that is to be funded by MSI, subject to conditions outlined in section 8.5.
- Other capital infrastructure costs as may be deemed appropriate by Municipal Affairs.

Schedule 2:

Ineligible Capital Projects Activities

The following activities whether related to, or in support of a capital asset are not eligible for MSI capital funding. See Schedule 1 for eligible capital project activities and Schedule 3 for eligible capital assets.

2.a) General Government and Administration

- Planning expenditures not directly related to specific capital infrastructure.
- General municipal administration activities.
- Public relations, stakeholder relations, partnership and governance development, communication/media services, and grant funding application and reporting activities.
- Management of programs to monitor/maintain existing facilities and components of facilities.

2.b) Operating Support

- Routine Maintenance, including 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
 - snow sweeping/removal (including provincial highways)
 - cleaning of buildings or facilities
 - the operation of facility mechanical systems
- IT software purchases i.e. Muniware (except for the asset management component)
- Goods and Services Tax (GST)
- Depreciation or amortization
- Loan Fees
- Operating costs

2.c) Acquisition

- Cars and other fleet vehicles.
- New and replacement heavy equipment to be used primarily for construction.
- Land purchase where the land is not intended for a specific eligible capital asset, or is intended for resale.
- Purchase of capital assets with an expected life of one year or less.

2.d) Other

- Land betterment (i.e., rehabilitation, reclamation, remediation) where the land is intended for resale.
- Land betterment where the land is not intended for a specific eligible capital asset, nor is the land being bettered to mitigate/address health and safety concerns.
- Constructing or developing subdivisions, except for some typical subdivision development costs, such as road and sidewalk construction, water and wastewater lines to the property lines, and purchase of transportation and utility corridor rights-of-way.
- Project costs structured to be financed by an established, long term funding strategy (e.g. Off-site or Community Revitalization levies).
- Water license cost.
- Costs funded under other grant programs.
- Beautification and cosmetic activities, including fixed permanent artistic components of buildings and facilities, community welcome signs, and decorative lighting,
- Professional or semi-professional sport facilities that are primarily commercial operations, such as those that serve major junior hockey leagues.

Schedule 3:

Eligible Capital Project Assets

Costs directly related to, and in support of the following assets are eligible for MSI capital funding, where the asset is associated with an eligible activity defined in Schedule 1.

The purchase of land and/or rights-of-way including legal and survey fees, are eligible under MSI capital where the purchase is associated with an asset identified below.

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

- Roadways, bridges, and related structures [including costs associated with aggregate purchase, abatement, hauling, crushing and storage (pit or facility), and the application of new gravel to roadways and/or non-routine re-grading of existing gravel back onto roadways]
- 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 transit ways, 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
- Snow dump sites and snow storage facilities

3.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

3.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

3.d) Wastewater Collection and Treatment Systems

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

3.e) Storm Water Drainage Systems and Facilities

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

3.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

3.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
- Peace officer vehicles
- Police vehicles under municipal jurisdiction

3.h) Fire

- Fire halls
- Fire training facilities
- Specialized firefighting and rescue vehicles (including basic on-board equipment necessary for vehicle functionality), 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 firefighting and rescue protective equipment
- Fixed central communications and computerized information management hardware and software that is integral to the delivery of fire services

3.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

3.j) Ambulance and First Aid

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

3.k) Other Protective Services

It is recommended applicants not use this general protective category, and instead select a more specific response function from this schedule (i.e., Police, Fire, Disaster and Emergency Services, and Ambulance and First Aid).

3.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

3.m) Common and Equipment Pool

- Equipment used primarily to maintain a qualifying asset or system:
 - backhoe loaders
 - excavators
 - loaders/skid steers
 - gravel trucks
 - motor graders
 - sanding trucks
 - wastewater 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 a qualifying asset:
 - furniture
 - appliances
 - meter reading equipment
 - radios

3.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

3.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 (e.g., fibre optic or copper cable, radio, cell towers, satellite links)

3.p) Public Health and Welfare

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

3.q) Parks, Recreation and Sports Facilities

- Recreational and sports facilities, including baseball diamonds, swimming pools, ski areas (except for those that serve professional or semi-professional sport facilities that are primarily commercial operations)
- Campground facilities
- Playgrounds and equipment
- Permanent park facilities
- Public wharves, docks, and piers
- Trail systems

3.r) Libraries

- Library buildings

3.s) Other Community and Recreation

- Cultural or community centres
- Convention or trade centres
- Exhibition buildings
- Performing arts facilities
- Museums and Art galleries
- Tourist facilities
- Designated local heritage sites
- Zoo facilities

3.t) Other

- Land betterment costs (i.e. rehabilitation, reclamation, and remediation) on land owned by a municipality or eligible entity, where the betterment activities are intended to address/mitigate health and safety concerns (with or without a resulting capital asset).