

Municipal Stimulus Program - Proposed Funding Allocations

Recommendation:

1. That reductions in funding for the Industrial Rehabilitation Overlay (\$17.0 million) and Transportation: Goods Movement - Arterial Renewal (\$33.5 million) capital programs be approved, with corresponding budget adjustments to be brought forward through the Fall 2020 Supplemental Capital Budget Adjustment report.
2. That the projects identified in Attachment 3 of the September 21, 2020, Financial and Corporate Services report FCS00080, be approved for submission to the Government of Alberta for funding under the Municipal Stimulus Program.

Executive Summary

This report provides recommendations for allocation of the \$115.6 million in Municipal Stimulus Program funds towards capital projects. The program application deadline is October 1, 2020.

Report

Municipal Stimulus Program

On June 29, 2020, the Government of Alberta released its Recovery Plan announcing the Province will spend a total of \$10 billion on infrastructure projects throughout the province, with the expectation of creating 50,000 jobs. At that time the plan did not indicate the amount of funding provided to individual municipalities within Alberta.

On July 28, 2020, the Government of Alberta announced the Municipal Stimulus Program (MSP), providing additional capital infrastructure funding to municipalities with the objectives to:

- sustain and create local jobs;
- enhance provincial competitiveness and productivity;
- position communities to participate in future economic growth; and
- reduce municipal red-tape to promote job-creating private sector investment.

Alberta's government committed to provide municipalities with \$500 million in additional capital funding through the MSP program to build shovel-ready infrastructure projects starting in 2020, creating thousands of jobs as part of Alberta's Recovery Plan.

The City of Edmonton has been allocated \$115.6 million from this program. The complete program guidelines are included in Attachment 1. Key criteria for project eligibility include:

- Project must be “shovel ready” in a position to commence construction in 2020 or 2021.
- Projects would not go ahead in 2020 or 2021 without support through the MSP.
- The portion of the project funded by MSP must be spent before the end of 2021 (although the project can extend beyond 2021 with funding through other sources).
- MSP funding paid to municipalities but not fully expended by December 31, 2021 must be returned to the Province.
- Projects previously submitted under the Municipal Sustainability Initiative (MSI) and/or federal Gas Tax Fund (GTF) are not eligible for MSP funding (subsequent clarification provided - see below).
- Operating impacts of the constructed assets cannot require support from the provincial government (for example, affordable housing projects with provincial operating funding implications).
- The project cannot result in municipal tax increases, whether through a municipal contribution to the construction of the project (e.g. PAYG) or through operating impacts of the constructed assets. Municipal contribution to the project or operating expenses associated with the resulting capital asset must be funded through means other than increasing property taxes, such as through budget reductions in other areas, user fees, or other non-provincial grant programs.
- Maximum of five project applications (can be grouped into similar project types).

On September 3, 2020, the Province clarified one of the previously announced guidelines. The original guidelines stated “projects previously submitted under the MSI and/or federal Gas Tax Fund (GTF) are not eligible for MSP funding”. The Province clarified that MSP funding can be combined with 2020 MSI or GTF funded projects (whether they have been either submitted or approved) as long as work has not yet commenced on the projects in 2020, and provided the municipality could still attest that the project would not have otherwise proceeded in the 2020 or 2021 construction season without the MSP funding. This clarification provided the City an opportunity to also consider projects previously approved for

funding with MSI and GTF, which is reflected in part 2 of the proposed allocation below.

Proposed Funding Allocations

In an effort to focus on the highest priority infrastructure needs, Administration used the following approach to develop a list of potential projects eligible for MSP funding:

1. Review of the shovel ready list for projects, provided by Mayor Iveson to Premier Kenney and Minister Madu on April 10, 2020 (Attachment 2).
2. Review of projects that would have been considered for reductions as a result of the May 25 City Council motion to provide infrastructure cut back scenarios to offset pandemic-related operating budget shortfalls.

1. Shovel Ready List of Projects (New Capital Projects)

Administration reviewed the shovel ready project list against the MSP guidelines. Many of the projects were not eligible for MSP funding for the following reasons:

- Resulting assets would have operating impacts that might impact future tax-levy requirements.
- Nature of asset and project expenditures were not eligible under the program guidelines.
- Funding was not in place beyond December 31, 2021, to complete the full scope of larger, multi-year projects.

The following new capital projects from the shovel ready list are considered appropriate for MSP funding:

- **Rural and industrial road upgrading - \$43.3 million** - paving of oil and gravel roads with associated localized roadway improvements. Specific industrial projects could include Mistatim, Southeast Industrial and Winterburn, as well as various other industrial areas. Rural road upgrading would take place in various sections of the City, as funding and timelines allow. The work can be completed before the end of December 31, 2021 and meets all other program guidelines. These projects also aligned to the MSP objectives of creating local jobs, enhancing provincial competitiveness and productivity, and position communities to participate in future economic growth.
- **Affordable Housing - \$15.8 million** - includes refurbishment, renovations and upgrades to affordable housing units owned by the City, HomeEd, and other affordable housing providers, as well as development of modular

affordable housing as deemed acceptable by the grant requirements. MSP funds would be distributed to HomeEd and other external organizations with agreements put in place requiring funds to be spent in accordance with MSP guidelines, including timelines.

- **Open spaces - \$6.0 million** - this work includes neighbourhood park renewal, naturalization and tree canopy expansion. It allows for the renewal of neighbourhood park elements, including playgrounds, that will be prioritized based on poor asset condition as well as other community indicators such as socio-economic factors. This also includes naturalizing mowed sites, increased tree planting in parks, and expansion of the urban forest.

2. Review of projects considered for reduction from the approved capital budget in response to the current fiscal environment and impacts of COVID-19

On May 25, 2020, City Council directed Administration to review the balance of the 2019-2022 capital budget and bring forward prioritized infrastructure cutback scenarios to tax-funded discretionary (pay-as-you-go) and debt supported projects to transfer to offset ongoing operating budget shortfalls, applying the following principles:

- Prioritize cuts based on growth before renewal and minimizing risk to critical assets like bridges,
- Ensure the corresponding infrastructure deficit is in cosmetic or lower-risk areas where possible,
- Consider facility closures, and
- Leverage of discretionary dollars against time and provincial or federal grants be maintained where possible.

The analysis is progressing and the recommended reductions to the capital budget will be included with the 2020 Fall Supplemental Capital Budget Adjustment (SCBA) scheduled for November 16, 2020. The analysis to date has resulted in a preliminary list of growth and renewal projects to be considered for reduction. Administration continues to analyze the list against the above noted principles as well as the City Plan.

The increasing financial pressure resulting from the COVID-19 pandemic will require cuts to the City's capital budget. Administration is recommending infrastructure cutbacks for certain capital projects based on the preliminary capital prioritization/reduction exercise. The MSP program provides an opportunity for the City to fund projects that are identified to be cut from the capital budget as a result of the ongoing financial challenges. Operating funds (pay-as-you-go and tax-levy) originally funding these projects can be released and used to offset operating budget challenges related to effects of the COVID-19 pandemic.

Administration identified capital projects for infrastructure cutbacks based on the following criteria:

- Projects and activities that are eligible under the MSP guidelines (e.g., no operating impacts).
- Projects that are budgeted to be funded through MSI or operating contributions (pay-as-you-go or dedicated tax levy) in order to free up operating contributions to support COVID-19 budget shortfalls.
- Projects where the majority of work would occur before December 31, 2021, as per the MSP requirement.

Administration proposes that the operating contributions for projects in the following activities be reduced and then refunded through the MSP to assist with operating budget shortfalls as a result of COVID-19:

- **Industrial Neighbourhood Rehabilitation Overlay - \$17.0 million** - road renewal including repaving with concrete, sidewalk and structure spot repairs to address safety hazards.
- **Transportation: Goods Movement - Arterial Renewal Program - \$33.5 million** - outlines a cost-effective, long-term strategic approach to address Edmonton's major road infrastructure needs via the renewal and rebuilding of roads, sidewalks, and streetlights. It provides for the renewal of roadway base, paving, curbs, gutters, and sidewalks on existing major and minor arterial roadways. This includes work that was originally planned to be completed in 2022 that is being advanced into 2021.

Industrial neighbourhood rehabilitation overlay is largely tax-funded within the Neighbourhood Renewal Program, and Goods Movement - Arterial Renewal is funded through MSI and Pay-as-you-go. Any reduction to these programs will result in direct savings in operating contributions funding capital that can be used to offset operating budget shortfalls as a result of COVID-19. Released MSI would be used to replace Pay-as-you-go elsewhere in the capital budget to achieve operating contribution savings.

Attachment 3 includes further details of the proposed funding allocations.

The recommended funding allocations contain some risks:

- The proposed projects may be deemed ineligible by the province. This has been mitigated through ongoing conversations with provincial administrators.
- The construction may not occur within the time period required, particularly as the program timing allows for only one construction season.

- Our partners may not be able to complete the projects within the permitted time period.

Next Steps

Administration will undertake the following steps based on Council’s decisions related to projects to be submitted for MSP funding and reductions to the capital budget to address financial challenges:

- Submit MSP grant applications with the Province by the October 1 application deadline.
- Return on November 16, 2020, through the Fall 2020 Supplemental Capital Budget Adjustment Report with the following budget adjustments:
 - New capital profiles to be funded with MSP grant (contingent on approval of MSP grant applications by the province).
 - Reductions to Industrial Neighbourhood Rehabilitation Overlay and Transportation: Goods Movement - Arterial Renewal Program and subsequent funding through MSP grants.
 - Approval for use of released operating contributions as a result of capital reductions (Pay-as-you-go, dedicated tax-levy) to offset COVID-19 operating budget shortfalls, including exemption to City Policy C595 *Neighbourhood Renewal Program*, allowing for the one-time use of dedicated tax-levy originally intended for the Neighbourhood Renewal Program to be used to offset COVID-19 operating budget shortfalls.
- Return on November 16, 2020, with the remaining recommended reductions to the capital budget based on the prioritized infrastructure cutback analysis as necessary.

Public Engagement

Public engagement was not required to determine allocation of MSP funds towards capital projects.

Corporate Outcomes and Performance Management

Corporate Outcome(s): Conditions of Success			
Outcome(s)	Measure(s)	Result(s)	Target(s)
MSP funding applications are approved by the Province	Number of submitted applications approved	TBD	5 MSP applications approved by the Province.
Entire City of Edmonton MSP allocation is used by the City before December 31, 2021.	Amount of funding utilized before December 31, 2021	TBD	\$115.6 million in MSP funds utilized before the end of December 31, 2021.

Risk Assessment

Risk Element	Risk Description	Likelihood	Impact	Risk Score (with current mitigations)	Current Mitigations	Potential Future Mitigations
Funding from other levels of government	Projects recommended for MSP funding may not be approved by the Province.	3 - possible	2 - moderate	6 - low	Discussions with Province and other municipalities validating proposed strategy. Adherence to published guidelines	Ongoing discussions with Province prior to October 1 submission deadline.

Attachments

1. Municipal Stimulus Program Guidelines
2. Shovel Ready Project List - Mayor’s Letter to Province
3. Municipal Stimulus Program - Proposed Funding Allocations

Others Reviewing this Report

- C. Owen, Deputy City Manager, Communications and Engagement
- J. Meliefste, Acting Deputy City Manager, Integrated Infrastructure Services
- R. Smyth, Deputy City Manager, Citizen Services
- B. Andriachuk, City Solicitor