Overview of the Changes to the Municipal Sustainability Initiative Program Guidelines

The last program year for the Municipal Sustainability Initiative (MSI) is 2023, and several changes have been implemented for an effective program wrap-up and to facilitate the transition to the Local Government Fiscal Framework (LGFF) in 2024.

Below is an overview of the changes in effect for 2022 and 2023 for the MSI Operating and Capital components. For more details on these changes, we encourage you to review the MSI capital and operating guidelines in their entirety and/or contact a MSI grant advisor toll-free at 310-0000, then 780-422-7125.

MSI Operating Summary of Changes

Change/Section	What This Means
Carrying Forward Funds **MSI Operating Section 6.2** The time limit to use unpaid and unspent MSI funding will be strictly enforced when MSI ends in 2023.	This means municipalities that have not spent all of their operating funding allocations, including credit items, by December 31, 2024, will be required to refund the unspent portion and/or if applicable, the municipality will forfeit any unpaid allocations. **Example:** In 2023, the municipality was unable to spend its entire MSI operating allocation. The 2023 Statement of Funding and Expenditures (SFE) shows a **$1,000** total carry forward amount; this **$1,000** must be spent by December 31, 2024, or refunded to the Government of Alberta.
Payments **MSI Operating Section 8.1** Allocation payments are issued when the previous year's SFE has been certified.	This means municipalities may experience a delay in receiving their operating allocation if the SFE is submitted late (due May 1), requires revisions, and/or financial statements or the financial information return have not been received. **Example:** A municipality submits its 2021 MSI operating SFE by May 1, 2022. The SFE shows a $5,000 carry forward amount. The 2021 financial statements are not submitted to Municipal Affairs until June. The 2022 allocation payment cannot be made until June/July.
Statement of Funding and Expenditures (SFE) **MSI Operating Section 8.2** MSI Operating SFEs cannot be reset.	This means MSI operating SFEs cannot be reset/restated. **Example:** A municipality submits its 2021 MSI operating SFE and is certified with 100 per cent of funding spent on wastewater. In 2022, the municipality indicates that a portion of funding should have been applied to water. The 2021 SFE cannot be reset to reflect the change.

MSI Capital Summary of Changes

Change/Section	What This Means
Carrying Forward Funds **MSI Capital Section 6.2** The time limit to use unpaid and unspent MSI funding will be strictly enforced when MSI ends in 2023.	This means municipalities that have not spent their 2007-18 allocations, including credit items, on or before December 31, 2023, will be required to refund the unspent portion. If any of those allocations (2007-18) remain unpaid when MSI ends, municipalities will permanently forfeit those unpaid allocations. In addition, any unspent or unpaid MSI allocations from 2019 and onward, will be carried over to the LGFF to ensure municipalities can continue to access these funds for capital infrastructure projects. **Example 1:** The municipality has been allocated a total of **$1 million** in the 2007 to 2018 period and reported **$5,000** in credit items. The allocations have been paid to the municipality in full. Based on the 2023 SFE, the municipality has **$950,000** in total certified expenditures used in the 2007 to 2023 period. The total refund required to the Government of Alberta would be **$55,000**. **Example 2:** The municipality has been allocated a total of **$6 million** in the 2007 to 2018 period; however, because the municipality has not met all payment conditions, **$50,000** in allocated funding has not been paid as of 2023. The **$50,000** of unpaid allocations will be forfeited and will not be available to the municipality under the LGFF.
Application and Amendment Process **MSI Capital Section 8** New and amended project applications can only be submitted until December 31, 2023.	This means municipalities cannot submit new projects and amended projects after December 31, 2023. **Example**: A municipality submits its 2023 MSI capital SFE in February 2024. Upon review of the SFE, it is determined the municipality forgot to submit a 2023 project on or before December 31, 2023. The municipality will be unable to submit the MSI project and will be responsible for funding those expenditures with another funding source, which may include using LGFF funding.
Maximum Project Commitment Limit **MSI Capital Section 8.4** The maximum amount of MSI capital funding that municipalities can commit to projects will be based on total allocations to date (2007-22), plus 2023 funding estimate, and credit items.	This means municipalities will be limited in terms of new project submissions and upward amendments. The maximum amount of MSI funding that can be committed to new applications will be based on total allocations to date (2007-22), plus the 2023 funding estimate, including credit items. MSI grant advisors are available to provide the MSI capital amount available to the end of the program. **Example 1:** A municipality has been allocated **$1.5 million** to date (2007-2022) and is estimated to receive **$100,000** in 2023. In addition, it has **$50,000** worth of credit items, for a total MSI commitment limit of **$1.65 million.** The municipality's existing project commitments are **$1.02 million**; therefore, the maximum the municipality can commit to a new project is **$630,000.** **Example 2:** A municipality has been allocated **$6 million** to date (2007-2022) and is estimated to receive **$200,000** in 2023. In addition, it has **$100,000** worth

	of credit items, for a total MSI commitment limit of **$6.3 million**. The municipality's existing project commitments are **$6.1 million** and it has submitted a new project requesting **$500,000** in MSI funding. The new project takes the municipality **$300,000** over the commitment limit. A Grant Advisor will contact the municipality to discuss options to bring the total MSI project commitments within the **$6.3 million** threshold (e.g., downward amendment(s), project withdrawal(s), etc.).
Payments **MSI Capital Section 10.1** Allocation payments will be issued in a single instalment only. No further payments of half the allocation amount will be made.	This means 100 per cent of a municipality's annual allocation will be paid upon submission of applications committing 100 per cent of the current year funding allocation, upon meeting all other payment conditions. This also applies to all unpaid historical allocations. **Example:** A municipality has been allocated **$1 million** between 2007 and 2021, and its 2022 allocation is **$100,000**, for total funding allocated to date of **$1.1 million.** The municipality's existing project commitment equals **$1 million**. In 2022, the municipality submits a new MSI project requesting **$90,000** in MSI funding. The allocation will not be paid, as the project commitment is short by **$10,000**.
Payments **MSI Capital Section 10.1** Allocation payments will only be issued when the previous year's SFE has been certified.	This means municipalities may experience a delay in receiving their capital allocation if the SFE is late (due May 1), requires revisions, financial statements or financial information return have not been received, and/or the municipality has not submitted all of its 2021 projects and amendments to process the SFE. **Example:** A municipality submits the 2021 MSI capital SFE by May 1, 2022, but it does not match its financial statements. It has been determined that the municipality forgot to submit a 2021 project and the associated MSI expenditures. Payment of the 2022 MSI capital allocation will be delayed until the project is submitted, accepted by the Minister, and MSI-funded expenditures are added to the SFE to align with the financial statements. The 2022 allocation payment will be released upon certification of the 2021 SFE and once all other payment conditions have been met.
Statement of Funding and Expenditures Clarification **MSI Capital Section 10.2** SFE resets are not permitted to reverse a MSI expenditure for the purpose of replacing the MSI funding with an alternative funding source.	This is a clarification on the application of SFE resets. Municipalities cannot request a reset for a certified SFE in order to replace MSI funding for a project with an alternative funding source. SFE resets are permitted to make corrections to project statuses or to committed MSI funds to ensure alignment with audited financial statements. **Example:** A municipality reported that $500,000 of MSI funding was expended on a bridge project in 2019. In 2022, the municipality has unexpected funding available from another grant program for this project. The municipality is requesting the MSI SFEs from 2019 to 2022 be reset to un-fund all the MSI expenditures for the bridge project so those same MSI funds can be applied to another project. In this case, the SFE reset would be denied.