

Green Municipal Fund

Annual Statement of Plans
and Objectives 2012–2013



FEDERATION
OF CANADIAN
MUNICIPALITIES

FÉDÉRATION
CANADIENNE DES
MUNICIPALITÉS

Annual Statement of Plans and Objectives 2012–2013

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Introduction

The Government of Canada endowed the Federation of Canadian Municipalities (FCM) with \$550 million to establish the Green Municipal Fund™ (GMF). The Fund was designed to provide a long-term, sustainable source of financing for municipal governments and their partners, and to support communities to improve air, water and soil quality, and to protect the climate.

GMF financial products directly support municipal initiatives, while its knowledge products and services provide training and other resources to help municipal governments build their capacity.

Grants are available for sustainable community plans, feasibility studies and field tests, while a combination of grants and low-interest loans are available for capital projects. Through GMF, FCM funds initiatives with high potential for environmental benefit that, where possible, also demonstrate significant social and economic advantages. Then, using a range of knowledge products and related education, training and capacity-building services, it shares the lessons and experience gained through these leading examples of sustainable development to encourage other communities to replicate their success.

By December 2011, FCM approved \$82 million in GMF funding. In response to the continued high demand for GMF funding, FCM temporarily stopped accepting new applications for plans, studies and tests and for capital projects in the energy, transportation, waste and water sectors. Applications for brownfields capital projects could be submitted at any time.

To best manage the high demand for funding, the high quality of applications received, and the limited funding available, FCM launched an updated funding offer on December 1, 2011.

The majority of GMF funding available is loan funding for capital projects. In 2012–2013, FCM is aiming to approve:

- **\$45 million in loans** and **\$5 million in grants** for capital projects in the energy, transportation, waste, water sectors
- **\$40 million in loans** for capital projects in the brownfields sector
- **\$6 million in grants** for plans, feasibility studies and field tests

The Green Municipal Fund is a perpetual endowment fund. These annual funding limits will help FCM to prudently manage the funding available for green projects.

Purpose

The purpose of the *Annual Statement of Plans and Objectives* (ASPO) is threefold:

1. To fulfill the requirements outlined in the 2005 Funding Agreement with the Government of Canada.
2. To serve as a reporting tool for the GMF Council and the FCM National Board of Directors.
3. To set priorities and targets for FCM in administering GMF.

Scope and organization

In fulfillment of the requirements listed in the 2005 Funding Agreement between FCM and the Government of Canada, this document reports on the general management of the Fund, successes and remaining challenges, as well as planned activities and expected results for the 2012–2013 fiscal year. Unless otherwise noted, figures are as of December 31, 2011.

Key results from 2011–2012 are based on the eight key result areas targeted in the 2008–2011 strategic plan developed and adopted by the GMF Council. Planned activities for 2012–2013 reflect the updated 2011–2014 strategic plan. These activities are presented in six key result areas:

1. Capacity building
2. Leveraging partnerships and brokering
3. Performance measurement
4. Risk management
5. Marketing and communications
6. Integrated projects

Specific tasks, processes and milestones are captured in separate program business plans.

Core functions

The GMF core functions and key result areas of the GMF strategic plan are linked through the GMF logic model (see Appendix D, page 25). Under the direction of the GMF Council, FCM integrates the logic model with a performance measurement system.

Figure 1: Core functions



Market research

Market research and analysis helps FCM understand the demand for GMF products and services and similar products and services offered by other organizations. Understanding the needs of municipal governments and potential clients allows FCM to design relevant funding products as well as knowledge products and services.

Funding products and capacity building services

FCM designs and develops funding products based on client needs. These products are continuously tested, assessed and adjusted to maximize their value.

Funding products

Funding products, including knowledge products and services and education and training services, are designed and developed to support GMF's role as a catalyst for change and provider of sustainable solutions at the municipal level. They help municipal governments and their partners undertake the kinds of initiatives funded by GMF or to replicate initiatives already funded by GMF.

Capacity building services

Engaging clients through capacity building also offers opportunities for continuous feedback on the suitability and value of all GMF products and services, and plays a key role in helping municipal governments and their partners achieve their sustainability goals.

Applications

FCM actively solicits applications from target markets such as municipalities, economic development organizations, developers, architects, real estate agents and urban planners to help meet funding priorities.

FCM also provides technical assistance to municipalities that wish to pursue applications. Eligible applications are assessed by the GMF Peer Review Committee, whose evaluations are reviewed and recommended by the GMF Council and approved by the FCM Board of Directors.

Funding

Once an application has been approved, FCM prepares, negotiates and administers the grant or loan agreements with successful applicants.

Performance reporting

All funding recipients must report on results of their funded initiatives. FCM analyzes the environmental, social and economic benefits achieved to assess and report on the impact of the Fund, including funding committed, leveraged and disbursed.

Risk and investment management

FCM oversees the credit risk structure of the loan portfolio to balance risk with demand for funding, and to preserve the long-term sustainability of the Fund. An external manager manages investment of the non-disbursed funds under the guidance of the investment policy and strategy as set out in the GMF Funding Agreement.

Corporate resources

A number of integrating services and resources support core functions. These include strategic planning, budgeting, administration, human resources, business and information systems, and communications and marketing. Other corporate services include ensuring compliance with the GMF Funding Agreement and other obligations and supporting governance functions.

Key results for 2011–2012

The demand for GMF funding remains high. In February 2011, FCM temporarily stopped accepting new applications for plans, studies and tests and for capital projects in the energy, transportation, waste and water sectors. Applications for brownfields capital projects could be submitted at any time.

As a result, many of the activities for 2011–2012 have been focused on refining the GMF funding offer and managing client expectations given the high demand for funding, the high quality of applications received, and the limited funding available. FCM launched the following program updates on December 1, 2011, for applications to be considered for funding in the 2012–2013 fiscal year:

- A new, competitive selection process for capital projects in the energy, transportation, waste and water sectors. There have been no changes to the eligibility criteria or funding limits for capital projects.
- An updated funding limit for plans, studies and tests of \$175,000. FCM no longer accepts applications for sustainable community plans, but greenhouse gas (GHG) reduction plans, sustainable neighbourhood action plans and community brownfield action plans remain eligible for funding. Feasibility studies and field tests now need to align with capital project criteria to be eligible for funding.
- An updated GMF Application Form and optional support tools, including an updated Eligibility Questionnaire for all applicants and a new Project Scorecard for capital project applicants.

GMF Council members have been actively involved in a variety of strategic activities, including development of the 2011–2014 GMF Strategic Plan, which identifies the key focus areas for the next three years.

The GMF Council Governance Sub-committee reviewed GMF governance policies and practices and developed a comprehensive GMF Governance Manual. The final governance package, including relevant policies, guidelines and reports, provides a more focused and measured approach to the Council’s governance activities.

The Governance Sub-committee was also involved with the recruitment of new council members. FCM issued a request for expressions of interest (EOI) in August to seek replacements for five GMF Council members from the public, academic, environment and private sectors whose terms were expiring. The request generated a strong response. The recommended candidates were approved in late December and assumed their new responsibilities in January 2012.

The FCM president also issued a request for expressions of interest in October to FCM Board members for a new GMF Council Chair. This request was initiated in response to current Chair Karen Leibovici’s decision to step down in early 2012 to prepare for her new role as FCM president in June. Councillor Leibovici served for two mandates, a total of four years, as a GMF Council member and Council chair and leaves a strong legacy. The new GMF Council chair, Raymond Louie, assumed his role in early 2012.

Other activities undertaken in 2011–2012 targeted eight key result areas (KRAs) based on the 2008–2011 strategic plan. A brief discussion of important successes for this year follows.

Streamlining operations

The objective of this KRA is to establish a prospect–application–contract–disbursement process that is defined by standard timelines and reporting, and facilitates access to and participation from rural and urban municipalities and across regions.

The first module of FCM’s new customer relationship management (CRM) system was implemented in December through a pilot project. The system was rigorously tested against identified business needs and a streamlined workflow was developed to align with GMF’s strategy for accurately capturing interactions with prospective clients and information on their initiatives.

All GMF contract templates have been reviewed and revised to reflect the terms of the recently updated funding offer.

The new templates are anticipated to streamline the disbursement process and improve the level of client satisfaction.

The GMF internal applications and projects database has also been extensively reviewed, and revisions have been made to reflect updated application processes and to more accurately track applications under review.

A new project classification system was designed and implemented to enable better searching of the applications and projects database, identify innovative GMF projects for knowledge transfer and capacity-building activities, and help database users to discover best practices that can be replicated in their communities.

As part of the program updates that came into effect on December 1, an updated GMF application form for all types of initiatives was posted online. Applicants can also benefit from using an online Eligibility Questionnaire and a new Project Scorecard to assess their capital project before submitting an application.

A revised scoring system has also been implemented to support the new competitive selection process for capital projects in the energy, transportation, waste and water sectors.

Determining and understanding the needs of GMF target audiences

The objective for this KRA is to focus and develop products that align with client needs.

In September, the GMF Council approved updated eligibility criteria and funding limits for plans, studies and tests; and a new, competitive selection process for capital project applications in four sectors. GMF scoring and assessment procedures were also updated to facilitate transparent self-assessment for applicants.

Measuring outcomes

The objective for this KRA is to measure and demonstrate the qualitative, quantitative, short-term and long-term success of GMF.

In 2011-2012, FCM has committed to approve:

- **\$65 million in loans** and **\$5 million in grants** for capital projects in the energy, transportation, waste, water sectors
- **\$85 million in loans** for capital projects in the brownfields sector
- **\$6 million in grants** for plans, feasibility studies and field tests

New automated and improved reporting mechanisms for applications and contracts have been implemented. To facilitate

baseline reporting for funding recipients, a protocol for clarifying project-specific measurement methodology at the application stage has been developed. Environmental results data have also been standardized to account for differences between older and newer requirements. A logic model has been adopted to normalize post-project results and anticipated benefits.

FCM is now regularly tracking and reporting on uptake and satisfaction with capacity-building activities; including webinars, workshops, the FCM Sustainable Communities Conference, and the FCM Sustainable Communities Awards program.

Leveraging for greater impact

The objective for this KRA is to collaborate with stakeholders (e.g. other funding agencies, NGOs, governments, service providers, etc.) for mutual benefit and greater overall impact.

FCM has established a one-year partnership with the Fédération Québécoise des Municipalités (FQM). The initiative, announced at FQM's annual general meeting in September, will offer a combination of capacity-building events and promotional opportunities to build a stronger GMF presence in Quebec, and to increase uptake of GMF funding in Quebec municipalities.

FCM and Public-Private Partnership Canada (PPP Canada) continue to explore opportunities to collaborate. The GMF Council has agreed to support business case development initiatives under PPP Canada's P3 Canada Fund as eligible expenses for GMF funding. FCM is also exploring the potential to align the GMF and PPP funding programs and to coordinate the "bundling" of joint municipal-aboriginal PPP Canada projects.

FCM and Sustainable Development Technology Canada (SDTC) are currently collaborating on ways to develop the brownfields market sector, such as implementing a mechanism to share information on prospective field tests and remediation projects across the country. FCM has also invited SDTC to share its knowledge on sustainable practices through the GMF webinar series and workshops.

In fall 2011, FCM and the Economic Developers' Association of Canada (EDAC) conducted a survey to identify the current activities, needs and interests of economic development professionals in local sustainable economic development initiatives. The two organizations are exploring new GMF capacity-building programming that will target municipal economic development officers as critical partners in advancing sustainability.

Through GMF, FCM continues to strengthen relations with other organizations including ClimatSol, Quality Urban Energy Systems of Tomorrow (QUEST), the Canadian District Energy Association (CDEA), and the Community Energy Association (CEA).

Building capacity

The objective of this KRA is to deliver knowledge, training, and networking activities that leverage GMF to accelerate the implementation, communication and replication of sustainability initiatives in Canadian municipalities.

The [Brownfield Roadmaps](#) series, launched during the Bloom Centre for Sustainability's (BLOOM – formerly known as OCETA) National Brownfield Workshop series in spring 2011, is now available online for all provinces and territories. The roadmaps will help municipalities and their private-sector partners better understand how to redevelop brownfields in their communities. FCM also hosted a workshop on [public-private](#)

[brownfield partnerships](#) at the 2011 FCM Annual Conference and Trade Show.

The 2012 [FCM Sustainable Communities Conference](#) and Trade Show was a tremendous success. The conference is an important way to show that FCM is leading the change on sustainable community development and positions the Federation as a thought leader and a catalyst for action through GMF. Feedback from the 600 delegates has been very positive, citing the relevance of the conference theme – Making the Business Case for Sustainability – the outstanding Trade Show, and the experience for francophone participants. The winners of the 2012 [FCM Sustainable Communities Awards](#) were announced at a special awards ceremony during the conference. Twelve winners were selected in eight categories from over 80 applicants.

This year, FCM launched two new GMF webinar series: the Innovation series, to showcase leading examples of Canadian municipal innovation in sustainability; and the Brownfield Bootcamp series, to support municipalities in taking the required steps to successfully remediate and redevelop brownfields.

The results of FCM's [sustainable food systems survey](#) were released in October 2011 to mark World Food Day. The results from the fall EDAC survey are being collated and will help to strengthen GMF's sustainable economic development programming.

This year marks the 13th anniversary of the [Partners for Climate Protection](#) (PCP) program. The program now supports 218 member municipalities, representing approximately 80 per cent of Canada's population. To date, 28 members have achieved 86 PCP milestones.

In addition to providing continued support to municipalities to take action against climate change, FCM staff, GMF Council members and FCM Executive and Table Officers have delivered training sessions and knowledge sharing presentations at several conferences such as: FCM's Annual Conference in Halifax; the ICLEI Resilient Cities Congress in Bonn, Germany; the CDEA conference in Toronto; the Local Action on Climate Change: Canadian Nordic Networking conference organized by the Nordic Council in Denmark; QUEST's annual conference in Calgary; and the Canadian Solar Industry Association conference in Toronto.

Both CDEA and ICLEI will be organizing international study tours in 2012. FCM is exploring partnering opportunities with both organizations through PCP.

FCM was an organizing partner in the 9th Ecocity World Summit held in Montréal in August. FCM coordinated and delivered three sessions, two of which were moderated by the GMF Council Chair.

FCM is exploring new activities to support municipalities in developing community energy systems, including new funding resources, capacity building and training resources, and support in overcoming regulatory obstacles. Activities this year have focused on continued collaboration with QUEST on several committees. FCM also conducted a municipal community energy awareness survey and received 137 responses. The results have been presented to Natural Resources Canada and at the QUEST annual conference.

FCM is exploring the potential to develop a municipal community energy program that would leverage private capital investments in new municipal community energy projects.

Focused marketing

The objective for this KRA is to design and implement targeted, customer-based messaging and sales activities that meet the needs of priority markets.

A major focus for this year has been the effective management of client expectations in light of the continued high demand for GMF funding, and the temporary suspension of new applications in most sectors in February 2011.

The Quebec Market Strategy is evolving. The final strategy and implementation plan are designed to increase the number of Quebec applications and ensure the availability of high-quality tools and resources for FCM's francophone clients.

FCM sponsored several external events to promote the Fund including annual conferences and tradeshows for organizations such as the Union des municipalités du Québec, Association des directeurs généraux municipaux du Québec, Forum québécois de l'énergie, EDAC, FQM, Canadian Brownfields Network (CBN) and the Economic Developers Council of Ontario, as well as several FCM-sponsored brownfield workshops presented by BLOOM and Hazmat. Successful GMF-led brownfield sessions have also been held at annual conferences for CBN, FQM and EDAC.

FCM streamlined its workflow to better manage client interactions and to accurately capture information on prospective clients and initiatives. Focused messaging to reach key markets was developed for GMF presentations, brochures, ads, website and e-communications. An advertising campaign, featuring a mix of on and offline media, is currently underway. FCM is also developing a visual brand for GMF that aligns with

FCM's new branding guidelines and standards.

The new FCM website was launched in late September with a new, organization-wide focus on people, projects and achievements. The GMF pages within the redesigned website take advantage of the increased functionality offered by the site's new content management system, including more visuals and opportunities for municipalities to share their photos, resources and achievements with FCM, and in turn, with other municipalities across Canada. The new GMF web pages feature client-focused messaging, including a suite of frequently asked questions about the updates to the GMF funding program.

Since April 1, 2011, more than 50 e-bulletins have promoted GMF funding, workshops and webinars, new knowledge resources and more. Over 4,900 subscribers receive these e-bulletins, with approximately 800 new subscribers in 2011. Twenty-three case studies have been published to date this year, with another 50 to follow by the end of the fiscal year.

Integrating communications

The objective for this KRA is to ensure that priority messages are integrated at all points of interaction among staff and clients.

Priority messages regarding the temporary suspension of new applications in most funding sectors in February 2011 and the acceptance of new applications in December were communicated widely and consistently through numerous mechanisms, including speeches at events, one-on-one client discussions, electronic bulletins, and FCM and partner website content, advertising and social media.

The FCM-wide website initiative has integrated GMF programming within the suite of FCM offerings to Canadian

municipalities. A marketing and communications strategy will be initiated in the winter of 2012 to further align the organization's marketing and communications efforts.

High-performing GMF-funded projects form the basis of the upcoming planning resource, *Passing Go*, the next publication in FCM's Sustainability Solutions series, and are consistently featured in the popular GMF webinar series.

Funding brownfields

The objective for this KRA is to continue to undertake best efforts to allocate \$150 million in brownfield funding by 2012.

Brownfields funding has been actively promoted at targeted events and the sponsorship strategy has been deployed based on GMF's brownfield objectives, target audiences and promotional budget.

BLOOM and FCM were recently awarded the [2011 CUI Brownie Award for Excellence](#) in Communications, Marketing, and Public Engagement for the National Brownfield Series for Practical Workshops for Redevelopment in Canada workshops.

GMF is engaged in strategic informal relationships with brownfields organizations such as ClimatSol, Réseau environnement, BLOOM and EDAC. These efforts are well supported by new capacity-building tools such as the Brownfields Bootcamp webinar series and the full suite of provincial and territorial Brownfield Roadmaps.

Private-sector partner loans and innovative funding mechanisms remain a high priority for GMF, given their importance in the brownfields sector.

FCM has focused efforts to reach the \$150 million in brownfield funding by 2012, but it is unlikely that this target will be achieved. Several reasons may be attributed to the

difficulty in meeting the target including: brownfield projects are complicated deals to develop and implement; municipalities can access loans of comparable interest rates in certain provinces; a partnership between the municipality and private-sector partner is not well established; municipal priorities may change after an election; loans for brownfield capital projects are less attractive without a grant and the GMF processes are not always aligned with private sector developer timelines.

A comprehensive brownfield market strategy is currently being developed to better align GMF offer with market need and facilitate the submission of brownfield applications.

Planned activities for 2012–2013

Key result area 1: Capacity building

Objective: Encourage Canadian municipalities to use the knowledge, networks and tools provided by GMF to develop their internal capacity to achieve their sustainability goals.

Activities

Use GMF knowledge and lessons learned to plan and deliver events (e.g. FCM Sustainable Communities Conference and Awards) and initiatives (e.g. webinars and toolkits) that assist municipalities and their partners in building capacity to achieve sustainability goals.

Develop and implement new approaches for disseminating knowledge early in the project cycle.

Pilot peer-to-peer networking mechanisms to help advance implementation of municipal sustainability initiatives related to brownfields remediation and redevelopment and sustainable economic development.

Leverage FCM programs to deliver knowledge, education and training to GMF's target audiences.

Explore the development of certification programs to support sustainable local economic development.

Key result area 2: Leveraging partnerships and brokering

Objective: Extend the reach of GMF funding and knowledge to achieve greater overall impact.

Activities

Explore and provide recommendations for long-term financial options to enhance GMF assets.

Build a strong GMF value proposition with an understanding of return on investment and triple-bottom-line benefits of GMF-funded projects.

Develop and implement a partnership strategy for National Programs in collaboration with other FCM departments to ensure consistency and coherence in managing partnerships with all orders of government, the private sector, and non-governmental organizations working in the field of sustainable development.

Act as an information conduit for tools and resources in support of the planning and implementation of green initiatives between municipal governments, the private sector and other orders of government.

Key result area 3: Performance measurement

Objective: Establish a rigorous and standardized performance measurement system.

Activities
Refine and implement mechanisms for measuring and reporting on the triple-bottom-line benefits (environmental, social and economic) of GMF-funded projects. Develop a process to track the catalytic nature of GMF funding.
Develop a performance and quality management framework for GMF.
Implement appropriate monitoring and evaluation mechanisms for the new competitive selection process for capital projects in the energy, transportation, waste and water sectors while managing client expectations.
Implement the new CRM system to improve monitoring, management and reporting from the prospect stage through to fund disbursement.

Key result area 4: Risk management

Objective: Anticipate and manage risks and drivers for FCM to use GMF resources effectively and strive for continuous improvement.

Activities
Explore a risk management framework to anticipate and manage risks and ensure excellent Fund stewardship.
Analyze market trends and client needs, gaps and challenges to forecast municipal demand for GMF or similar funding programs.
Update tool to report on applications approved and in progress to better manage the demand for funding, as well as tool to report on contracts and disbursements to better manage fund disbursement.
Streamline and enhance the quality of information captured and records requirements for audit and risk management purposes.
Undertake a comprehensive brownfield market strategy to better align the GMF offer with market need and facilitate submission of brownfield applications.

Key result area 5: Marketing and communications

Objective: Establish GMF as the pre-eminent catalyst, collaborator and conduit for municipalities and their partners undertaking environmental initiatives.

Activities
Finalize and implement an integrated GMF marketing and communications strategy to enhance awareness and use of GMF's products and services.
Develop and implement a social media strategy to support GMF capacity-building efforts, and to connect municipalities and their partners to facilitate the undertaking of their green initiatives.
Develop and implement a market strategy for the brownfields sector.
Implement the Quebec market strategy.

Key result area 6: Integrated projects

Objective: Explore the feasibility and impacts of funding integrated initiatives through a dedicated GMF funding sector.

Activities
Analyze municipal interest and market demand for funding for integrated initiatives.
Assess the feasibility of incorporating integrated projects as a defined sector and determine the impacts associated with providing GMF funding support (e.g. regional balance, urban/rural balance, and financial viability).

Capital and risk management

Sound capital and risk management is critical to ensuring the long-term sustainability of the Fund. By employing risk mitigation strategies for the loan transactions and knowing the risks it is taking, the Fund also strives to optimize capital and use resources efficiently. The Fund employs sound cash-flow and investment management approaches in order to maintain capital in line with the Funding Agreement and to generate sufficient interest income to finance operating costs and grants.

As of December 31, 2011, GMF managed approximately \$603 million and had an externally restricted fund balance of approximately \$593million.

Cash flow management

The 10-year cash flow forecast model that FCM uses to ensure long-term viability of the Fund enables the achievement of a balance between investment and loan interest income, loan and grant commitments, as well as disbursements and operating expenses, while ensuring the Fund's sustainability. A minimum lending yield policy has been established to provide for a minimum return on the lending activities of the Fund while ensuring that capital is preserved.

Risk profile of GMF loan portfolio

FCM applies sound policies and procedures for credit risk management and loan pricing to complement the Fund's risk identification, evaluation and loan monitoring activities.

Consistent with section 11.04 (h) of the Funding Agreement, FCM has established a risk profile of the loan portfolio to prudently manage the risks assumed through GMF lending activities. Six risk levels are used to define the risk profile of the total loan portfolio (disbursed and committed loans):

- low-risk (risk level A)
- low- to medium-risk (risk level B)
- medium-risk (risk level C)
- medium- to high-risk (risk level D)
- high-risk (risk level E)
- unacceptable risk (risk level F)

To manage the risk of the total loan portfolio, FCM sets annual target risk levels and monitors these targets quarterly. The Fund establishes concentration limits for each risk level and borrower. These concentration limits reflect both the Fund's sustainability imperative and the reality of target market conditions particularly related to anticipated uptake in the brownfields sector. Since a large percentage of this sector's lending activity is driven by municipalities' private partners that are generally qualified at a higher risk level, it is expected that the risk composition of the portfolio will, as the total portfolio grows, trend toward an increase within the medium-high to high-risk sections of the portfolio's risk profile.

Table 1: Risk profile of the total loan portfolio
(as of December 31, 2011)

Committed and disbursed portfolio	Percentage of total portfolio (1)	Objectives for 2011–2012	Objectives for 2012–2013
Low-risk (A)	61.1% (51.2%)	At least 30%	At least 40%
Low- to medium-risk (B)	8.7% (15.6%)	At least 20%	At least 10%
Medium-risk (C)	23.2% (26.2%)	Up to 35%	Up to 35%
Medium- to high-risk (D)	0.8% (0.8%)	Up to 7.5%	Up to 7.5%
High-risk (E)	6.2% (6.2%)	Up to 7.5%	Up to 7.5%
Unacceptable risk (F)	0.0% (0.0%)	0%	0%
Total	100%	100%	100%

Note 1: Figures within parenthesis are prior to risk reclassification.

As of December 31, 2011, the total loan portfolio (Table 1) was, for the most part, in line with the 2011–2012 target risk levels. The objectives for 2012–2013 is to maintain the same nominal risk composition with slight movement towards a higher risk level to account for municipalities' private partner applications in the brownfield sector, comparatively evaluated at a higher risk than municipal or municipal corporation clients.

The Low-to medium risk (B) category of the portfolio was running below the target risk level, largely due to a loan reclassification to better reflect the actual underlying respective credit risk of certain loans. In most cases, the reclassified loans are those where the underlying credit risk was originally based on that of the beneficiary municipality, as opposed to their

corresponding municipal finance corporation. Most of these corporations have strong investment grade ratings from multiple credit rating agencies. The numbers in Table 1 reflect the current risk classification for these loans, while those in parenthesis are before reclassification.

The overall result has reduced the portfolio credit risk profile at the higher quality end of the credit risk spectrum, with most of the net migration being from “B” (Low- to medium-risk) to “A” (Low risk).

Table 2: Risk profile of the disbursed loan portfolio
(as of December 31, 2011)

Risk level	Number of contracts	Outstanding loan amounts (\$ million)	Percentage loans in risk level to total disbursed loans
A	40 (29)	\$93.4 (84.4)	61.9% (55.9%)
B	6 (10)	\$12.8 (17.5)	8.5% (11.6%)
C	17 (24)	\$43.9 (48.2)	29.1% (32.0%)
D	0 (0)	\$0.0 (0.0)	0.0% (0.0%)
E	1 (1)	\$0.7 (0.7)	0.5% (0.5%)
F	0 (0)	\$0.0 (0.0)	0.0% (0.0%)
Total	64 (64)	\$150.8 (150.8)	100% (100%)

Note 2: Figures in parentheses are prior to risk reclassification.

The risk profile of the disbursed loan portfolio (Table 2) shows the risk distribution of loans that are disbursed and in repayment. At December 31, 2011, 64 loans were mostly or fully disbursed, for an aggregate outstanding amount of \$150.8 million.

The majority of the outstanding loans are held by municipal governments or municipally owned corporations. The committed loans (not disbursed) have also been assigned a risk level. Most of the committed loans are approved to municipal governments, with a portfolio risk composition not materially different than the current disbursed loan portfolio.

Investment management

FCM appointed an investment advisor to assist with the evaluation and management of the investment portfolio of the Fund and advise the Investment Committee on the performance of the investment manager.

The appointment completes the governance framework for the Investment Committee and is in line with the requirements of the Funding Agreement. The new investment advisor has proposed numerous improvements to the cash-flow management of the Fund aimed at increasing return on the portfolio.

Funding targets for 2012-2013

Grants for plans, feasibility studies and field tests

Under the Funding Agreement, “FCM shall use its best efforts to commit to... granting \$8 to \$12 million per year, from April 1, 2005, to March 31, 2009.” The Agreement anticipates that by March 31, 2009, all remaining GMEF² grant funds will have been disbursed. As of December 2011, the \$50 million GMEF funds have been disbursed.

After March 31, 2009, FCM must aim to commit \$6 to \$8 million in grants for sustainable community plans, feasibility studies and field tests. In fulfillment of this requirement, FCM will make a minimum total of \$6 million available for feasibility studies, field tests and sustainable community plans in 2012-2013.

Loans and grants for capital projects

FCM offers a combination of grants and low-interest loans in support of capital projects. Grants are only offered in combination with loans. Under the Funding Agreement, FCM must aim to commit \$50 to \$70 million per year in loans. Up to March 31, 2009, FCM may commit \$7 to \$10 million per year in grants to capital projects, and \$5 to \$6 million thereafter. FCM must also aim to commit \$150 million in GMF loans for brownfield projects by March 31, 2012.

In fulfillment of these requirements, a minimum of \$85 million in low-interest loans will be available for capital projects in 2012-2013. Of this amount, a minimum total of \$40 million will be available for brownfield projects.

² Through the 2005 Funding Agreement, the Green Municipal Fund™ replaced the earlier, \$50 million Green Municipal Enabling Fund (GMEF), which provided grants for sustainable community plans, feasibility studies and field tests, and the Green Municipal Investment Fund (GMIF), which provided grants and loans for capital projects.

A minimum total of \$5 million will be available in grants for capital projects. This amount has been allocated consistent with the funding levels targeted for loans. Under the provisions of the Funding Agreement, brownfield projects are not eligible for grants.

Future market considerations

The 2012–2013 fiscal year is projected to be impacted by a number of realities and market shifts. Strategies are being developed to address the following issues as they emerge, and to develop the ability to shift and modify products and services to accurately adapt as required:

- Market awareness that private-sector and incorporated not-for-profit development organizations are becoming lead project managers in brownfields and ICES.
- Emerging brownfield markets offer opportunities for an increase in funding uptake.
- Low uptake of GMF products in Quebec.
- Economic downturn may result in some projects being placed on hold or not proceeding.
- Debt ratio across the country may delay some projects.
- New GMF competitive application process may raise some concerns about access to funding and result in fewer applications.
- GMF processes are not always aligned with private-sector developer timelines.
- The completion of federal economic stimulus funding and the potential for increased uptake in GMF funding.
- Private-sector and incorporated not-for-profit development organizations are higher risk challenges, but offer opportunities for greater rates of return.
- To address potential funding limitations and allow for ongoing market penetration, research on alternate funding mechanisms and programs will be a priority.

Appendix A: Compliance indicators 2012–2013

The following table outlines the requirements of the Funding Agreement and the associated compliance indicators. FCM will report quarterly to the GMF Council on its progress against these indicators in 2012–2013.

Funding Agreement reference	Funding Agreement requirement	Indicator	Target 2012–2013
6.04 (f)	The Board will establish a Council to oversee and advise the Board on an appropriate balance in the number of approved grants and loans between urban and rural communities within Canada.	<p>Approved grants and loans to urban communities</p> <p>Approved grants and loans to rural communities</p>	<p>\$76,992,000</p> <p>\$19,008,000</p>
6.04 (g)	The Board will establish a Council to oversee and advise the Board on an appropriate balance in the number of approved grants and loans among regions within Canada.	<p>Approved grants and loans to New Brunswick, Newfoundland and Labrador, Nova Scotia and Prince Edward Island</p> <p>Approved grants and loans to Québec</p> <p>Approved grants and loans to Ontario</p>	<p>\$6,912,000</p> <p>\$22,944,000</p> <p>\$36,960,000</p>

Funding Agreement reference	Funding Agreement requirement	Indicator	Target 2012–2013
		<p>Approved grants and loans to Alberta, Manitoba, and Saskatchewan</p> <p>Approved grants and loans to British Columbia</p> <p>Approved grants and loans to Northwest Territories, Nunavut and Yukon</p>	<p>\$16,416,000</p> <p>\$12,480,000</p> <p>\$288,000</p>
10.01 (a)	FCM shall use its best efforts to commit to lending \$50 to \$70 million per year to capital projects.	GMF capital project loan amount approved	\$85,000,000 (includes \$40,000,000 for brownfields)
10.01 (a)	FCM shall use its best efforts to commit to having 80% to 90% of Fund Assets in loans to capital projects by March 31, 2016, and thereafter.	Percentage of Fund assets in loans to eligible projects	Approx. 83%
10.01 (b)	FCM shall use its best efforts to commit to granting \$8 to \$12 million per year, from April 1, 2005, to March 31, 2009, at which time all the remaining GMEF funds will have been disbursed (\$50 million) and \$6 to \$8 million per year thereafter, to feasibility studies, sustainable community plans, assessments and field tests.	<p>GMF feasibility study, field test and sustainable community planning grant amount approved</p> <p>Cumulative net amount of grants committed to feasibility studies, field tests and sustainable community plans</p>	\$6,000,000

Funding Agreement reference	Funding Agreement requirement	Indicator	Target 2012–2013
10.01 (b)		Cumulative net amount of grants disbursed to feasibility studies, field tests and sustainable community plans	\$55,000,000
10.01 (c)	FCM shall use its best efforts to commit to granting \$7 to \$10 million per year from April 1, 2005, to March 31, 2009, and \$5 to \$6 million per year thereafter to capital projects.	GMF capital project grant amount approved	\$5,000,000
10.01 (d)	FCM shall use its best efforts to commit to lending or guaranteeing loans to support brownfield remediation and development totaling in aggregate at least \$150 million by March 31, 2012.	<p>Amount of loans or loan guarantees committed to brownfield remediation capital projects</p> <p>Cumulative net amount of loans or loan guarantees committed to brownfield remediation capital projects</p>	<p>\$40,000,000</p> <p>\$62,930,000</p>
10.02	FCM shall maintain at all times Fund Assets, excluding the value of the Reserve for Guarantees and the Reserve for Non-Performing Loans, of at least \$500 million.	Amount of Fund assets	\$571,500,000

Funding Agreement reference	Funding Agreement requirement	Indicator	Target 2012–2013
10.03 (c)	FCM shall use its best efforts to ensure that at least fifteen per cent (15%) of loans outstanding at any time will be to borrowers other than Municipal Governments.	Percentage of approved loans outstanding to borrowers other than municipal governments	15%
10.03 (c)	FCM will attempt to earn on average at least one and fifty one-hundredths per cent (1.5%) per annum above the Government of Canada Bond rate for equivalent terms on loans to borrowers other than Municipal Governments.	Average interest rate on approved loans outstanding to borrowers other than municipal governments	Government of Canada rate +1.5%
11.02	FCM shall maintain separate accounts for the Fund and agrees to obtain and have carried out annually an independent third-party audit of the financial operation of the Fund, including investment of the unallocated portion of the Fund Assets, and loans, grants and loan guarantees to Eligible Recipients for Eligible Projects according to a framework and timeframe approved by the Board which measures its overall performance in achieving the purpose as described in Article II. FCM will convey the audited annual financial statements to Canada no later than five months after FCM's Fiscal Year end, along with a statement of goals and objectives for the following Fiscal Year.	Third-party audit of the 2011–2012 financial operation of the Fund, including investment of the unallocated portion of the Fund assets, and loans, grants and loan guarantees to eligible recipients for eligible projects	June 4, 2012

Funding Agreement reference	Funding Agreement requirement	Indicator	Target 2012–2013
11.03	FCM will make public an Annual Report of the Fund’s activities and performance no later than five months after FCM’s Fiscal Year end, and will convey it to the Minister for tabling in Parliament. The report will be based on information derived from a result-based management framework developed by FCM, on recommendation of Council and approved by the Board.	Publication of the 2011–2012 <i>GMF Annual Report</i> and distribution to the Minister of Environment and the Minister of Natural Resources, for tabling at Parliament, and other stakeholders	August 31, 2012
11.04	FCM will provide an Annual Statement of Plans and Objectives annually to each of the Ministers at least two months before the Fiscal Year begins.	Publication of the 2013–2014 ASPO and distribution to the Minister of Environment and the Minister of Natural Resources, for tabling at Parliament, and other stakeholders	March 31, 2013*

* The development of the ASPO will be aligned with the FCM corporate planning process and will be submitted before the end of the fiscal year.

Appendix B: GMF budget 2012–2013

The following table outlines the GMF budget for the 12 months ending March 31, 2013.

Expenses	Budget 2012–2013 (\$)
Total Management	4,492,500
Total Compliance	65,700
Total Council	351,400
Total Peer Review Committee	454,100
Total Funding Services	1,221,700
Client Services:	
Communications	723,800
Marketing	555,600
Product Development & Research	382,900
Client Services Operations	629,600
Capacity Building	629,800
Total Client Services	2,922,000
Total Knowledge Services	448,300
Total Expenses	9,955,700
Maximum Budget Allowed	10,500,000

Appendix C: Funding Agreement articles 11.05 and 11.07

Extracts from the March 2005 Funding Agreement between the Federation of Canadian Municipalities and the Government of Canada:

ARTICLE XI COVENANTS OF FCM

11.05 Initial Review and Subsequent Five-year Reviews. FCM agrees to obtain, make public and to forward to each Minister for tabling in Parliament, an independent review using recognized evaluations standards on the following timelines: an initial review within six months following March 31, 2009; and subsequent reviews every five years from the date of the first review. Such reviews will assess:

- (a) adherence to the provisions of this Agreement;
- (b) effectiveness and efficiency of the Fund as described in Article II;
- (c) effectiveness and efficiency of the processes for setting Fund priorities and for selecting Eligible Projects;
- (d) the general operation of the Council and the Peer Review Committee;
- (e) the accuracy of reported environmental, economic and social benefits and cost savings;
- (f) effectiveness of stakeholder consultation conducted in relation to the operations of the Fund; and,
- (g) lessons learned and potential for broad application of Eligible Projects.

Canada may cause the copy of the report to be laid before each house of Parliament on any of the first fifteen (15) days on which the House is sitting after each of the Ministers receives it.

11.07 FCM to Request a Performance Audit. FCM agrees to have carried out an independent performance (value-for money) audit to ensure the economy, efficiency and effectiveness with which funds have been used. The audit will follow the same timelines set out in Section 11.05. The report shall be made public and a copy shall be sent to Canada. Canada may cause the copy of the report to be laid before each House of Parliament on any of the first fifteen (15) days on which the House is sitting after each of the Ministers receives it.

Appendix D: GMF logic model

