

Green Municipal Fund

Annual Statement of Plans
and Objectives 2014–2015

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Cette publication est aussi disponible en français sous le titre *Énoncé annuel des plans et des objectifs 2014–2015*.



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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 is FCM's largest national program. Through GMF, FCM aims to fund the very best examples of leadership and innovative approaches in municipal sustainable infrastructure, and to share the lessons and expertise gained through these projects to encourage other communities to replicate their success.

Grants are available for plans, feasibility studies and field tests, while a combination of grants and low-interest loans are available for capital projects. Most of the available GMF funding is loans for capital projects. In 2014–2015, FCM aims to approve:

- \$60 million in loans for capital projects in all sectors, and \$5 million in grants for capital projects in the energy, transportation, waste and water sectors
- \$6 million in grants for plans, feasibility studies and field tests

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

Purpose

The *Annual Statement of Plans and Objectives (ASPO)*:

1. Fulfills the requirements outlined in the 2005 Funding Agreement with the Government of Canada.
2. Serves as a planning and monitoring tool for GMF Council and the FCM Board of Directors.
3. Sets FCM's priorities and targets in administering GMF.

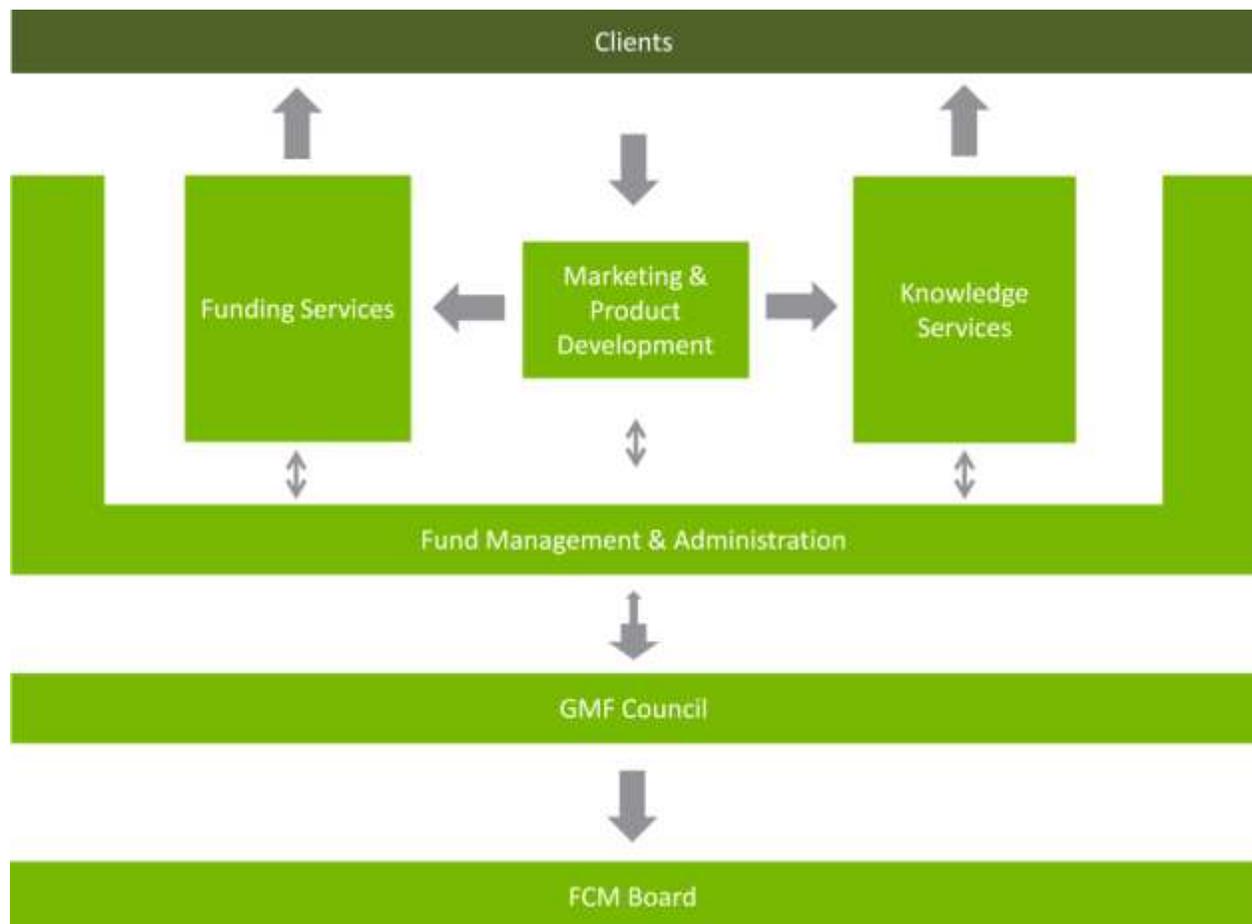
The ASPO provides an overview of the GMF core functions, current context, and successes and remaining challenges for 2013–2014. It highlights expected outcomes and outputs for 2014–2015 in the seven key result areas (KRAs) identified in the GMF Three-Year Plan for 2014–2017:

1. Long-term impact on municipal sector
2. Enabling innovation and replication
3. Increased access to funding for municipalities and their private-sector partners through innovative financing
4. Sustainable municipal infrastructure investments
5. Responding to different client groups
6. Value demonstration
7. Fund sustainability and risk management

The ASPO also outlines corporate resources, risk management and funding targets.

Core Functions

To achieve the GMF mandate — as stipulated in the Funding Agreement — of enhancing Canadians’ quality of life by improving air, water and soil quality and protecting the climate, FCM offers two main service lines: funding and knowledge. Service delivery is supported by the core functions shown below and linked through the KRAs to the GMF logic model (see Appendix D, page 24).



Funding Services

Funding Services supports municipal governments and their partners in implementing municipal environmental projects. Grants are available for plans, feasibility studies and field tests, while grants and low-interest loans are available for capital projects. The majority of GMF funding is in loan funding (85 per cent of the annual funding allocation) for capital projects.

Using a client-centred approach, FCM actively solicits and facilitates the application process for municipalities that wish to apply for GMF funding. Staff offer advice on navigating the application requirements and help them to present a strong application. Eligible applications are assessed by the GMF Peer Review Committee. The GMF Council assesses peer-reviewed applications and makes funding recommendations to FCM Board.

Once an application has been approved, FCM prepares, negotiates and signs grant and loan agreements with successful applicants. After the contract has been signed, FCM disburses funds based on eligible costs incurred for the approved project along with project reports.

Knowledge Services

Engaging clients through knowledge sharing and capacity building supports the replication or adaptation of leading-edge sustainability initiatives — including GMF-funded projects that have resulted in environmental, social and economic benefits in communities across Canada. In doing so, Knowledge Services helps municipal governments and their partners develop their internal capacity to achieve their sustainability goals.

Marketing and Product Development

Research, analysis and tailored outreach help FCM understand the needs of municipal governments and their partners. These activities serve to extract value from lessons learned through GMF-funded initiatives and help to establish GMF as a catalyst, collaborator and conduit for municipal environmental initiatives. They also allow FCM to design and regularly assess relevant funding and knowledge products and services to provide maximum value.

GMF Management and Administration

Governance

The GMF governance function ensures compliance with the Funding Agreement and sound stewardship of the Fund. The GMF Council advises the FCM Board on, and oversees all GMF-related matters arising out of the agreement. The council provides advice, input, feedback and recommendations to the Board on all GMF-related matters, including funding recommendations for eligible proposals. The Council makes recommendations only; final decision-making authority rests with the FCM Board.

Performance Measurement

All funding recipients must report on results of their funded initiatives. FCM analyzes the benefits achieved to assess and report on the impact of the Fund. FCM also measures and reports on funds committed and disbursed.

Capital and Risk Management

In accordance with the different risk policies and strategies approved by GMF Council and FCM Board, FCM oversees the credit risk structure of the loan portfolio to balance risk 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 approved by the Investment Committee as set out in the GMF Funding Agreement.

Corporate Resources

A number of other services and resources support core functions. These include finance, legal, administration, human resources, business and information systems, communications, planning, and monitoring.

Context

This ASPO sees FCM implementing a new three-year plan for GMF. A number of factors, as well as outcomes and challenges from the 2011–2014 period, have informed the priorities and strategic directions for GMF in the coming year.

In 2013, FCM initiated a review and evaluation of the GMF offer (funding and knowledge) so that it continues to meet evolving municipal needs. Extensive research and consultation are identifying ways to optimize program resources designed to help the municipal sector adopt environmentally sound practices, and undertake capital projects that deliver environmental, social and economic value for Canadians.

The Quebec Strategy, launched in 2012, is already reaping results with a greater number of applications from Quebec municipalities and more GMF funding. While this trend is expected to continue, FCM will sustain its efforts to achieve regional funding balance in the province.

In 2012–2013, FCM developed and approved a comprehensive GMF Brownfields Strategy. The strategy aligns with Funding Agreement targets and aims to increase applications in this complex sector. Risks associated with brownfield projects offer opportunities and challenges for GMF to fill market gaps and provide innovative financing solutions.

Following the federal government's commitment to a long-term financial framework through a new Building Canada Fund in 2014, FCM has continued to advocate for maintaining and enhancing this important program. FCM is working to ensure that the services provided through GMF will be responsive to a new federal funding framework.

The 2012 federal wastewater effluent regulations, which require municipalities to build new or update existing treatment plants, may increase applications for funding for water projects.

Continued economic instability, as well as municipal elections in provinces such as Ontario, British Columbia and Manitoba, may result in fewer applications from these provinces or in some projects being placed on hold or not proceeding.

In this ongoing low-interest rates market, fund sustainability also remains a priority, with several key initiatives implemented or in progress to ensure that GMF continues to meet evolving municipal needs. Private-sector loans offer good opportunities for greater rates of return, but are also higher risk. The annual allocation of loan approvals into different risk categories (see Table 3 in Appendix A) helps to balance the need for higher interest rates with the associated risks.

FCM will also oversee an independent five-year review and performance audit of GMF in 2014. This will be the second review and performance audit, as required under the current Funding Agreement, created in 2005

FCM's strategic imperatives for the coming year are to:

- Ensure that the new GMF offer responds to municipal needs, focuses on long-term impact and optimal results, and meets Funding Agreement requirements.
- Explore the most effective ways in which GMF can support municipal concerns, particularly in the area of sustainable asset management.
- Leverage GMF funding to improve municipal access to additional, complementary funding sources.
- Fully implement the risk management framework and monitor Fund performance to ensure long-term financial sustainability.
- Improve program effectiveness with sound performance measurement and stronger internal capacity for exceptional client service.

FCM will align its work in 2014–2015 with the GMF Three-Year Plan 2014–2017, departmental and corporate priorities, and the FCM Strategic Plan.

The objectives and deliverables articulated for the coming year follow the format of the GMF Three-Year Plan 2014–2017, and are divided into seven key result areas that are detailed on the following pages. The first five aim to focus the program for increased impact, while the remaining two support strengthening FCM's internal capacity to provide effective and efficient services to its clients.

Plans for 2014–2015

Key Result Area 1: Long-term impact on municipal sector

FCM will address up to three sustainability focus areas with high potential for long-term impact on the municipal sector¹. Key issues will be collectively addressed through a strategy that integrates funding and knowledge services. FCM will also dedicate a portion of the Fund (plans, studies and tests grant funding) and its resources to help municipalities overcome barriers related to these issues, leaving a significant portion of program funding for municipally-driven initiatives.

Three-Year Plan Outcomes (April 1, 2014–March 31, 2017)
<ul style="list-style-type: none"> • Up to three cohorts of Canadian municipalities are engaged in a peer learning network, testing new GMF-funded solutions to achieve results in at least two focus areas: brownfields and one or two additional areas. • GMF-funded demonstration plans, studies or tests in the focus areas of brownfields and one or two additional areas have yielded environmental, social and economic results, and are the basis of case studies and the development of good practices. • FCM has developed and mobilized GMF knowledge and training related to good practices in the selected focus areas, increasing municipal capacity to adopt them. • Partnerships with key stakeholders (e.g. industry associations, academia, private sector, non-profits) have been established and are contributing to knowledge development and knowledge mobilization of good practices in the selected focus areas.
Anticipated Outcomes 2014–2015
<ul style="list-style-type: none"> • FCM has developed and mobilized GMF knowledge and training for best practices in municipal sustainability initiatives, increasing municipal capacity to adopt them.
Planned Deliverables 2014–2015
<ul style="list-style-type: none"> • A GMF funding and knowledge offer design with up to three municipal sustainability focus areas. • An expression of interest to participate in a demonstration plan, study or test related to one focus area and one participant cohort selected. • Knowledge tools and resources that help municipalities plan, develop and implement brownfield projects. • A GMF partnership strategy to support knowledge development and mobilization in the selected focus areas.

¹ e.g. brownfield remediation and redevelopment, GHG reduction (energy-intensive municipal installations, such as arenas, wastewater treatment plants), growth management, sustainable asset management, wastewater management

Key Result Area 2: Enabling innovation and replication

Considering regional as well as urban-rural diversity, FCM will seek to support innovative solutions that achieve exemplary environmental outcomes and with the potential for energy, transportation, waste or water sector transformation across Canada. Lessons learned through these projects will be communicated through broad knowledge-sharing activities.

Three-Year Plan Outcomes (April 1, 2014–March 31, 2017)
<ul style="list-style-type: none"> • The GMF eligibility criteria and assessment process have been operationalized through the new offer, leading to a majority of approved capital projects meeting the highest innovation criteria in 2015–2016 and 2016–2017. • All projects approved for GMF funding in 2015–2016 and 2016–2017 are either testing potentially replicable new approaches or solutions with significant anticipated triple-bottom-line results (environmental, social and economic), or are replicating demonstrated best practices that are not well known or widely implemented. • Lessons learned about projects with potential for sector transformation are identified and integrated into ongoing broad GMF knowledge sharing activities (webinars, SCC, etc.).
Anticipated Outcomes 2014–2015
<ul style="list-style-type: none"> • A reframed GMF offer integrates funding and knowledge and is better positioned to respond to needs of municipalities and their partners.
Planned Deliverables 2014–2015
<ul style="list-style-type: none"> • FCM has operationalized and marketed a new GMF funding and knowledge services offer for Canadian municipalities with these deliverables: <ul style="list-style-type: none"> ○ Open, flexible assessment criteria that attract innovative, replicable new approaches or solutions with significant anticipated environmental, social and economic benefits and that are attainable and relevant to communities of all sizes, in all regions of Canada. ○ Updated and streamlined application form, score grids, peer review instructions, contract templates, and related processes to support the new GMF offer launch. ○ Knowledge mobilization activities related to the most innovative GMF-funded initiatives.

Key Result Area 3: Increased access to funding for municipalities and their private-sector partners through innovative financing

To leverage GMF funding and increase both municipal and municipal partner access to additional sources of financing, FCM will investigate employing proven financial mechanisms not currently used by clients.² FCM will also proactively engage public and private-sector sources of financing to identify opportunities for involvement in GMF-funded projects.

Three-Year Plan Outcomes (April 1, 2014–March 31, 2017)
<ul style="list-style-type: none"> • FCM has explored and piloted new and innovative GMF financing mechanisms to support municipalities or their partners. • A greater number of GMF clients have accessed additional sources of funding. • GMF funding has helped to leverage additional sources of financing to catalyze projects with worthy environmental benefits.
Anticipated Outcomes 2014–2015
<ul style="list-style-type: none"> • Approval of one or more innovating financing structures for the benefit of a municipality or its partner(s).
Planned Deliverables 2014–2015
<ul style="list-style-type: none"> • One or more guarantee scenarios on offer to potential clients. • Implications of the financial model, associated with a greater volume of guarantees, documented. • Key considerations associated with new financial models documented for possible waivers or amendments to the Funding Agreement. • Engagement strategies for relevant public and private-sector capital providers to deploy innovative finance techniques.

² e.g. partial guarantees, risk-sharing/co-financing, first-loss deficiency indemnities, etc.

Key Result Area 4: Sustainable municipal infrastructure investments

FCM will develop integrated GMF funding and knowledge services to support the integration of sustainability objectives into municipal decision making on infrastructure projects funded by other sources (e.g. Build Canada Fund, indexed Gas Tax, private-sector sources).

Three-Year Plan Outcomes (April 1, 2014–March 31, 2017)
<ul style="list-style-type: none"> • Clear understanding of the unique role that GMF can play to support municipalities with infrastructure decision making and planning. • GMF clients understand the value of integrating environmental sustainability in their infrastructure investments. • A greater number of clients have used GMF funding and knowledge services to integrate environmental sustainability into infrastructure planning, policies and projects. • GMF funding has supported innovative environmentally sustainable plans, studies and field tests as well as capital projects.
Anticipated Outcomes 2014–2015
<ul style="list-style-type: none"> • Foundations are in place to implement new asset management programming in 2015–2016.
Planned Deliverables 2014–2015
<ul style="list-style-type: none"> • Framework for sustainable asset management planning (e.g. expert interviews, consultant work, submitted report on what to include and key indicators). • Funding allocation for demonstration projects (e.g. public consultation, indicator development, change management, etc.) related to integrating environmental objectives into asset management. • Request for expressions of interest to participate in a sustainable asset management boot camp. • Eligibility and evaluation criteria for the open portion of GMF funding (capital projects, plans, studies, tests) with integrated triple-bottom-line infrastructure performance criteria.

Key Result Area 5: Responding to different client groups

FCM will develop a new GMF offer that responds to the needs of its different client groups (municipalities, municipal corporations and private-sector partners)³ and tailored marketing and outreach processes that are attractive and relevant to those groups. FCM will also align other GMF processes, marketing and communications strategies, and partnerships to better serve specific market segments (e.g. small and rural, Quebec, brownfields, etc.).

Three-Year Plan Outcomes (April 1, 2014–March 31, 2017)
<ul style="list-style-type: none"> • The GMF offer responds to the interests and needs of municipalities, municipal corporations and private-sector partners, and FCM will provide differentiated value propositions that are relevant to each of these audiences. • A balanced GMF funding portfolio as a result of more approvals of and disbursements to non-municipal borrower projects. • Increased awareness and understanding of GMF offerings within non-municipal segments.
Anticipated Outcomes 2014–2015
<ul style="list-style-type: none"> • The GMF offer responds to the interests and needs of municipalities, municipal corporations and private-sector partners, and provides differentiated value propositions that correspond to their needs.
Planned Deliverables 2014–2015
<ul style="list-style-type: none"> • A new GMF offer (funding and knowledge) that responds to the interests and needs of municipalities, municipal corporations and private-sector partners. • Marketing and communication activities that incorporate the differentiated GMF value proposition.

³ Municipalities (grants, very low interest rates, no fees); municipal corporations (grants, competitive interest rates, partnering with other funders); private-sector partners (grants, early funding, integrated financing, need for security, case-by-case interest rates and terms, riskier investment).

Key Result Area 6: Value demonstration

FCM will strengthen its internal capacity to demonstrate the value and impact of the Fund, including its ability to address municipal priorities and needs, as identified in KRAs 1 through 5. The program’s performance measurement capacity will be strengthened through standardized methodologies for knowledge services, program management, and the GMF project portfolio. In the long term, FCM hopes to have a publicly accessible data structure for GMF project results.

FCM will also integrate relevant performance information and benchmarking in program decision making and reporting. FCM will also develop tools and resources tailored for municipal champions so they can build evidence-based political and public support for sustainable municipal projects.

Three-Year Plan Outcomes (April 1, 2014–March 31, 2017)
<ul style="list-style-type: none"> • Evidence-based reporting demonstrates the relevance and impact of the Fund (knowledge and funding) on sustainable outcomes in municipalities. • Municipalities have access to the necessary tools and resources to build a business case for their sustainability projects. • Performance data is integrated into GMF decision-making processes.
Anticipated Outcomes 2014–2015
<ul style="list-style-type: none"> • Foundations are in place for effective and efficient monitoring and reporting of GMF performance and its impact on meeting municipal priorities and needs.
Planned Deliverables 2014–2015
<ul style="list-style-type: none"> • Performance measures and indicators for the GMF logic model and the 2014–2017 plan • Integrated GMF performance measurement framework. • Performance measurement system designed to support the analysis of historical data and potential new data resulting from a new offer, implemented and supported through CRM reporting system enhancements • Environmental, economic, social and municipal service delivery performance indicators for updated reporting and performance measurement of GMF-funded projects • New knowledge-based performance metrics to assess knowledge capture, creation and transfer. • An information management system for quantitative and qualitative GMF project (capital projects, plans, studies and tests) data. • A framework to track environmental results of GMF-funded field tests. • Communications plan, messaging, and materials that articulate the value and impact of GMF. • Awareness and perception survey for both funding and knowledge products.

Key Result Area 7: Fund sustainability and risk management

FCM will take measures to ensure the Fund’s sustainability, promoting broad understanding and consistent application across the organization.⁴ It will build awareness and understanding of the Risk Management Framework and ensure that the GMF offer and marketing and communications activities integrate relevant risk and financial sustainability concepts and measures.

Three-Year Plan Outcomes (April 1, 2014–March 31, 2017)
<ul style="list-style-type: none"> • An increased, risk-appropriate combined yield on new loans and the investment portfolio reduces the Fund sustainability gap. • Rebalanced repayment terms on the loan portfolio ensure an appropriate mix between 20 years and 10 years or less, targeting no more than 50 per cent of municipal loans approved for the year being in the 20-year category. • All GMF staff understand and apply the Risk Management Framework and Fund financial sustainability considerations in their work. • The GMF offer and marketing and communications activities integrate and reflect relevant risk and financial sustainability concepts and measures. • The Fund is on a stronger financial footing.
Anticipated Outcomes 2014–2015
<ul style="list-style-type: none"> • GMF risks are proactively managed to ensure effective Fund stewardship. • Long-term Fund sustainability and risk management measures are operational.
Planned Deliverables 2014–2015
<ul style="list-style-type: none"> • Risk management policies approved and operationalized. • Stronger governance and oversight on risk management policies and day-to-day practices. • A Fund sustainability strategy (including risk allocation and sustainability measures) that reflects current GMF financial realities. • An increased average interest rate on the loan portfolio to meet the targeted annual risk allocation interest rate increase (see Appendix A). • Enhanced risk and cashflow modelling (including expected losses and provisioning).

⁴ Raising the average yield on the loan portfolio in a risk appropriate manner; ensuring an appropriate balance of repayment terms; employing a strategic risk allocation approach.

Appendix A: Risk Profile and Target Risk Allocations

Table 1: Risk profile of the total loan portfolio
(at December 31, 2013)

Committed and outstanding loans	Percentage of total portfolio	Objectives for 2013–2014	Objectives for 2014–2015
Low-risk (A)	60.3%	At least 30%	At least 30%
Low- to medium-risk (B)	26.3%	At least 20%	At least 20%
Medium-risk (C)	6.5%	Up to 25%	Up to 25%
Medium- to high-risk (D)	2.2%	Up to 10%	Up to 10%
High-risk (E)	4.7%	Up to 15%	Up to 15%
Unacceptable risk (F)	0.0%	0%	0%
Total	100%		

As of December 31, 2013, the committed and outstanding loan portfolio (Table 1) is within the risk allocation targets set for 2013–2014. Year over year, the main change in the committed and outstanding loan portfolio was a large increase in the low-to-medium-risk (B) category from 8.1 per cent to 26.3 per cent and a significant decrease in the medium-risk (C) category from 23.6 per cent to 6.5 per cent. These changes can be largely attributed to the reclassification of several borrowers under the updated GMF credit risk methodology.

There were also minor reductions in the medium-high risk (D) category from 3.0 per cent to 2.2 per cent, and in the high risk category (E) from 5.8 per cent to 4.7 per cent.

A number of measures were approved and implemented over the past year in order to ensure the financial sustainability of the Fund. Part of this includes establishing new annual risk allocation targets for the year’s funding envelope, aimed at gradually raising the yield on the loan portfolio by increasing the number of loans in the medium, medium-high and high risk categories, in a risk-appropriate manner. See Table 3 in Appendix B for further details. Over time, these measures are expected to raise the overall percentage of loans in the (D) and (E) categories in line with objectives shown above.

Table 2: Risk profile of the outstanding loan portfolio
(at December 31, 2013)

Risk level	Number of contracts	Outstanding loan amounts (\$ million)	Percentage loans in risk level to total disbursed loans
A	58	\$141.3	64.4%
B	30	\$61.0	27.8%
C	3	\$5.8	2.7%
D	0	\$0.0	0.0%
E	1	\$11.3	5.1%
F	0	\$0.0	0.0%
Total	92	\$219.4	100%

The risk profile of the outstanding loan portfolio (Table 2) shows the risk distribution of loans that are disbursed and in repayment. At December 31, 2013, 92 loans were mostly or fully disbursed, for an aggregate outstanding amount of \$219.4 million.

The vast majority of the outstanding loans are held by municipal governments or municipally owned corporations. The 5.1 per cent in the (E) category is due to \$11.3 million having been disbursed to a private-sector brownfield loan in the (E) category over the fiscal year.

The committed loans (i.e., approved but not yet disbursed) have also been assigned a risk level. Most of the committed loans are to municipal governments, with a portfolio risk composition similar to that of the outstanding loans, but with a lower percentage in low risk (A) and low-medium risk (B) categories, and a higher percentage in medium risk (C) and medium-high risk (D) categories. Just under half the committed loans in category (C) were loans newly approved this fiscal year. The one committed loan in category (D) was approved in the previous fiscal year and is currently unsigned.

All risk limits are respected.

In 2013, FCM introduced new Fund financial sustainability measures including:

- An increased minimum lending yield (MLY)
- A loan pricing policy based on the risk of the borrower
- Annual loan portfolio allocation targets among low, medium and high risks
- The introduction of an interest rate reset (after 10 years)
- Managing the 10/20-year maturity mix

The annual risk allocation targets for the 2014–2015 fiscal year are shown below, and will serve to help gradually raise the average interest rate on the loan portfolio in a risk-appropriate manner.

Table 3: Annual risk allocation targets for the 2014–2015 funding envelope

Streams	Risk category	Targets		
		Loan approvals (% of year)	Loan approvals (in millions)	Interest rate (average)
1	Low-risk (A) Low-med risk (B)	60%	\$36.0	2.8%
2	Medium risk (C) Med-high risk (D)	20%	\$12.0	4.0%
3	High-risk (E)	20%	\$12.0	8.0%
Total/Average		100%	\$60.0	4.0%

At December 31, 2013, disbursed and outstanding loans to municipalities totaled \$181.5 million; and \$37.9 million to non-municipal borrowers. Repayments on loans made during the current fiscal year were \$15.5 million. Three loans were fully repaid in 2013–2014

Appendix B: Compliance Indicators 2014–2015

The following tables outline the Funding Agreement requirements and associated compliance indicators. FCM staff will report quarterly to the GMF Council on progress against these indicators in 2014–2015.

Urban-Rural Balance		
The GMF Council oversees funding recommendations and advises the FCM Board on an appropriate urban-rural balance of approved grants and loans in Canadian communities (6.04 (f) of the FA).		
Indicator	Status at December 31, 2013 (since inception)	Target 2014–2015
Net approved grants and loans to urban communities compared to total net approved. (81.1% of Canadian population)	\$580.8M net approved to urban communities representing 81.1% of total net approved funding 742 net approved projects in urban communities representing 73.2% of total net approved initiatives	\$57.6 M representing 81.1% of total available funding for 2014–2015
Net approved grants and loans to rural communities compared to total net approvals (18.9% of Canadian population)	\$135.7M net approved to rural communities representing 18.9% of total net approved funding 272 net approved projects in rural communities representing 26.8% of total net approved initiatives	\$13.4M representing 18.9% of total available funding for 2014–2015

FCM defines rural communities as all municipalities with a population less than 10,000 and all regional municipalities where each of its member municipalities has a population less than 10,000. “Net approved” refers to the total gross number of initiatives (or funding), including plans, feasibility studies, field tests, and capital projects that have been approved, less those that were withdrawn or closed⁵. Historically, the value of GMF funding to urban and rural communities has been close to the population ratios of 81:19. In the last two years, there has been a greater proportion of funding approved to rural communities; however, the cumulative net approved percentage of funding remains in balance.

⁵ Not all approved initiatives are funded. Some approved initiatives are withdrawn (decline some or all of the approved funding) and some are closed by the FCM Board, usually due to inactivity or a change in project scope.

Regional Balance		
The GMF Council oversees funding recommendations and advises the FCM Board on an appropriate regional balance of approved grant and loans across Canada. (6.04 (g) of the FA)		
Indicator⁶	Status at December 31, 2013 (since inception)	Target 2014–2015
Approved GMF funding to Québec region (23.6% of Canadian population)	\$104M net approved to Québec representing 14.53% of total net approved 175 net approved projects in Québec representing 17.26% of total net approved	\$16.8M representing 23.7% of total available funding for 2014–2015
Approved GMF funding to Prairies region - Alberta, Manitoba, Saskatchewan (17.6% of Canadian population)	\$96M net approved to Prairies representing 13.37% of total net approved 179 net approved projects in Prairies representing 17.65% of total net approved	\$12.5M representing 17.6% of total available funding for 2014–2015
Approved GMF funding to British Columbia (13.1% of Canadian population)	\$141M net approved to BC representing 19.68% of total net approved 188 net approved projects in BC representing 18.54% of total net approved	\$9.3M representing 13.1% of total available funding for 2014–2015
Approved GMF funding to Northern region – Yukon, Northwest Territories and Nunavut (0.3% of Canadian population)	\$2M net approved to Northern region representing 0.26% of total net approved 22 net approved projects in Northern region representing 2.17% of total net approved	\$0.2M representing 0.3% of total available funding for 2014–2015
Approved GMF funding to Ontario (38.4% of Canadian population)	\$261M net approved to Ontario representing 36.46% of total net approved 334 net approved projects in Ontario representing 32.94% of total net approved	\$27.3M representing 38.4% of total available funding for 2014–2015

⁶ All population figures are based on 2011 Census data.

Indicator ⁷	Status at December 31, 2013 (since inception)	Target 2014–2015
Approved GMF funding to Atlantic region – New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador (6.9% of Canadian population)	\$112M net approved to Atlantic representing 11.44% of total net approved 116 net approved projects in Atlantic representing 15.7% of total net approved	\$4.9M representing 6.9% of total available funding for 2014–2015

To meet the regional balance directive in the GMF Funding Agreement, FCM has divided Canada into six regions, as shown in the table on the previous page. “Net approved” refers to the gross number of initiatives (or funding) —including plans, feasibility studies, field tests, and capital projects that have been approved — less those that were withdrawn or were closed⁸.

Historically, funding approvals have been approximately proportional to the regional demographics; except in Quebec, where the cumulative net approved funding is currently at 14.53 per cent compared to its relative population of 23.6 per cent and to a lesser extent, the Prairies, where the cumulative net approved funding is at 13.37 per cent compared to its relative population of 17.6 per cent.

To increase the number of applications from Quebec municipalities and their partners, various initiatives have been successfully implemented over the last few years as part of a comprehensive Quebec Strategy. In 2014–2015, FCM will sustain its efforts through targeted marketing and communications activities, such as maintaining the Quebec web portal page, collaborating with strategic partners, participating at key events, and advertising in key industry publications and on websites.

Since the funding gap in the Prairies is not as wide as in Quebec, FCM is undertaking limited efforts to increase funding to this region. For example, FCM will proactively monitor new infrastructure project announcements, conduct follow-up with potential clients, and provide personalized support to help them complete their application.

⁷ All population figures are based on 2011 Census data.

⁸ Not all approved initiatives are funded. Some approved initiatives withdraw (decline some or all of the approved funding) and some are closed by FCM Board, usually due to inactivity or a change in project scope.

Funding Targets		
FCM shall use its best efforts to commit to:		
<ul style="list-style-type: none"> • Commit \$6–\$8 million per year in grants for plans, studies and tests. (10.01 (b) of the FA) • Commit \$5–\$6 million per year in grants for capital projects. (10.01 (c) of the FA) • Commit \$50–\$70 million per year in capital project loans. (10.01 (a) of the FA) 		
Indicator	Status at December 31, 2013 (since inception)	Target 2014–2015
Total grants approved for plans, studies and tests	N/A	\$6M
Total grants approved for capital projects	N/A	\$5M
Total loans approved for capital projects	N/A	\$60M

The Funding Agreement specifies the range of funding to be committed to municipal environmental initiatives each year through application approvals. FCM understands “committed” to mean approved. Municipal environmental projects refers to all eligible project types: sustainable community plans, feasibility studies, field tests, and capital projects. FCM sets annual targets within those ranges, based on current Fund sustainability considerations, and reports on success in achieving those targets in the Annual Report.

Additional Funding Targets		
FCM shall use its best efforts to commit to:		
<ul style="list-style-type: none"> • Maintain loans or loan guarantees for brownfield projects equal to at least 30% of the value of Fund assets⁹. (10.01 (d) of the FA) • Commit 80%–90% of Fund Assets in capital project loans by March 31, 2016, and maintain that level thereafter. (10.01 (a) of the FA) 		
Indicator	Status at December 31, 2013 (since inception)	Target 2014–2015
Percentage of loans or loan guarantees committed to brownfield capital projects	\$31.6M net approved to brownfield capital projects (10 projects) representing 5.8% of total net approved	\$20.0M representing approximately 30% of total loan funding target for 2014-2015 Cumulative 9.7% (\$56M)
Percentage of Fund assets in loans	79%	Approximately 86%

⁹ Excluding the Reserve for Guarantees and the Reserve for Non-Performing Loans.

The Funding Agreement also sets cumulative targets for GMF loans to ensure a minimum percentage of funding for brownfield projects, and to establish a minimum percentage of the Fund committed to GMF loans compared to other investments. FCM is monitoring these targets based on “net funding approved”, which refers to the total gross value of the loans allocated to approved initiatives, less any withdrawn funding¹⁰. The net funding committed to brownfield capital projects is still very low compared to the Funding Agreement target. FCM invested a great deal of effort into developing a new brownfield strategy to increase brownfield applications and approvals, which was approved in November 2013. FCM expects to see increased brownfield funding approvals as a result of implementing the strategy over the next three years.

The percentage of Fund assets in loans to capital projects as of December 31, 2013 is 79 per cent, and is on track to meet the March 2016 requirement of at least 80–90 per cent by the end of the 2014–2015 fiscal year.

GMF Investments and Loans		
FCM will:		
<ul style="list-style-type: none"> • Maintain Fund Assets of at least \$500 million¹¹. (10.02 of the FA) • Ensure that at least 15% of any outstanding loans will be to non-municipal government borrowers. (10.03 (c) of the FA) • Aim to earn a minimum average of 1.5% per annum above the Government of Canada Bond rate for equivalent terms on loans to non-municipal government borrowers. (10.03 (c) of the FA) 		
Indicator	Status at December 31, 2013	Target 2014–2015
Amount of Fund assets (net of the Reserve)	\$ 580M	Above \$ 577M
Percentage of approved loans outstanding to borrowers other than municipal governments	17%	Over 15%
Average interest rate on loans outstanding to borrowers other than municipal governments	4.45% (approximately GoC +1.5%)	At least GoC +1.5%

FCM has complied with the Funding Agreement requirement to maintain Fund Assets over \$500 million. As at December 31, 2013, the balance was \$580 million. At the end of 2014–2015, the Fund Assets are expected to be lower due to a projected deficit for the fiscal year and an increase in the Reserve for Non-Performing Loans required in the Funding Agreement.

The Funding Agreement also requires that at least 15 per cent of outstanding loans are to non-municipal borrowers. Loans to non-municipal borrowers are currently at 17 per cent.

FCM has also respected the Funding Agreement requirement that loans to non-municipal borrowers earn at least 1.5% per annum above the Government of Canada Bond rate.

¹⁰ Not all approved initiatives are funded. Some approved initiatives withdraw (decline some or all of the approved funding) and some are closed by FCM Board, usually due to inactivity or a change in project scope.

¹¹ Excluding the value of the Reserve for Guarantees and the Reserve for Non-Performing Loans.

Annual Audits, Program Planning and Reporting		
FCM will:		
<ul style="list-style-type: none"> • Maintain separate accounts for the Fund, conducts an annual independent third-party financial audit, and submits the audited financial statements by August 31. (11.02 of the FA) • Publish and submit an annual report of GMF activities and performance by August 31. (11.03 of the FA) • Provide an Annual Statement of Plans and Objectives by January 31. (11.04 of the FA) • Complete an independent third-party five-year review and performance audit of the GMF. (11.05 and 11.07 of the FA) 		
Indicator	Status at December 31, 2013 (since inception)	Target 2014–2015
Third-party audit of the 2013–2014 financial operation of the Fund	N/A	June 1, 2014
Publication of the 2013–2014 <i>GMF Annual Report</i> and distribution to the Minister of Environment and the Minister of Natural Resources, for tabling at Parliament.	N/A	August 31, 2014
Publication of the 2014–2015 ASPO and distribution to the Minister of Environment and the Minister of Natural Resources, for tabling at Parliament	N/A	March 31, 2015 ¹²
Submission of five-year review and performance audit to the Minister of Environment and the Minister of Natural Resources, for tabling at Parliament.		September 30, 2014

As outlined in the Funding Agreement, FCM is required to submit an Annual Statement of Plans and Objectives (ASPO) and an Annual Report for GMF to the Minister of the Environment and the Minister of Natural Resources. The ASPO is a high-level plan that outlines how FCM will work to attain the articulated objectives and goals under each key results area in the GMF Three-Year Plan. The ASPO 2014–2015 aligns with the GMF Plan 2014–2017 and the FCM Strategic Plan 2011–2017.

In addition to the annual third party financial audit, FCM will hire an external auditor this year to undertake a five-year review and performance audit of GMF for the period of April 1 2009 to March 31, 2014. The objective of the review is to assess aspects of the GMF’s success and relevance. It will examine a number of GMF-funded program elements, emphasizing the effectiveness of the delivery of the GMF program and whether it is on track to meet its objectives. The objective of the performance audit is to provide an independent assessment of GMF’s operations to help ensure the economy, efficiency, and effectiveness of the funds.

¹² Because the ASPO is developed within the context of broader National Programs and FCM corporate planning processes, it is submitted at the end of the fiscal year, 60 days later than the January 31 deadline stipulated in the Funding Agreement.

Appendix C: GMF Budget 2014–2015

This table outlines the GMF budget for the 12 months ending March 31, 2015.

Expenses	Budget 2014–2015 (\$)
Total Management (also includes operating expenses such as audit, rent, allocation for Information Systems, Finance and Human Resources)	3,714,200
Total Risk Management Unit	227,900
Total Council	463,500
Total Peer Review	281,500
Total Communications	659,500
Marketing and Product Development:	
– Marketing	666,300
– Product Development	506,800
Total Marketing and Product Development	1,173,100
Total Funding Services	1,742,400
Knowledge Services	
– Capacity Building	571,800
– Other Knowledge Services	708,200
Total Knowledge Services	1,280,000
Total Expenses	9,542,100
Maximum Budget allowed	10,500,000

Appendix D: GMF Logic Model

GMF Logic Model

