

**MUNICIPAL AFFAIRS**  
**MUNICIPAL SUSTAINABILITY INITIATIVE**

**Capital Project Funding  
Program Guidelines**

Effective January 1, 2009  
[www.municipalaffairs.alberta.ca](http://www.municipalaffairs.alberta.ca)



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# 1. What's New?

The Municipal Sustainability Initiative (MSI) capital guidelines have been updated to ensure that the MSI will continue to be accountable to Albertans and meet its objectives. The new guidelines provide greater clarification on the capital nature of the program, the funding conditions and the application process. The following changes have been incorporated into the guidelines:

- Project Profiles for 2009 MSI capital funding can be submitted to Municipal Affairs at any time prior to July 1, 2009. In future years, Project Profiles can be submitted at any time prior to April 1.
- Starting January 1, 2009, the total MSI-funded amount of each project application must be at least ten percent of the municipality's annual MSI capital funding allocation. For municipalities with annual MSI capital allocations over \$10 million, the minimum funding application amount will be \$1 million. Contributions to qualifying projects carried out by neighbouring municipalities, regional municipally-controlled entities, or non-profit organizations are exempt from the minimum qualifying threshold (Section 4.2).
- Projects that involve assets or land owned by non-profit organizations may qualify for MSI capital funding (Section 4.3).
- Municipalities may allocate MSI capital funding to one or more projects, up to the total of their actual allocations paid to date plus 75 per cent of their estimated allocations for the remaining years of the program (Section 4.6).
- MSI applications for projects that are also intended to be funded by project-specific funding under Alberta Transportation programs will only be accepted if a letter has been received from the Minister of Transportation approving the project-specific funding or a letter has been received from Alberta Transportation indicating that proceeding with the project without funding approval (under that program) will not jeopardize funding of the project in the future (Section 4.7).
- Purchases of new and replacement heavy construction equipment no longer qualify for MSI capital funding. Purchases of new and replacement maintenance equipment continue to qualify for funding (Section 4.11).
- All projects submitted for MSI capital funding must be included in a Multi-Year Capital Plan submitted by the municipality to Municipal Affairs (Section 5.5).
- For 2009 MSI capital funding to be released to a municipality, the municipality must have submitted its 2007 and 2008 Statements of Funding and Expenditures (SFE). In addition, the 2007 SFE must be certified and sufficient Project Profiles submitted to account for its 2007, 2008, and 2009 allocation. Payment of half of the allocation may be made if sufficient profiles have been submitted to account for its 2007 and 2008 allocations, and at least half of its 2009 allocation (Section 5.7).
- Interest on MSI-funded project borrowings is now a qualifying cost for MSI capital funding, subject to the conditions listed in Schedule 1.a.

- There are additional communications requirements and considerations for municipalities in Section 5.11.
- The Project Profile form has been revised to request additional information on MSI source year funding, functional category of capital projects, and non-profit organizations.

## 2. General Information

### 2.1) Key Dates

- Project Profiles are due April 1 of each year.

#### **Exception for 2009**

Project Profiles for 2009 are due on July 1, 2009.

- Statement of Funding and Expenditures forms for the prior year are due on May 1 of each year.

### 2.2) Contact Information

Electronic file templates for the Project Profile, Statement of Funding and Expenditures, and Multi-Year Capital Plan are available at [www.municipalaffairs.alberta.ca](http://www.municipalaffairs.alberta.ca) under Municipal Grants. Older versions of these forms from prior years will not be accepted.

All correspondence and questions should be directed to the contact information below. Signed Project Profiles may be submitted by mail, email or fax. Signed Statements of Funding and Expenditures may be submitted by mail, email or fax.

Alberta Municipal Affairs  
Municipal Services Branch  
Municipal Grants and Information Services Unit  
17<sup>th</sup> Floor, 10155 – 102 Street  
Edmonton, AB T5J 4L4

Ph: (780) 427-2225 (or toll-free: 310-0000)

Fax: (780) 422-9133

Email: [ma.msicapitalgrants@gov.ab.ca](mailto:ma.msicapitalgrants@gov.ab.ca)

Website: [www.municipalaffairs.alberta.ca](http://www.municipalaffairs.alberta.ca)

## 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. These objectives are being met by providing conditional grants to municipalities for the ten year period from 2007/08 until 2016/17.

The Province sets the general criteria by which projects and activities qualify for funding under this program, and the municipality sets the individual priorities for those projects that qualify.

These program guidelines apply to MSI capital funding, and have been updated from the 2008 version. Information on the MSI Conditional Operating funding can be found on the Municipal Affairs website at [www.municipalaffairs.alberta.ca](http://www.municipalaffairs.alberta.ca).

### 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) MSI Funding Formula

Municipalities will be advised of their annual MSI funding allocation after the provincial budget has been approved. This allocation is based on the following formula.

The majority of MSI funding will be allocated by the following: 48 per cent allocated on a per capita basis; 48 per cent allocated based on education property tax requisitions; and four per cent allocated based on kilometres of local roads.

All municipalities with populations of 100 or greater received \$35,000 in base funding in 2008, and will receive the same in 2009. Starting in 2010, the annual base funding will increase to \$120,000.

Municipalities with populations less than 100 received pro-rated base funding of \$350 per capita in 2008, and will receive the same in 2009. Starting in

2010, this amount will increase to \$20,000 plus \$1,000 per capita. Summer villages will receive 50 per cent of this base allocation.

Municipalities with populations under 10,000 and limited local assessment bases will also receive sustainable investment funding. A total of \$15 million will be allocated in each budget year to qualifying municipalities.

Of the total MSI funding provided in each year, \$50 million will be provided in the form of Conditional Operating funding to municipalities. Conditional 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 funding will be for qualifying capital projects that meet the criteria described in Schedules 1 and 2 (pages 18 to 26) of these guidelines.

### **3.4) Program Eligibility**

Only eligible municipalities may submit applications for MSI 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) or Métis settlement.

## **4. Funding Conditions**

### **4.1) Project Qualification**

Projects must result in, or directly relate to and support, the acquisition, construction, development, betterment, or rehabilitation of a capital asset.

The project must clearly align with the objectives, criteria, and general types of projects set out in these guidelines.

Schedule 1 (page 18) provides more detail about project qualification and a list of qualifying and non-qualifying costs.

Schedule 2 (page 22) provides a list of general types of capital projects by category. All projects must align with the general types of projects listed.

### **4.2) Minimum MSI Funding Amounts**

For all funding applications received on or after January 1, 2009, the total MSI-funded amount must be at least ten per cent of the municipality's annual MSI capital funding allocation for the year of the application.

For municipalities with annual MSI capital allocations over \$10 million, the minimum funding application amount will be \$1.0 million.

The minimum funding amount does not apply to projects that involve contributions to qualifying projects carried out by:

- neighbouring municipalities (excluding maintenance equipment);

- regional entities that are controlled by two or more municipalities; or
- non-profit organizations.

#### **4.3) Contributions to Non-Profit Organizations**

Municipalities may contribute MSI capital funding to qualifying projects that involve assets or land owned by non-profit organizations. A non-profit organization is 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.

Projects involving non-profit organizations must provide a municipal service, and use of the resulting asset must not be limited to cultural or religious groups.

Municipalities are required to complete documentation 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 departmental access to project records; and
- maintain adequate control over public access to the asset, or over the municipal service that it provides.

In order 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.

#### **4.4) Incurring Capital Project Expenses**

For new projects started on or after April 1, 2007, qualifying project costs will be eligible for funding. For projects started before April 1, 2007 that are no more than 50 per cent complete on that date, qualifying project costs incurred on or after April 1, 2007, will qualify for funding.

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.

#### **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, MSI capital funding provided and not expended in one year may be carried forward to the next five subsequent years. This provides a total of six years in which to use

allocated funding. The funding must be expended on an accepted project before December 31st of the fifth subsequent year. For example, the 2009 allocation must be expended before December 31, 2014.

Funding that is not expended or committed within this period must be returned to the Province of Alberta.

Where a municipality intends to carry MSI funding forward to a future project, a Project Profile form should be submitted for the project. This will ensure that the municipality continues to receive annual funding allocations (see Sections 5.3 and 5.7).

#### **4.6) Application of MSI Funding to Project Expenses**

A municipality may also 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 their 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.

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) Application of Other Grant Funds**

MSI capital funds may be used to fund the municipal contribution of provincial-municipal or federal-municipal grant programs that require a municipal contribution, unless doing so is prohibited by that program. For example, if a municipality is constructing a road for \$2.0 million, and is receiving funding under the Alberta Municipal Infrastructure Program of \$1.0 million for the road, MSI capital funds may be used to fund the remaining \$1.0 million of road construction costs.

If a municipality chooses to use multiple grant funding sources for a project, it is the responsibility of the municipality to understand the separate requirements of each grant program.

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 funding under the Alberta Municipal Water / Wastewater Partnership (AMWWP) program), the project-specific funding should be approved before utilizing allocation-based funding such as MSI. Therefore, MSI applications for projects that are also intended to be funded by project-specific funding under Alberta Transportation programs will only be accepted if:

- a letter has been received from the Minister of Transportation approving the project-specific funding, or
- a letter has been received from Alberta Transportation indicating that proceeding with the project without funding approval (under that program) will not jeopardize funding of the project in the future.

#### **4.8) Funding Allocations and Municipal Restructuring**

Municipal restructuring will not negatively affect funding allocations to municipalities 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 amalgamate on June 1, 2009, the restructured municipality will receive the benefit of an MSI allocation calculated as if the two municipalities had not amalgamated, until December 31, 2013. The restructured municipality would receive the total of the two calculated amounts.

Municipalities involved in an amalgamation or dissolution should bring any concerns regarding their MSI funding and/or any proposed expenditures that are awaiting acceptance to the attention of program staff.

#### **4.9) 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 Trade, Investment and Labour Mobility Agreement ([www.tilma.ca](http://www.tilma.ca)), effective April 2009, and the Agreement on Internal Trade ([www.ait-aci.ca](http://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.

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 4.10 (page 11).

#### **4.10) 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. The application must include a brief rationale to explain how this will result in a more efficient, timely, or cost-effective project.

#### **4.11) Purchase of Construction and Maintenance Equipment**

Purchases 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 are a qualifying use of MSI capital funding. However, purchases of new and replacement heavy construction equipment do not qualify for MSI capital funding.

#### **4.12) Provincial Standards and Strategies**

Projects that do not meet provincially regulated standards will not qualify for MSI funding.

In cases where a project might be affected by provincially regulated standards (for example, projects along highways and water systems), the Project Profile must include a description of how the project complies with these standards.

Projects that involve regional water distribution and wastewater collection systems must include a description of how the project will appropriately fit within the Alberta Water for Life strategy ([www.waterforlife.gov.ab.ca](http://www.waterforlife.gov.ab.ca)) in the Project Profile.

When a project proposes to include work on a highway under provincial jurisdiction, the municipality must first enter into a separate agreement with Alberta Transportation to permit the municipality to carry out the work within the highway right-of-way.

#### **4.13) Credit Items**

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 projects accepted under the program.

Credit items shall be reported on the current year Statement of Funding and Expenditures, and can include:

- Interest earned on deposited grant funds.
- Rent and other income derived from capital assets (including land) purchased for a capital project before project completion.

- Proceeds from the sale of land purchased for a capital project and included in project costs but not required for the project.
- The appraised value of unsold land purchased 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 for construction and not used.
- The income from the sale or trade-in 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.
- Donations or contributions in-kind including all goods and services.

## 5. Application Process

### 5.1) *Annual Application Process*

The following table summarizes the annual application process. Further details regarding each step are provided in Sections 5.2 to 5.10.

Activity	Date
Submit Project Profile	<b>April 1</b> of each year (contact program staff if an extension is needed). 2009 project profiles are due by July 1, 2009.
Submit Multi-Year Capital Plan (MYCP)	Initially, for all submitted Project Profiles Thereafter, as required to include new or amended Project Profiles submitted
Review Process	<b>Ongoing</b>
Payment of Grant Allocation	By approximately <b>June 30</b> of each year, following budget approval, and submission of Project Profile, MYCP and previous year's Statement of Funding and Expenditures (see Section 5.7 for payment conditions)
Submit year end Statement of Funding and Expenditures	By <b>May 1</b> of following year

### 5.2) *Memorandum of Agreement*

MSI funding is administered through a long-term Memorandum of Agreement (funding agreement). This funding agreement covers grant payments under

the program from 2008 through 2016. A separate 2007/08 MSI capital agreement covered the 2007 MSI capital funding.

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

- a Project Profile for each project;
- a Multi-Year Capital Plan showing all projects receiving MSI capital funding; and
- an annual Statement of Funding and Expenditures for the previous year.

### **5.3) Project Profiles**

The municipality must submit separate Project Profile forms to Municipal Affairs for each proposed project. The profile should clearly identify the specific capital asset to which the project relates. The objective of the Project Profile is to provide basic information regarding the proposed project, to demonstrate that qualifying expenses have been assigned to the project, and to provide an estimate of annual project costs and funding sources.

To ensure that municipalities receive project funding in a timely manner, Project Profiles that propose to use MSI capital funding for a given year should be submitted prior to April 1 of that year. However, Project Profiles can be submitted to Municipal Affairs at any time throughout the year.

#### **Exception for 2009**

Project profiles should be submitted by July 1, 2009.

If, during the normal course of events, a project changes significantly in either scope or scale, its project profile should be updated and re-submitted in accordance with the amendment process described in Section 5.10, (page 16).

### **5.4) Joint Projects**

Projects that involve joint funding from two or more municipalities should identify all contributing parties by listing them in the Project Description section of the application form. Each municipality must submit an application for its own portion of the project.

Each municipality should include only its own financial contribution and responsibility for the project in the financial information section of the application.

### **5.5) Multi-Year Capital Plan**

The municipality is required to submit a Multi-Year Capital Plan (MYCP), in the most practical format available. This plan 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.

The objective of the MYCP is to provide a high level overview of anticipated municipal capital expenditures for all grant supported, non-grant supported, and unfunded capital projects over the planning period. Completion of the plan provides the municipality with a structured prioritization of 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 list all proposed capital expenditures over a five to ten year planning period.

The MYCP does not have to be prepared in a prescribed format for MSI program purposes. A municipality may submit their existing capital plan as long as all MSI funded projects are listed within the document.

Copies of the MYCP submitted to meet the requirements of the Alberta Municipal Infrastructure Program, which is administered by Alberta Transportation, will also be sufficient to meet the requirements of the MSI, as long as all projects intended to receive funding under the MSI are listed.

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. The updated plan is to be submitted to Municipal Affairs if there are significant changes or additions to MSI funded projects.

## **5.6) Review Process**

Project Profiles submitted to Municipal Affairs will be reviewed to ensure they meet the requirements set out in the program guidelines and are included in the MYCP. A recommendation will then be forwarded to the Minister.

It is anticipated that Project Profiles will be processed and municipalities advised of Project acceptance status within ten to twelve weeks.

A municipality may proceed with a project they expect to wholly or partially fund with their MSI allocation prior to receiving notification of acceptance from the Minister if it believes that the project will qualify under these guidelines. However, if the Minister should deem a project to be non-qualifying, the municipality will be responsible for bearing the cost of the project and must apply the MSI funding to a different qualifying project.

## **5.7) Payment of Funds**

Payment of a municipality's annual MSI allocation will follow approval of the provincial budget.

Full payment of the 2009 MSI allocation is conditional on the following:

- submission and Municipal Affairs certification of the 2007 Statement of Funding and Expenditures (Section 5.9);
- submission of the 2008 Statement of Funding and Expenditures; and
- submission of 2009 Project Profiles that commit all 2009 MSI capital funding and the balance of any uncommitted 2007 and 2008 capital funding.

A payment of half of a municipality's 2009 MSI allocation will be made based on submission of the 2007 and 2008 Statements of Funding and Expenditures as above, and the submission of 2009 Project Profiles that commit at least half of the 2009 MSI capital funding and the full balance of any uncommitted 2007 and 2008 capital funding. Payment of the balance of the 2009 MSI allocation will be based on submission of 2009 Project Profiles that commit this balance.

As indicated in Section 4.6, 2009 Project Profiles can be submitted for projects that will start in future years.

### **5.8) *Municipal Administration of Funds***

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 Statement of Funding and Expenditures and applied toward one or more qualifying MSI 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. Please contact Municipal Affairs staff for further information or an example of this calculation.

### **5.9) *Statement of Funding and Expenditures***

The municipality will submit a Statement of Funding and Expenditures (SFE) for the previous calendar year in the prescribed form summarizing the grant amounts received, the actual amounts applied to accepted projects, and funds to be carried forward to the next year. The SFE for expenditures from the previous calendar year must be submitted by May 1 of each year.

The SFE is signed by the Chief Administrative Officer, which 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 accepted projects submitted on the Project Profile form(s).

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.

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

### **5.10) Amendment Process**

In some cases, a municipality may find that a project cannot be completed as originally described. It is Municipal Affairs' intent to accommodate reasonable delays and problems where possible. However, to meet program accountability and reporting conditions, municipalities requesting significant changes to the scope, budget, or the year(s) in which expenses and/or revenues occur, must submit a written request for an amendment that includes, at a minimum, the following:

- a revised Project Profile clearly identifying that it is an amended application;
- the reason for the change in project description, project timing, or costs; and
- a breakdown of the funds expended to date.

Upon receipt of such a request, program staff will consider the request and provide recommendations to the Minister or his representative. Municipalities will be advised in writing of the outcome of the request.

### **5.11) Communications**

Municipalities will be required to make public a list of projects using MSI funding (possible options are through council minutes, annual reports, or local newspaper).

Municipal Affairs may, for projects designated at the discretion of the Ministry, require a municipality to publically recognize the Government of Alberta's (GOA) MSI funding contribution. At the time a project profile is approved, Municipal Affairs will indicate whether a municipality will be asked to work with the Ministry to develop a joint communications plan for the project. This plan, which will be subject to Ministry approval, may include one or more of the following communications activities:

- involving the Minister of Municipal Affairs or other GOA representative in a ground breaking or ribbon cutting ceremony;
- arranging special events;
- providing the Minister or other GOA representative the opportunity to announce funding;

- acknowledge the provincial contribution in a news release that could include a quote from the Minister or other GOA representative; or
- local advertising and/or signage at the project/facility acknowledging the provincial funding for the project.

### **5.12) Site Visits**

On an annual basis, program staff may select and visit a number of municipalities to discuss activities and view completed projects related to the MSI.

The main objective of a site visit is to review a municipality's experiences with its project(s) and expenditures under the program and explore the resulting benefits impacting the community.

A site visit offers an opportunity for municipal and program representatives to discuss how the program works, explore suggestions for improving the program, review the municipality's particular experiences and circumstances, and to tour or view project results where applicable.

# Schedule 1 – Qualifying Capital Costs

## 1.a) *Qualifying Capital Costs*

- In order to qualify for program funding, costs must be incurred for projects that result in, or directly relate to and support, the acquisition, construction, development, betterment, or rehabilitation of a capital asset.
- The project must be limited to a single building, facility, or piece of equipment. If the project relates to a roadway, water system, wastewater system, or storm water system, the project must be related to a continuous section of the roadway or system.
- The project must be for the purpose of providing good government, providing services, facilities or other things that are necessary or desirable for all or a part of the municipality, or to develop and maintain safe and viable communities.
- A capital asset is an asset that has an expected life of more than one year.
- A betterment is the enhancement of the service potential of a capital asset, including 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.
- A rehabilitation is the complete replacement or rebuilding of a major component of a capital asset 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
  - substantial reconstruction of the interior of a building.
- Qualifying capital costs can include:
  - Borrowing costs on the amount that is to be funded by the MSI, subject to the following conditions:
    - interest costs incurred prior to January 1, 2009 do not qualify for funding;
    - borrowed funds must be used to fund qualifying costs that are incurred on or after January 1, 2009;
    - a maximum borrowing amount of one-third of a municipality's estimated ten-year allocation;

- a maximum of five per cent of a municipality's estimated ten-year allocation may be applied to interest costs;
- submission of a ten-year capital plan; and
- submission of a business case for each project that includes, at a minimum, the following:
  - quantification of anticipated cost-savings and/or efficiency gains from completing the project using debt financing;
  - MSI-funded borrowing amount;
  - borrowing costs of the MSI-funded borrowing amount;
  - non-MSI-funded borrowing amount; and
  - borrowing costs of the non-MSI-funded borrowing amount.
- The purchase cost of land required for the specific capital project or the appraised value of land owned by the municipality which is to be used for the specific capital project. Where land is purchased for a capital project, the project must be completed within five years from the date of the land purchase. If the land is purchased for transportation or utility corridors, the project must be completed within ten years.
- 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.
- Energy efficiency upgrades to qualifying infrastructure assets.
- Significant enhancements or improvements for the safety of users of a transportation or other municipal infrastructure system.
- Purchase cost of rights-of-way, including legal and survey fees, taking into account as credit items the salvage value of any improvements on the original site, proceeds from sale of residual lands, appraised value of residual land in year of construction and net income from land purchased in advance of construction.
- 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 (landscaping that is primarily aesthetic or beautification does not qualify).
- Relocation and adjustment of associated utilities.
- Direct construction supervision.

- Where capital projects are constructed or developed using municipal staff, all labour costs, including benefits, attributable to work carried out on the construction site.
- 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.
- Communications costs, such as project signage, when requested by the Minister of Municipal Affairs.
- Other capital infrastructure project costs as may be deemed appropriate by Municipal Affairs.
- Municipal contributions to one of the following types of entities to enable that entity to acquire, construct, develop, better, or rehabilitate a capital asset that will be used to provide or deliver municipal services on a joint or regional basis, and where that entity is controlled by one or more municipalities or the Province of Alberta:
  - a municipality as defined in Section 1 of the Municipal Government Act;
  - 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;
  - a non-profit organization 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.
- Municipal contributions to a non-profit organization that is not municipally controlled, to enable that entity to acquire, construct, develop, better, or rehabilitate a capital asset which will be used to provide or deliver municipal services, subject to Section 4.3 (page 8).

## 1.b) **Non-qualifying Costs**

The following costs **do not qualify** for MSI capital project funding:

- projects that do not meet the minimum funding threshold, as defined in section 4.2;
- purchase or replacement of ancillary equipment used to provide services in connection with an infrastructure asset, such as appliances, furniture, and small equipment, unless the costs are incidental to a larger capital project, or are specifically listed in Schedule 2;
- costs of maintaining a capital asset, including:
  - any routine, recurring, superficial, or cosmetic 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 replacing of flooring in a building; and
  - replacement of individual parts of an infrastructure asset's major components or systems, such as repairing cracks and holes in a road, repairing broken sections of water or sewer lines, or replacing the compressor in a building's air conditioning system;
- subdivisions. However, some of the costs that are incurred as part of the typical subdivision development process are eligible, 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 pickup trucks;
- personal or vehicle-installed remote data access terminals and radios;
- operating costs;
- planning expenditures not directly related to specific capital infrastructure;
- expenditures related to beautification and cosmetic activities;
- loan fees;
- Goods and Services Tax (GST);
- costs funded under other grant programs; and
- depreciation.

Some of these costs, including costs of maintaining a capital asset and general planning activities, may qualify as an operating expense under the MSI Conditional Operating program.

## **Schedule 2 – Capital Project Categories**

The following sections provide lists of general types of capital projects that qualify for MSI capital funding by category.

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

- Roadways, bridges, and related structures
- 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
- Construction or implementation of traffic management projects such as major intersection improvements, major traffic signal coordination, etc.
- Construction of 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
- Municipality-wide or regional transportation planning studies and major infrastructure systems planning reviews
- Pedestrian trail systems
- Parking facilities
- Transportation studies to address specific environmental and/or safety concerns including environmental impact assessments
- The rehabilitation of gravel roads where new gravel is applied (does not include the re-grading of existing gravel back onto roadways)
- Gravel pits and snow dump sites

### **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
- Purchase of 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
- Major rehabilitation of public transit vehicles

- 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
- 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***

- Construction of new storm water ditches and major relocation of existing storm water ditches (does not include routine maintenance or reconditioning of existing ditches)
- Storm water or waterway flooding containment structures
- Storm sewer collection lines including service lines, and catch basins
- Construction of new 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) Emergency Service Facilities and Equipment**

- Police stations
- Fire halls
- 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 and personnel carriers
  - wildland equipment trailers
- Specialized fire fighting and rescue protective equipment
- Ground ambulances, as well as the basic on-board equipment necessary to make the vehicle functional
- Emergency operations centres
- Fixed central communications and computerized information management hardware and software that is integral to the delivery of emergency services
- Portable emergency power generators
- Emergency vehicle storage and administration facilities
- Rural signage systems

## **2.h) 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.i) Maintenance Equipment**

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 (for construction equipment, see additional Project Profile requirements in section 4.11), such as:

- tandem trucks
  - motor graders
  - backhoes
  - loaders
  - tractor-mounted equipment
  - bobcats
  - sanding trucks
  - street sweepers
  - gravel trucks
  - snowplows
  - vacuum trucks
  - tractors
  - zambonis
- Maintenance equipment does not include equipment that will be primarily used for capital project construction, pick-up trucks and hand-held equipment

## **2.j) 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.k) Community and Recreation Facilities**

- Recreational and sports facilities
- Libraries
- Municipal halls or administrative buildings
- Cultural/community centres
- Campground facilities
- Playgrounds
- Convention or trade centres
- Seniors centres
- Exhibition buildings
- Performing arts facilities
- Permanent park facilities
- Museums
- Art galleries

## **2.l) Other Municipal Buildings and Physical Infrastructure**

- Public works facilities
- Tourist facilities
- Designated local heritage sites
- Public wharves, docks, and piers
- Rural or remote telecommunications such as fibre optic or copper cable, radio or satellite links in rural areas