

# CAPITAL PLAN

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- ✦ CAPITAL PLAN SPENDING
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## ✦ CAPITAL PLAN SPENDING

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# CAPITAL PLAN 2014–17

The Building Alberta Plan includes investing in the essential infrastructure needed to support Alberta’s exceptionally strong population growth, strengthen the economy and build an even better quality of life for Albertans.

*Budget 2014* reflects what Albertans have said is important to meet the needs of a growing province:

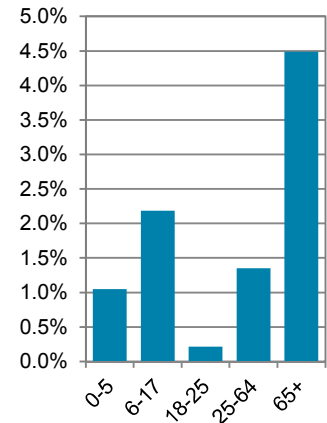
- ◆ investments in health facilities, schools and transportation networks to create a strong foundation for the future; and
- ◆ support for municipal infrastructure to help meet local priorities.

Under the Building Alberta Plan, schools and health care facilities are being built and modernized, transportation networks are being maintained and expanded, and measures to protect communities from future floods will be implemented.

More than \$19 billion is budgeted in the 2014-17 Capital Plan to provide the infrastructure required for the fastest growing province in Canada. This includes \$1.6 billion for maintaining existing infrastructure.

To ensure the best value for taxpayers in meeting these demands, government continues to look for innovative ways to provide needed infrastructure throughout the province. The recent land exchange agreement with the Regional Municipality of Wood Buffalo is one of those innovative approaches.

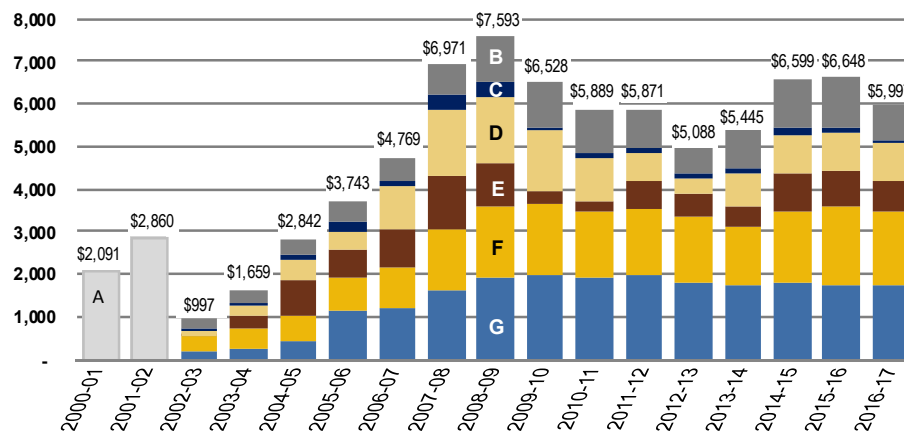
**AVERAGE ANNUAL POPULATION GROWTH BY AGE CATEGORY 2012–2024**



Source: Alberta Treasury Board and Finance

## Capital Plan 2000–2017<sup>a, b</sup>

(millions of dollars)



- A** Total Capital Spending
- B** Housing, Government Facilities and Equipment
- C** Community Facilities
- D** Schools and Post-secondary
- E** Health
- F** Provincial Highway Network
- G** Municipal Infrastructure Support and Water and Wastewater

<sup>a</sup> The Capital Plan amounts by envelope details were not available prior to 2002-03.

<sup>b</sup> 2012-13 to 2016-17 excludes acquisition of inventory and the development of land held for re-sale.

Under the agreement, the government is transferring land to the municipality for re-sale and development. The municipality will build transportation infrastructure to address growth pressures. The agreement helps address Fort McMurray's urgent land, housing and transportation needs and gives the municipality local control to manage its future growth and long-term availability of land.

Albertans need more than just roads and schools. They need museums, galleries and parks – infrastructure that helps maintain strong communities and the high quality of life Albertans enjoy.

*Budget 2014* and the Capital Plan reflect the needs Albertans have expressed.

### Capital Plan By Priority

(millions of dollars)

	2013-14 Forecast	2014-15 Estimate	2015-16 Target	2016-17 Target	3-Year Total
Investing in Families and Communities	2,265	2,975	2,852	2,657	8,484
2013 Alberta Food Assistance	239	363	281	215	859
Securing Alberta's Economic Future	2,614	2,948	3,078	2,936	8,962
Advancing World-Leading Resource Stewardship	322	309	435	187	931
Legislative Assembly / Executive Council	5	4	2	2	8
<b>Total Capital Plan</b>	5,445	6,599	6,648	5,997	19,244

## CAPITAL PLAN HIGHLIGHTS

*The Budget 2014 Capital Plan supports \$19.2 billion in infrastructure projects over the next three years.*

This \$19.2 billion Capital Plan implements the next phase of the Building Alberta Plan with investments including:

- ◆ \$5.1 billion in municipal infrastructure support through the Municipal Sustainability Initiative and other capital programs;
- ◆ \$5 billion for the provincial highway network; including the ongoing construction of the Edmonton and Calgary ring roads, provincial road rehabilitation work, twinning Highway 63 and other projects;
- ◆ \$2.6 billion to build new, and maintain existing, health care facilities;
- ◆ \$1.8 billion for school capital projects, including \$1.2 billion for 50 new schools and 70 modernizations with an expected total cost of more than \$2 billion;
- ◆ \$859 million for flood recovery projects, including mitigation measures to protect Albertans from future flooding;
- ◆ \$725 million to build new, and maintain existing, post-secondary facilities;
- ◆ \$504 millions for the carbon capture and storage initiative; and
- ◆ \$334 million for water and wastewater management projects.

Government continues to review capital spending programs as part of results-based budgeting. As a result of this review, the Municipal Sustainability Initiative (MSI) Capital program and Basic Municipal Transportation Grant (BMTG) will be consolidated under MSI to be administered by Municipal Affairs. Municipalities will benefit from a simplified, one-window approach to

these programs, greater funding predictability and flexibility, and streamlined application and reporting processes. Both MSI and BMTG will retain their current funding formulae for calculating grant allocations. Government capital planning will also be reviewed under results-based budgeting.

## INVESTING IN FAMILIES AND COMMUNITIES

The Building Alberta Plan invests in families and communities by building the new roads and health care facilities Albertans need. The 2014-17 Capital Plan will invest \$8.5 billion in projects and programs that support families and communities including:

*\$8.5 billion in capital projects and programs supporting families and communities.*

- ◆ \$3.7 billion under the MSI, which now includes \$1 billion for the BMTG, so municipalities can continue to meet local infrastructure priorities of their communities. MSI funding increases by \$150 million over three years from *Budget 2013*;
- ◆ \$1.4 billion to support other municipal infrastructure, including \$667 million for GreenTRIP. With a second call for projects, the government will fulfill the \$2 billion commitment to GreenTRIP by 2019-20;
- ◆ \$2.6 billion for health care facilities;
- ◆ \$228 million for improvements to 8,830 social housing and senior lodge units, replacement of 94 units and construction of 455 new affordable seniors housing and seniors lodge units; and
- ◆ \$114 million to assist community organizations construct or renovate public-use facilities that help enhance quality of life and citizen well-being across the province under the Community Facility Enhancement Program.

## HEALTH CARE FACILITIES

There is \$2.6 billion budgeted over the next three years for building, maintaining and renovating health care facilities. This includes \$974 million for health facility projects in Edson, Grande Prairie, High Prairie, Lethbridge and Medicine Hat. As part of the Premier's commitment to improve access to primary health care, \$75 million has been committed to continue work on the multi-disciplinary family care clinics.

*\$2.6 billion over the next three years to build new, and maintain existing, health care facilities.*

Maintaining existing health infrastructure is just as important as building new. There is \$210 million budgeted for maintenance and renewal projects.

Investments in cancer infrastructure continue. Planning for the new state-of-the-art cancer care facility in Calgary is underway and construction is expected to begin in 2016. This will be the biggest health facility construction project in North America and is projected to cost over \$1 billion, with \$160 million budgeted for the project over the next three years.

Investments in the continuing care system include \$252 million over three years for the Affordable Supportive Living Initiative, to support the development of affordable supportive living spaces across the province, and \$294 million for other continuing care projects.

## FLOOD RECOVERY AND MITIGATION

Recovery from the June 2013 Alberta floods will take years. As the rebuilding continues, the government will work to ensure that communities are protected from future flooding.

There is \$859 million budgeted over the next three years for flood recovery projects, including more than \$700 million for future mitigation projects. Mitigation projects for schools, health care facilities, provincial highways and water management infrastructure affected by the floods are planned.

## SECURING ALBERTA'S ECONOMIC FUTURE

*\$9 billion in capital projects and programs that will help secure Alberta's economic future.*

Securing Alberta's economic future requires the infrastructure to ensure Alberta products can get to market. The 2014-17 Capital Plan will invest \$9 billion to help secure Alberta's economic future.

## PROVINCIAL HIGHWAY NETWORK

Alberta's provincial highway network, with nearly 28,000 kilometres of paved roadway, helps move goods to market, children to schools, Albertans to work, and tourists throughout our province. There is \$5 billion budgeted over the next three years to build, expand and maintain this critical network.

- ◆ There is \$2.7 billion budgeted over the next three years for the ongoing construction of the Edmonton and Calgary ring roads. Functional planning for the final leg of the Calgary ring road is underway in anticipation of federal government approval of the historic land transfer agreement with the Tsuu T'ina Nation. The final leg of the Edmonton ring road will be completed in 2016. These important pieces of transportation infrastructure will enhance the safe and efficient movement of people and goods inside and around Alberta.
- ◆ There is \$735 million budgeted over three years for highway rehabilitation, an increase of over 63% from the 2013-16 Capital Plan. This funding will allow for the rehabilitation of more than 2,500 kilometres of existing provincial highways.
- ◆ The government took decisive action to enhance the safety of Alberta motorists on Highway 63, as recommended in the *Towards a Safer 63* report. There is \$691 million budgeted over three years to complete the twinning of Highway 63 from Grassland to Fort McMurray. Another \$234 million is budgeted for Fort McMurray urban area transportation upgrades, including \$71 million in work undertaken by the municipality under the land exchange agreement.
- ◆ The Alberta government is partnering with the federal government and the City of Edmonton to cost-share construction of the \$205 million interchange at 41st Avenue SW and Queen Elizabeth II Highway. This will provide access to the Canadian Pacific Railway's planned inter-modal terminal east of the highway, replacing the existing facility north of 34 Avenue NW and east of Gateway Boulevard.
- ◆ There is \$23 million budgeted to complete the TransCanada Highway interchange over Dunmore Road in Medicine Hat and more than \$55 million for work on Highway 43 along the north-south trade corridor.



## SCHOOLS

There is \$1.8 billion budgeted over the next three years for school capital projects to accommodate Alberta's booming student population, to keep class sizes down, and to allow students to excel in a highly competitive economy. This includes \$1.2 billion for the completion of 50 new schools and modernizations of another 70 facilities by 2016, with an estimated total cost of more than \$2 billion.

*\$1.8 billion over the next three years for school capital projects.*

Today's schools are designed to expand and contract depending on the student population. There is \$154 million budgeted to provide schools with modular classrooms and other grant funded projects to help address school infrastructure needs in high-growth areas across the province. Projects are selected through a comprehensive assessment of various factors including school boards' priorities, health and safety of students and staff, enrolment projections, current utilization, facility conditions and capacity for program delivery. The government will continue to work closely with local school boards and stakeholders to explore innovative ways of maximizing use of the space and potential community partnerships.

The Capital Plan also includes \$327 million over three years for maintenance and renewal projects, as well as \$109 million in 2014-15 to complete 35 new schools and school modernizations that will open for students and teachers in 2014.

## POST-SECONDARY FACILITIES

Universities, colleges and other post-secondary learning facilities help strengthen the workforce and expand the province's research and innovation sector. The Capital Plan includes funding to construct, upgrade and maintain these facilities.

*\$725 million over the next three years for post-secondary facilities.*

There is \$725 million budgeted for post-secondary facilities over the next three years. This includes \$487 million to continue with approved projects from *Budget 2013* in Lethbridge, Calgary and Edmonton, as well as \$165 million in capital maintenance and renewal to maintain existing post-secondary facilities across the province.

In addition, there is \$13 million budgeted in 2014-15 for the University of Alberta Devonian Botanic Gardens for basic infrastructure improvements to accommodate a gift of a new Islamic Garden from His Highness, the Aga Khan.

## ADVANCING WORLD-LEADING RESOURCE STEWARDSHIP

*More than \$900 million in capital projects and programs advancing world-leading resource stewardship.*

The Building Alberta Plan recognizes that for Alberta's products to be welcomed in global markets, they need to be recognized as being produced responsibly. The 2014-17 Capital Plan will invest more than \$900 million in projects and programs that will ensure ongoing environmentally-responsible development of Alberta's natural resources.

The Capital Plan supports Alberta's *Climate Change Strategy*, with projects that promote energy efficiency, responsible energy production and reductions in greenhouse gas emissions. Since 2007, the Climate Change and Emissions Management Fund has invested \$212 million into more than 50 projects aimed at reducing greenhouse gas emissions from industry, agriculture, forestry, and municipalities; finding new and cleaner ways to use and extract traditional energy sources; and enhancing biological carbon sequestration. There is another \$180 million budgeted for the Fund over the next three years.

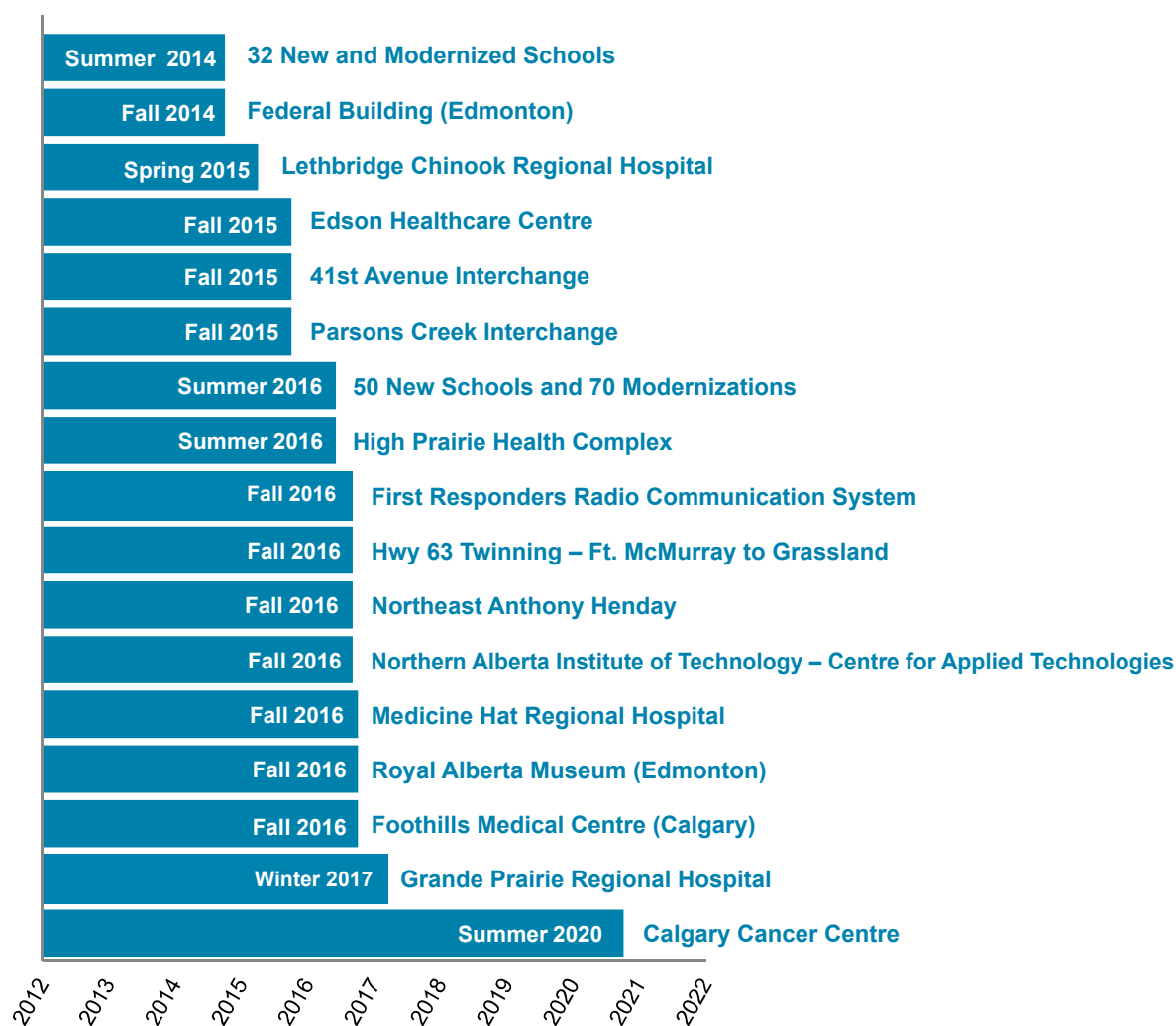
Alberta has also partnered with industry to support two large-scale carbon capture and storage (CCS) projects – the Quest and Enhance projects – that will take carbon dioxide from oil sands upgrading and store it safely deep below the earth's surface. There is \$144 million budgeted in 2014-15 and \$504 million over the next three years for the CCS projects, with a total provincial commitment of \$1.3 billion over 15 years. When both projects are in full operation in 2017, they are expected to reduce greenhouse gas emissions by 2.76 million tonnes annually – the equivalent of taking 550,000 cars off the road.

Alberta's environmental monitoring system will receive \$2.6 million over three years to further enhance the province's water monitoring network. This work will ensure better and more comprehensive understanding of the potential impacts of resource development on our waterways. There is \$15 million budgeted over three years to support land conservation and protection efforts made possible through the Land Stewardship Fund, and \$4 million will go towards restoring and improving aquatic habitats in southern Alberta. This work will ensure the long term health of Alberta's fish and aquatic resources are maintained for present and future generations to enjoy.

## MAJOR PROJECTS – EXPECTED CONSTRUCTION COMPLETION DATES

Construction on several major projects finished this past year, including the Grant MacEwan bridge and Franklin Avenue Tunnel in Fort McMurray, Southeast Stoney Trail (Calgary ring road segment) and the Central Alberta Cancer Centre in Red Deer. The estimated construction completion date of other significant projects over the next three years is shown in the following chart. These 17 projects represent a combined total investment of about \$9.5 billion.

### Major Capital Projects Expected Completion Dates



## Capital Plan Details

(millions of dollars)

	2014-15 Estimate	2015-16 Target	2016-17 Target	3-Year Total
<b>Investing in Families and Communities</b>				
Municipal Sustainability Initiative:				
Municipal Sustainability Initiative - Capital	871	896	921	2,688
Basic Municipal Transportation Grant	343	343	343	1,029
GreenTRIP	247	220	200	667
Federal Gas Tax Fund	209	209	219	636
Grande Prairie Regional Hospital	165	151	140	456
Affordable Supportive Living Initiative	50	102	100	252
Continuing Care Capital Program	40	75	125	240
Sustainable Social Housing Revitalization	117	91	20	228
Health Facilities - Capital Maintenance and Renewal	70	70	70	210
Alberta First Responders Radio Communications System	132	51	15	198
Calgary Cancer Centre	20	40	100	160
Medicine Hat Regional Hospital	90	69	-	159
Edson Healthcare Centre	83	55	6	144
High Prairie Health Complex	56	59	28	143
Community Facility Enhancement Program	38	38	38	114
Health Information Technology Systems Development	36	36	36	108
Family Care Clinics	25	25	25	75
Lethbridge Chinook Regional Hospital	35	37	-	72
Electronic Health Record	23	23	23	70
Sustainable Social Housing Revitalization - Federal Funding	20	20	20	61
Foothills Medical Centre (Calgary)	29	15	12	56
Peter Lougheed Centre (Calgary)	19	20	16	55
Fort McMurray Continuing Care Centre	25	19	5	49
Provincial Parks - Capital Maintenance and Renewal	16	16	16	49
Medical Equipment Replacement and Upgrade Program	-	24	25	49
Funding for Various Smaller Health Projects	10	10	25	45
Kaye Edmonton Clinic South	23	10	7	40
Addictions and Detox Centres	14	23	-	37
Edmonton Cancer Strategy	9	16	11	36
Stollery Children's Hospital Critical Care Program (Edmonton)	2	14	20	35
Strathcona Community Hospital	31	-	-	31
Northern Lights Regional Health Centre Repairs (Fort McMurray)	2	10	17	28
Fort McMurray Community Health Centre	10	12	2	24
Other Support	117	54	73	244
<b>Total Investing in Families and Communities</b>	<b>2,975</b>	<b>2,852</b>	<b>2,657</b>	<b>8,484</b>
<b>2013 Alberta Flood Recovery</b>	<b>363</b>	<b>281</b>	<b>215</b>	<b>859</b>

## Capital Plan Details, continued

(millions of dollars)

	2014-15 Estimate	2015-16 Target	2016-17 Target	3-Year Total
<b>Securing Alberta's Economic Future</b>				
Edmonton/Calgary Ring Roads	575	1,015	1,108	2,698
Schools - 50 New and 70 Modernization Projects	345	448	448	1,241
Highway Rehabilitation Projects	201	266	268	735
Highway 63 Twinning (Grassland to Fort McMurray)	423	197	71	691
Six Post-Secondary Projects	167	157	162	487
Schools - Capital Maintenance and Renewal	108	110	109	327
Highway Twinning, Widening and Expansion	28	100	150	278
Royal Alberta Museum (Edmonton)	110	96	41	248
Strategic Capital Planning	30	90	120	240
Post-Secondary Facilities - Capital Maintenance and Renewal	50	60	55	165
Fort McMurray Urban Area Transportation Upgrades	129	34	-	163
Schools - Modulars and Other Grant Funded Projects	52	51	51	154
Regional Water/Wastewater Projects - Water for Life	50	50	50	150
41st Avenue Interchange (Edmonton)	83	47	-	130
Interchanges, Intersections and Safety Upgrades	63	32	34	130
Schools - 35 New and Modernization Projects	109	-	-	109
Bridge Construction Projects	31	32	33	97
Government-Owned Facilities - Capital Maintenance and Renewal	25	25	25	75
Municipal Water and Wastewater Program	25	25	25	75
Fort McMurray Land Exchange with the Regional Municipality of Wood Buffalo	38	33	-	71
Federal Building (Edmonton)	55	11	-	66
Government Accommodation Development	15	20	25	60
Water Management Infrastructure	20	10	10	40
Provincial Court Facilities	1	15	15	31
Modernization of Registry Systems	8	6	2	16
Final Mile Rural Broadband Initiative	6	5	2	13
Devonian Botanic Gardens Project	13	-	-	13
Other Support	188	142	129	460
<b>Total Securing Alberta's Economic Future</b>	<b>2,948</b>	<b>3,078</b>	<b>2,936</b>	<b>8,962</b>
<b>Advancing World-leading Resource Stewardship</b>				
Carbon Capture and Storage Initiative	144	306	54	504
Climate Change and Emissions Management Fund	60	60	60	180
Irrigation Rehabilitation Program	21	21	21	63
Canada ecoTrust for Clean Air and Climate Change Initiative	12	-	-	12
Other Support	72	48	52	172
<b>Total Advancing World-leading Resource Stewardship</b>	<b>309</b>	<b>435</b>	<b>187</b>	<b>931</b>
<b>Other</b>				
Legislative Assembly	4	2	2	8
<b>Total Capital Plan</b>	<b>6,599</b>	<b>6,648</b>	<b>5,997</b>	<b>19,244</b>

**Note:** A complete list of projects funded in the 2014-17 Capital Plan is available at Alberta Infrastructure's website [www.infrastructure.alberta.ca](http://www.infrastructure.alberta.ca)



## ✦ CAPITAL PLAN FINANCING

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## CAPITAL PLAN FINANCING

*Albertans understand the urgency of Alberta's infrastructure needs, and support responsible borrowing for long-term assets when financing conditions are favourable.*

Albertans understand that our province's infrastructure needs are urgent, with the massive influx of people and investment, and surge in economic activity over the last decade. Funding these needs entirely from current cash revenue is not feasible without raising taxes substantially or reducing operating expense significantly – options most Albertans do not agree with. Generally then, Albertans support borrowing for infrastructure development, as long as financing conditions are reasonable and a diligent repayment plan is in place.

In addition, trying to “catch-up” building and maintaining hospitals, highways, municipal facilities, schools and post-secondary facilities when needs intensify with rapid growth can inflate costs, as occurred in the mid-2000s when competition for labour and construction materials drove costs higher.

Disciplined, multi-year capital planning not only positions Alberta for future growth, but also helps to stabilize construction costs. Borrowing makes sense because the infrastructure is needed now, the costs are spread out over the life of assets, and shared over time with those who benefit from the use of the assets.

*The Capital Plan is funded through a combination of capital revenue, public-private partnerships, direct borrowing and operational surpluses.*

The Capital Plan is funded through a combination of revenue received for capital purposes, from retained income of various funds and agencies, public-private partnerships, direct borrowing and available operational cash. Capital-related revenue relates mainly to transfers from the federal government, which increased over the last half decade as programs were introduced during the economic downturn. The federal Gas Tax Fund was extended indefinitely last year, providing Alberta \$209 million this year. The Building Canada programs are also being extended, though details and amounts are under negotiation. Funds and agencies, such as the Alberta Social Housing Corporation, also provide some funding for capital from their own retained income.

Public-private partnerships (P3s) are also being employed for the Edmonton and Calgary ring roads and school projects. P3s are used when it is demonstrated that they provide value for taxpayers relative to traditional procurement, and Alberta will continue to explore these types of opportunities.

The government plans to borrow \$12.2 billion between 2014-15 and 2016-17 to help finance the Capital Plan, in addition to the \$925 million borrowed in 2012-13 and a forecast of \$3.6 billion in 2013-14. The borrowing plans include issuing debt with a variety of terms to maturity extending out to 30 years, taking advantage of market opportunities to minimize borrowing costs.

### Capital Plan Financing

(millions of dollars)

	2014-15 Estimate	2015-16 Target	2016-17 Target
Revenue received for capital purposes:			
Federal transfers	348	306	269
Other	212	144	139
Retained income of funds and agencies / other	183	162	67
Alternative financing (P3s)	206	279	463
Direct borrowing <sup>a</sup>	4,883	4,597	2,732
Available operational cash	767	1,160	2,327
<b>Total Capital Plan Financing</b>	<b>6,599</b>	<b>6,648</b>	<b>5,997</b>

<sup>a</sup> Excludes \$905 million of refinancing in 2014-15.



Amounts borrowed that are not required in a particular year will be deposited in a capital plan financing account, to be used solely for capital purposes. For example, only \$23 million of the \$925 million borrowed in 2012-13 was used that year; the remaining \$902 million is funding 2013-14 capital spending.

After the Contingency Account reaches \$5 billion, which it is forecast to do during 2014-15, the *Fiscal Management Act* permits operational surpluses to be saved or used to fund the Capital Plan. As a result, surplus operational cash of \$767 million in 2014-15, \$1.2 billion in 2015-16 and \$2.3 billion in 2016-17 is forecast to be available to help finance the Capital Plan.

### Liabilities for Capital Projects

(millions of dollars)

	2013-14 Forecast	2014-15 Estimate	2015-16 Target	2016-17 Target
Opening balance	4,594	8,506	13,572	18,421
Alternative financing (P3s)	353	206	279	463
Direct borrowing	3,586	4,883	4,597	2,732
Re-financing of existing debt	-	905	-	-
Principal repayment / issue costs	(27)	(928)	(27)	(36)
<b>Total Liabilities for Capital Projects</b>	<b>8,506</b>	<b>13,572</b>	<b>18,421</b>	<b>21,580</b>

### DEBT REPAYMENT PLAN

The government is setting aside money each year in a capital debt repayment account so that sufficient cash will be available to repay debt as it comes due. Matching the amounts being set aside with the maturities where possible reduces the need to refinance, minimizing the risk of higher future borrowing cost if interest rates rise. The actual annual set-aside is calculated based on annual borrowing and relevant interest rates. In 2013-14, \$34 million was set aside, and another \$106 million is planned for 2014-15. The account is forecast to grow to \$640 million by 2016-17.

*Funds are set aside every year for capital debt repayment.*

### Capital Plan Debt Repayment Plan

(millions of dollars)

	2014-15 Estimate	2015-16 Target	2016-17 Target
Current principal repayments	944	42	51
Annual allocation for future principal repayments	106	210	290
<b>Total Allocation of Current / Future Repayments</b>	<b>1,050</b>	<b>252</b>	<b>341</b>
<b>Capital debt repayment account year-end balance</b>	<b>140</b>	<b>350</b>	<b>640</b>

Amounts required for capital debt servicing costs are being drawn from current-year revenue. The amount of direct borrowing for the Capital Plan is subject to a legislated limit in the *Fiscal Management Act*. The Act stipulates that Capital Plan debt servicing costs cannot exceed 3% of the average of Operational Revenue of the current year and two prior years.

*There is a legislated limit on capital borrowing.*

### Capital Plan Legislated Limit

(millions of dollars)

	2014-15 Estimate	2015-16 Target	2016-17 Target
Capital debt servicing costs	421	632	820
Limit: 3% of 3-year average of Operational Revenue	1,246	1,308	1,334