

Minister of Infrastructure  
and Communities



Ministre de l'Infrastructure  
et des Collectivités

Ottawa, Canada K1P 0B6

The Honourable Bob Chiarelli, M.L.A.  
Minister of Infrastructure  
Government of Ontario  
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JUL 06 2017

Dear Colleague:

This letter is a follow-up to our discussion on July 5, 2017, regarding the federal government's historic infrastructure investments through the Investing in Canada plan.

I would like to express my gratitude for your continued partnership in delivering the initial phase of the Plan announced in Budget 2016, which is focused on accelerating federal investments in the short term by providing funding for the rehabilitation, repair, and modernization of existing infrastructure. In Ontario, this included up to \$1,486,680,000 under the Public Transit Infrastructure Fund and up to \$569,642,062 under the Clean Water Wastewater Fund. As of July 6, 2017, 636 public transit projects and 915 water and wastewater projects have been approved in your jurisdiction under these programs for respectively 64% and 84% of the funding made available. Finally, I would like to confirm that Public Transit Infrastructure Fund and Clean Water Wastewater Fund projects recently submitted are currently under review.

Budget 2017 builds on these measures and clearly outlines the next phase of the Government of Canada's Investing in Canada plan, which will provide more than \$180 billion in infrastructure funding over 12 years. These investments will create long-term economic growth, build inclusive, sustainable communities and support a low carbon, green economy. We are working closely with all our partners and stakeholders to deliver this ambitious plan that will make a real difference to Canadians and Canadian communities. Infrastructure Canada, along with other federal departments, such as Natural Resources Canada, Canada Mortgage and Housing Corporation, Economic and Social Development Canada and Transport Canada, will deliver a variety of investments that focus on five key areas: public transit; green infrastructure; social infrastructure; trade and transportation; and infrastructure in rural and northern communities.

I would also like to highlight other key ongoing elements of the Investing in Canada plan. As you know, the Gas Tax Fund was originally launched in 2005 and has since supported more than 25,000 projects across the country. The Gas Tax Fund is a flexible program that is legislated, permanent and indexed; therefore, the funding amount will grow as time goes on. I am pleased to note that municipalities in Ontario will receive \$782,196,000 this year to fund their key priorities.

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I also appreciate your continued efforts on the Provincial-Territorial Infrastructure Component of the New Building Canada Fund. Last year, our government made changes to this program to facilitate expedited approval of projects. As you are aware, we are seeking to ensure that all of the remaining funding under this program is approved as quickly as possible. I am pleased to note that 84% of your National and Regional Projects allocation and 99% of your Small Communities Fund allocation have been approved for projects and that you have submitted proposals to utilize the remaining funding.

As Minister of Infrastructure and Communities, I am responsible for the overall coordination and reporting on results for the Investing in Canada plan. In addition, I am directly responsible for several new initiatives under the long-term plan, which include:

- \$33 billion in funding provided through **Integrated Bilateral Agreements** with provinces and territories that will invest in public transit infrastructure, community, culture and recreation infrastructure, green infrastructure, and infrastructure in rural and northern communities;
- Other initiatives within my portfolio that are not part of the integrated bilateral agreements include:
  - The \$2-billion **Disaster Mitigation and Adaptation Fund**, which is a national, competitive, merit-based program, designed to support investments that will mitigate current and future climate risks, such as floods, wildfires and droughts by building or reinforcing constructed and natural infrastructure;
  - The **Canada Infrastructure Bank**, which will provide a new tool to make public dollars go farther by investing at least \$35 billion in transformative projects that engage private capital; and
  - The **Smart Cities Challenge**, which will invest \$300 million to encourage cities and their most creative minds to adopt new and innovative approaches to city-building and the digitalization of urban services.

We aim to have the Canada Infrastructure Bank operational by the end of 2017, and the Smart Cities Challenge will officially launch this fall. We will also have more details on the Disaster Mitigation and Adaptation Fund in the coming months.

At this time, I am happy to provide you with details regarding the funding that will be delivered through an integrated bilateral agreement between Canada and Ontario. This bilateral agreement will support public transit infrastructure, green infrastructure, community, culture and recreation infrastructure, as well as infrastructure in rural and northern communities. You will find below an overview of this program and additional information can be found in the Annex.

Our approach to this next phase of our government's plan to make historic investments in infrastructure will be different from what has been traditionally done in the past. We want the new programs announced in Budget 2017 to focus on outcomes that will have a positive, real impact on Canadians for generations to come. The bilateral agreement will be signed after an open dialogue between our governments and will aim to achieve the following outcomes:

1. increase the rate of economic growth in an inclusive and sustainable way;
2. improve environmental quality, reduce greenhouse gas emissions and increase resiliency of communities;
3. improve mobility in Canadian communities;
4. make Canadian communities more inclusive and accessible;
5. manage infrastructure in a more sustainable way.

Investments made through these bilateral agreements will streamline the delivery of funding and ensure that federal investments are targeted to achieving national objectives while providing the flexibility for provinces, territories and municipalities to propose priority investments in infrastructure.

This federal investment includes four funding streams to be delivered over the next 11 years:

- \$20.1 billion for public transit;
- \$9.2 billion for green infrastructure;
- \$1.3 billion for community, culture and recreation infrastructure; and
- \$2.4 billion for wide-ranging infrastructure needs in rural and northern communities. This includes the \$400-million Arctic Energy Fund, which will be delivered under this stream to support energy security in the territories.

Partnership will be key to our success, and I would like to acknowledge the strong and effective communication between our respective organizations.

Infrastructure Canada officials will be engaging with your officials in the coming weeks to lay the groundwork for negotiations and address any issues and questions you may have, with the goal of concluding negotiation of the integrated bilateral agreements by March 2018 at the latest.

I will soon be reaching out to you again to invite you to take part in the second edition of the Federal-Provincial-Territorial Ministerial meeting on infrastructure on September 20 and 21, 2017, in Ottawa, where we will have the opportunity to take stock of progress, challenges and best ways forward.

I want to extend my appreciation to you for your continued support in the implementation of this long-term program. I look forward to our continued collaboration in support of infrastructure investments through existing and new programs investments that will lead to a higher quality of life for Canadians.

Yours sincerely,

A handwritten signature in black ink that reads "A. Sohi". The letters are cursive and slightly slanted to the right.

Amarjeet Sohi, P.C., M.P.

Enclosure

## **Integrated Bilateral Agreement in Ontario**

The Government of Canada wants to make investments that maximize results. Therefore, the investments realized through the integrated bilateral agreements will be guided by the principles of transparency and accountability; fairness; a collaborative approach with partners; and effective, streamlined delivery.

The integrated bilateral agreements will allow the Government of Canada and the provinces and territories to agree on well-defined shared outcomes, targets, and a framework for reporting on results on a regular basis. Consequently, the bilateral agreements will shift to an outcomes-based approach for project eligibility.

The outcomes-based eligibility approach will be anchored in the five long-term outcomes referenced in the above letter. For each of these outcomes, there will be one or more corresponding project-delivery outcomes. Project eligibility will be determined on whether or not a project meets the specified project-delivery outcomes and complies with the terms and conditions of the applicable stream.

In addition, as support for municipal projects is a priority for the Government of Canada, part of the project approval process will include a review to ensure that a fair balance of municipal and provincial projects exists under all streams.

### **Key areas of investment**

#### **Public Transit Stream**

The Public Transit stream will provide funding to address the construction, expansion, and improvement of public transit infrastructure, and support active transportation projects that integrate “first-mile, last-mile” connectivity with a public transit system. Public transit investments will enhance mobility options and strengthen communities. In order to focus long-term public transit investments on new construction and expansion, a cap for investment that can be directed to rehabilitation projects is set at 15 percent nationally. This national cap will allow for regional variation.

The provincial and territorial allocation is determined by a formula based on ridership (70%) and population (30%). This blended formula balances demands on existing systems, while providing support for expected population growth. Within each jurisdiction, funding will be further allocated to existing public transit systems based solely on their respective ridership, with some flexibility possible to address regional requirements.

The Public Transit stream allocation for Ontario is \$8,340,401,116. This amount includes \$872.2 million for Ottawa Light Rail Transit 2.

## **Green Infrastructure Stream**

The Green Infrastructure stream will be composed of three funding areas:

- Greenhouse Gas Mitigation investments that will result in reduced greenhouse gas emissions, such as electricity generation and transmission (e.g. smart grid and renewables), built environment (e.g. energy efficiency), transportation (e.g. electric vehicles and alternative fuel infrastructure), active transportation infrastructure, and higher order rapid transit (e.g. heavy rail, subway, light rail transit, or bus rapid transit) or the adoption of vehicles that use a renewable fuel source (e.g. fleet electrification) in a public transit fleet;
- Adaptation, Resilience, Disaster Mitigation investments that will support community resilience, such as constructed infrastructure (e.g. dykes, winter ice roads replacement) and natural infrastructure (e.g. natural shorelines and wetlands) projects that will result in increased infrastructure capacity to withstand and adapt to climate change impacts, and climate-related disaster mitigation;
- Environmental Quality investments, such as infrastructure projects that will result in increased capacity to treat and manage water and wastewater, and capacity to reduce or remediate soil and air pollutants. Funding could include investments in natural infrastructure, as well as upgrades to water, wastewater infrastructure, replacement of diesel storage tanks, and reduction of the environmental impact of landfills.

The Green Infrastructure stream is intended to be the source of funding for projects identified by provinces and territories under the Pan-Canadian Framework on Clean Growth and Climate Change. Infrastructure Canada will work with provinces and territories to prioritize the Pan-Canadian Framework projects in this stream. A minimum floor of 45% of a province's allocation under the green stream will need to be invested in greenhouse gas emission mitigation projects.

The jurisdictional allocation for the Green Infrastructure stream consists of a base amount of \$200 million for each province and territory. The remainder is allocated on a per capita basis, using 2016 Statistics Canada Census data.

The Green Infrastructure stream allocation for Ontario is \$2,848,855,330. This amount includes \$218.9 million for Ottawa Light Rail Transit 2 and \$384.2 million for Port Lands Flood Protection and Enabling Infrastructure project.

## **Community, Culture and Recreation Infrastructure Stream**

The Community, Culture and Recreation Infrastructure stream will provide funding for infrastructure projects that improve social inclusion and civic engagement. Funding will support new, expanded or renewed community centres and hubs, amateur sport, cultural, and recreational installations and facilities. Priority will be placed on facilities primarily aimed at supporting vulnerable populations. A minimum funding level will be set in each jurisdiction to address infrastructure investment needs of the Indigenous population living off-reserve.

The allocation for this funding stream consists of a base amount of \$25 million for each province and territory to ensure meaningful funding in smaller jurisdictions. The remainder will be allocated on a per capita basis, using 2016 Statistics Canada Census data.

The Community, Culture and Recreation Infrastructure stream allocation for Ontario is \$407,159,893.

### **Rural and Northern Communities Infrastructure Stream**

The Rural and Northern Communities Infrastructure stream will support the unique and wide-ranging infrastructure priorities in small, rural and remote communities such as facilities that support food security, local roads, renewable energy and enhanced broadband connectivity. Projects eligible under the Public Transit, Green and Community, Culture and Recreation streams will also be eligible under the Rural and Northern Communities Infrastructure stream but only after the applicable funding from the other streams has been exhausted.

A community size threshold for funding under the Rural and Northern Communities Infrastructure stream will be determined as part of the dialogue leading to the signature of the integrated bilateral agreement, up to a maximum community size of 100,000 people.

The jurisdictional allocation of the \$2-billion Rural and Northern Communities Infrastructure stream consists of a base amount of \$75 million for provinces and \$150 million for territories. The remainder is allocated on a per capita basis based on populations of communities under 30,000, using 2016 Statistics Canada Census data.

The Rural and Northern Communities Infrastructure stream allocation for Ontario is \$250,067,117.

### **Cost Sharing**

Under the integrated bilateral agreements, Canada will invest:

- Up to 40% of municipal\* and not-for-profit projects;
- Up to 50% of provincial\* projects;
- Up to 75% of Indigenous partners' projects;
- Up to 25% of for-profit private sector projects (except in the Community, Culture and Recreation stream, where for-profit private sector proponents are not eligible).

Provinces will have to cost-share on municipal projects at a minimum of 33.33% of eligible costs.

\* For Public Transit, Canada will provide up to 50% for rehabilitation projects and up to 40% for new public transit construction and expansion projects.

\*For projects under the Rural and Northern Communities Infrastructure stream, Canada will invest up to 50% for provincial, municipal and not-for-profit projects.

### **Investing in Indigenous Communities**

The Government of Canada is committed to renewing the relationship between Canada and Indigenous peoples based on the recognition of rights, respect, co-operation, partnership and

advancing the outcomes of the Truth and Reconciliation Commission. This includes making infrastructure investments in Indigenous communities, which represent a significant opportunity to promote inclusive growth.

Under the integrated bilateral agreements that will be signed between the federal government and the provinces and territories, eligible Indigenous recipients include First Nations communities on-reserve, First Nations communities covered by modern treaty and/or self-government agreements, Inuit communities, Métis settlements as well as recognized Indigenous organizations (e.g. development corporations). Indigenous communities will be eligible for an increased federal contribution towards projects (up to 75%).

### **Outcomes-based Approach**

The new outcomes-based approach will give provinces and territories, in consultation with municipalities, the flexibility to prioritize projects that meet their needs, while contributing to the Government of Canada objectives. This could include innovative projects that may not have fit into eligible asset categories under previous programs.

As the integrated bilateral agreements will support a wide range of public infrastructure projects, the Government of Canada is expecting to achieve a number of outcomes across the four funding streams.

### **Horizontal Requirements**

The new agreement will also encourage consideration of climate-related outcomes and community employment benefits. As such, a Climate Lens will be applied to these federal investments, and a Community Employment Benefits Reporting Framework will be applied for relevant programs under the Investing in Canada Plan. Both the Climate Lens and the Community Employment Benefits Reporting Framework will be developed in consultation with provinces, territories, municipalities and other stakeholders over the next few months and will be embedded in the integrated bilateral agreements once completed.

### **Planning and Reporting**

Provinces and territories will be asked to provide a minimum three-year plan, developed in consultation with municipalities, which will form the basis for the delivery of funding in each jurisdiction. This plan will be updated on an annual basis and will become the primary tool for the planning, prioritization and approval of funding while ensuring that projects are aligned with common goals. With a clear vision of long-term needs, and more specifically, what can be achieved through our joint investments, we will be able to invest in infrastructure projects in the best way possible, benefiting Canadians for years to come. This integrated approach will combine long-term infrastructure planning, project submission for federal approval and project and program reporting.

We are committed to publicly report on the progress under this program in order to demonstrate how these investments are achieving measurable and concrete results for Canadians. Performance measures for infrastructure investments will be included in the agreements signed between the federal government and the provinces and territories. For key outcomes and results, this will include common definitions and negotiated targets. We will work collaboratively with provinces



and territories to ensure that we have an effective way to measure and report on key outcomes and results over time. Information on the projects funded through the program, the Climate Lens, and the Community Employment Benefits Reporting Framework will be publicly reported on a website of the Government of Canada, in a way similar to the Public Transit Infrastructure Fund and the Clean Water and Wastewater Fund programs.

The Government of Canada acknowledges there will be requirements for provinces and territories related to planning and reporting. Consequently, funding will be available to help your government cover administrative costs and program delivery. A business case will be used to identify key administrative activities and provide rationale for the amount of administration funding requested.

### **Combined Investments**

The Government of Canada is committed to accountability. To this end, provinces and territories will be required to attest that federal funding received under the integrated bilateral agreements does not displace their infrastructure spending on each of the asset classes funded through the four streams of the new program. Provincial and territorial governments will still have the flexibility to move infrastructure investments between projects within the same asset class as required to get the most benefit from our combined investments. Planned projects already identified in a provincial, territorial or municipal long-term infrastructure plan will be eligible for funding. Provinces will be asked to attest that investments in municipal assets in the public transit stream do not displace municipal spending in this asset class.