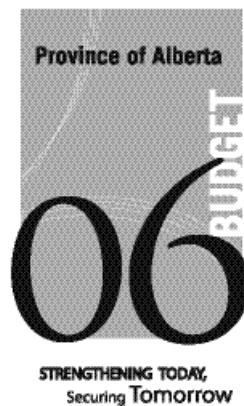


# 2006-09 CAPITAL PLAN



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# 2006-09 Capital Plan

*Alberta is investing in infrastructure to meet today's growth pressures and tomorrow's long-term needs.*

## PROVINCE'S SUPPORT FOR CAPITAL INFRASTRUCTURE

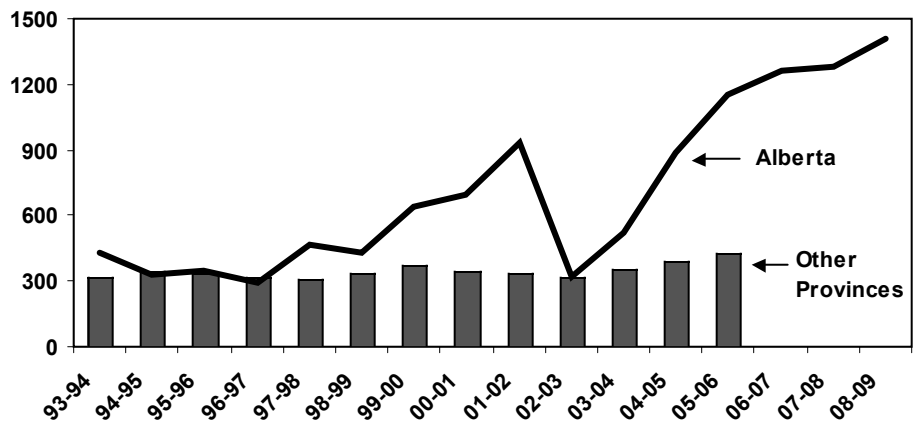
The 2006-09 Capital Plan will directly support \$13.3 billion in capital projects. This is a 45 per cent, or \$4.1 billion increase from the 2005-08 Capital Plan published in *Budget 2005*.

This degree of capital support is unmatched in the rest of Canada. Alberta's per capita spending on infrastructure is three times the average of other provinces. In 2006-07, Alberta will spend \$4.2 billion on capital projects or about \$1,300 per person. The average per capita spending on infrastructure in other provinces has been about \$400 per person.

*Alberta's degree of capital spending is unmatched in Canada.*

## Interprovincial Comparison of Capital Expenditure

(dollars per capita)

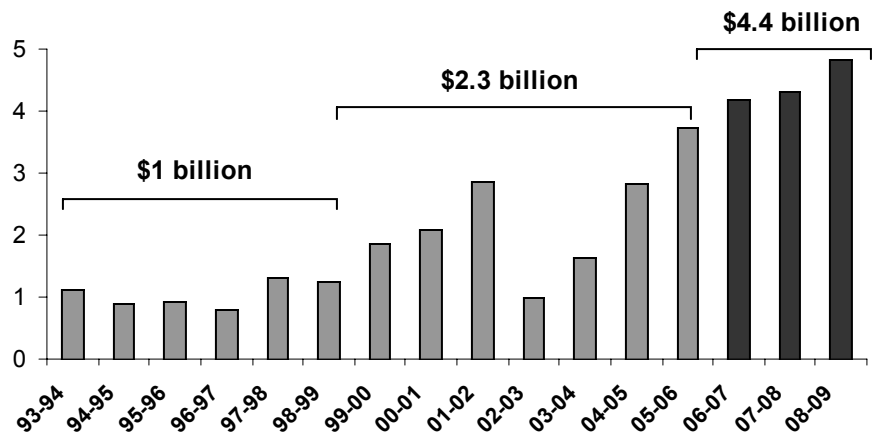


Source: Dominion Bond Rating Service Limited, The Canadian Federal and Provincial Governments - 2005 Overview, September 2005, and earlier reports. Alberta data for 2004-09 have been updated by Alberta Finance.

Alberta's support for capital infrastructure will average \$4.4 billion per year, up from an average of \$1 billion per year in 1993 to 1999.

## Province's Support for Capital Infrastructure

(billions of dollars)



*Alberta will spend over \$4 billion a year on infrastructure.*

## INCREASES IN THE 2006-09 CAPITAL PLAN

The 2006-09 Capital Plan is \$4.1 billion higher than the 2005-08 Capital Plan published in *Budget 2005*. Last year a major increase was provided for municipal infrastructure, including the five-year, \$3 billion Alberta Municipal Infrastructure Program. In *Budget 2006*, major increases have been provided for the provincial highway network and health, school and post-secondary facilities.

### Comparison of 2005-08 and 2006-09 Capital Plans

(millions of dollars)

	2005-08 <i>Budget 2005</i>	2006-09 <i>Budget 2006</i>	Change
Municipal infrastructure support	3,035	3,127	92
Provincial highway network	1,985	3,637	1,652
Health facilities and equipment	1,675	2,910	1,235
Schools	644	833	189
Post-secondary facilities	469	1,122	653
Community facilities and centennial projects	375	376	1
Water and wastewater management	289	277	(12)
Government facilities, housing and equipment	747	668	(79)
Capital for emergent projects	-	372	372
<b>Total Capital Plan</b>	<b>9,219</b>	<b>13,322</b>	<b>4,103</b>

*Budget 2006 provides a 45% increase in capital spending.*

Increases in the 2006-09 Capital Plan include:

*Funding is provided to accelerate upgrades to the road to Fort McMurray and for ring roads in Edmonton and Calgary.*

- **Provincial Highway Network** – \$1.7 billion increase, with \$1.4 billion in additional funding for highways in key regions. This includes accelerated road work in the Fort McMurray/Wood Buffalo area, targeting upgrades to Highways 63 and 881. This increase also enables the government to meet its commitment to continue developing the important ring road links in the Strategic Economic Corridors through Calgary and Edmonton – to commence construction of the east and southwest segments of Stoney Trail in Calgary and the north segment of the Anthony Henday ring road in Edmonton. Funding will also be made available for other regional roads and \$30 million per year has been added to increase flexibility in managing highway projects. In addition, \$182 million in spending authority that was not used in 2005-06 has been carried forward to be used in 2006-07.
- **Health Facilities** – \$1.2 billion increase. Most of the funding for the 20 projects announced in October 2005 to increase access to health care across the province will be spent in 2006-09. This funding will provide more than 650 new and upgraded acute care beds and 85 long-term care beds. Funding was also added for health information systems development.
- **Schools** – \$189 million of the \$207 million announced in 2005-06 for school infrastructure priorities will be provided in 2006-09. The school priorities include high schools in Edmonton, Lethbridge, Olds and Drumheller, other schools throughout the province, and more modular classroom spaces.

*20 new health projects committed in 2005-06.*

*Funding for new schools and upgrades to existing schools.*

*Capital support for post-secondary facilities will grow by over \$650 million.*

*Emerging projects can be funded from a capital contingency fund.*

*Supports government's top priority of Building Infrastructure for Our Future.*

*New capital planning process makes program ministries more responsible and accountable.*

- **Post-Secondary Facilities** – \$653 million allocated for expansions and upgrades for the University of Alberta's Centennial Centre for Interdisciplinary Science, phase two of Calgary's Bow Valley College, the University of Calgary, Red Deer College, Lakeland College, University of Lethbridge, and the Northern Alberta Institute of Technology. Funding will be provided for the Lois Hole Campus Alberta Digital Library.
- **Capital for Emergent Projects** – \$372 million is set aside over three years as a contingency to address emerging capital needs. This funding provides a mechanism to address, in a timely manner, projects that arise between planning cycles.
- **Other** – this includes: additions to the federal New Deal for Cities and Communities and the Canada/Alberta Affordable Housing Agreement; funding for the Art Gallery of Alberta in Edmonton and the Calgary Zoo; completion of the Calgary Courts Centre, including the former site of the Court of Appeal, and ongoing changes to government information systems.

While all of the commitments in the *Budget 2006* Capital Plan will have started before or during 2006-09, some project construction will continue after 2009. Funding for the completion of these projects, together with new requirements, will be addressed as anticipated in the *Government of Alberta Strategic Business Plan* in the top priority, Building Infrastructure for Our Future.

#### **CAPITAL PLANNING AND COST PRESSURES**

The ministries of Health and Wellness, Advanced Education and Education have been given greater responsibility for setting strategic capital priorities. These ministries take responsibility for the capital budgets for health, school and post-secondary facilities. In previous years, these capital budgets were in Infrastructure and Transportation. While these program ministries will continue to use the technical expertise in Infrastructure and Transportation, this new approach will better align capital and program needs, including responsibility and accountability for future operating cost implications.

One of the challenges in delivering capital projects is the cost increases resulting from Alberta's rapid economic growth, which puts pressure on labour and supplies costs. Ministries can allocate their capital budgets according to their priorities to deal with cost increases and other changes or adjust the construction schedule of projects to deal with pressures in the construction industry.

## LOCAL AUTHORITIES AND GOVERNMENT-OWNED CAPITAL

The government supports not only government-owned and operated infrastructure, but also infrastructure owned and operated by local authorities such as municipalities, health authorities, seniors and housing facility operators, irrigation districts, school boards and post-secondary institutions.

### Local Authorities and Government-Owned Capital

(millions of dollars)

	2006-07 Estimate	2007-08 Target	2008-09 Target	3-year Total
Local authorities capital	2,574	3,021	2,816	8,411
Government-owned capital	1,607	1,292	2,012	4,911
<b>Total Capital Plan</b>	<b>4,181</b>	<b>4,313</b>	<b>4,828</b>	<b>13,322</b>

*Local authorities will receive \$8.4 billion in capital support.*

*Government-owned capital will see a \$4.9 billion investment.*

### LOCAL AUTHORITIES CAPITAL

The 2006-09 Capital Plan supports \$8.4 billion in projects for local authorities with most of the support concentrated on municipal infrastructure, health facilities and equipment, and education facilities, including schools and post-secondary facilities.

### GOVERNMENT-OWNED CAPITAL

\$4.9 billion will be invested in capital owned and operated by the government. Most of this investment is in critical transportation infrastructure, which will help save lives and reduce injuries on our highways and support Alberta's economy.

## CAPITAL PLAN DETAILS

### Capital Plan Summary by Function

(millions of dollars)

	2006-07 Estimate	2007-08 Target	2008-09 Target	3-year Total
Municipal infrastructure support	1,014	1,046	1,067	3,127
Provincial highway network	1,074	922	1,641	3,637
Health facilities and equipment	748	1,123	1,039	2,910
Schools	339	272	222	833
Post-secondary facilities	278	459	385	1,122
Community facilities and Centennial projects	121	115	140	376
Water and wastewater management	90	109	78	277
Government facilities, housing and equipment	345	167	156	668
Capital for emergent projects	172	100	100	372
<b>Total Capital Plan</b>	<b>4,181</b>	<b>4,313</b>	<b>4,828</b>	<b>13,322</b>

*Municipal infrastructure support totals \$3.1 billion over the next three years.*

### MUNICIPAL INFRASTRUCTURE SUPPORT

A total of \$3.1 billion will be provided to support municipalities, which includes:

- \$600 million per year to continue the 5-year, \$3 billion Alberta Municipal Infrastructure Program, which provides financial assistance to municipalities for roads, bridges, public transit, water and wastewater, emergency services, and infrastructure management systems;
- \$995 million for municipal transportation grants for urban and rural communities based on 5 cents per litre of fuel delivered in Edmonton and Calgary; \$60 per capita for other urban municipalities, and other grant programs based on factors such as kilometers of open road and terrain;
- \$228 million flow through of federal funding under the New Deal for Cities and Communities which returns a portion of the federal gasoline tax to the province for distribution to municipalities, and
- \$104 million for Alberta's share of other municipal programs such as the Canada/Alberta Municipal Rural Infrastructure Fund.

*Provincial highways investment increases by \$1.7 billion to over \$3.6 billion.*

### PROVINCIAL HIGHWAY NETWORK

Provincial highway network projects include:

- Twinning portions of Highway 63 between Edmonton and Fort McMurray;
- Continuing upgrades to other sections of Highway 63 and 881 in and around the Fort McMurray/Wood Buffalo area;
- Constructing the northeast segment of the Calgary Stoney Trail ring road;
- Continuing planning and initial construction of further segments of the ring roads in Edmonton and Calgary;
- Paving gravel roads in high-volume locations throughout the province;
- Continuing twinning of the North-South Trade Corridor, including further 4-laning on sections of Highway 43, and
- Rehabilitating highways in all areas of the province.

*\$2.9 billion is planned for health infrastructure over the next three years.*

## **HEALTH FACILITIES AND EQUIPMENT**

With \$2.9 billion planned over the next three years primarily for facilities, health information systems and vaccine purchases, the government has made significant commitments to Alberta's health system.

In *Budget 2005*, the government allocated nearly \$1.7 billion over three years for health facilities and equipment. The two most notable projects were the new South Calgary Hospital and the Health Sciences Ambulatory Learning Centre, which will deliver ambulatory health services while providing training for Alberta's future health professionals.

During 2005-06, additional funding was committed for 20 ongoing health capital projects to help reduce wait times and improve access, to accelerate development of the Electronic Health Record – Alberta Netcare and to support the installation of patient lifts in long-term care facilities.

The 2006-09 Capital Plan continues implementation of health commitments:

- Constructing the South Calgary Hospital;
- New facility in Sherwood Park and replacement of the Fort Saskatchewan Health Centre;
- The new Sheldon M. Chumir Health Centre in Calgary;
- Expansion of the Rockyview, Foothills and Peter Lougheed hospitals in Calgary;
- Redevelopment of the Royal Alexandra Hospital in Edmonton, including a new surgical centre, and hospitals in Lethbridge, Red Deer, Edson, Barrhead, Viking and High Prairie;
- Replacing the Eastwood primary health centre in Edmonton;
- Constructing the joint Health Sciences Ambulatory Learning Centre in Edmonton in a partnership between Capital Health and the University of Alberta;
- Capital Health's ongoing acute care bed reclamation in various facilities in Edmonton and area;
- \$309 million for health information systems, such as the diagnostic imaging strategy and Electronic Health Record – Alberta Netcare, and
- \$95 million for the acquisition of various vaccines.

*South Calgary Hospital and Health Sciences Ambulatory Learning Centre in Edmonton will receive over \$1.1 billion in total.*

## **SCHOOLS**

Alberta's schools will receive \$833 million in 2006-09 for preservation and expansion projects as well as new facilities. Included is funding to continue the \$229 million announced in 2005-06 for schools and portable classrooms to address enrolment pressures and support implementation of the class size initiative. School projects include:

- A new education centre in Lethbridge that will serve both public and Catholic students;
- Support for Francophone schools;
- New modular classrooms and the relocation of existing portable classrooms;

*Alberta's schools will receive \$833 million.*



- Additional new schools in locations such as Calgary, Edmonton, Grande Prairie, Peavine Métis Settlement, and Sylvan Lake, and
- Additional school modernizations and renovations in locations throughout Alberta.

### **POST-SECONDARY FACILITIES**

The \$1.1 billion investment in post-secondary facilities supports the government's commitment to advanced education and a skilled work force. This funding, with the \$85 million added during 2005-06, will allow the government to create additional spaces in universities, colleges and technical institutions by investing in facilities such as:

- University of Alberta's Centennial Centre for Interdisciplinary Science, which will expand access to undergraduate and graduate science programs;
- University of Calgary's digital library, which will improve services for students and is part of the Alberta-wide initiative for the Lois Hole Campus Alberta Digital Library;
- Bow Valley College in Calgary, which will increase access in career preparation programs;
- Red Deer College trades training expansion, which will result in increased access to trades and industry training in central Alberta;
- Grant MacEwan's Health Care Learning Centre in Edmonton to provide capacity for high demand health programs;
- Lakeland College Lloydminster campus expansion, which will increase access to programs for heavy oil, health education and degree completion;
- University of Lethbridge's Alberta Water and Environmental Science Building to increase research capacity and access for graduate students;
- University of Calgary faculty of veterinary medicine, which will start admitting its first students in 2007, and
- Northern Alberta Institute of Technology - Centre for Apprenticeship Training in Edmonton and Grande Prairie, to significantly increase the training capacity for instrument technicians, machinists, millwrights, electricians, welders, plumbers and steamfitters/pipefitters.

The Capital Plan also supports multi-purpose facilities such as the Health Science Ambulatory Learning Centre, which is a joint initiative of Capital Health and the University of Alberta, and the Olds Community Learning Campus, which is a joint initiative of Olds College and the Chinook's Edge School Division.

### **COMMUNITY FACILITIES AND CENTENNIAL PROJECTS**

Funding of \$376 million over three years includes:

- \$68 million for ongoing funding for maintenance and upgrades to provincial parks, museums and historic sites for the enjoyment of Albertans and to enhance the Alberta tourism experience;

*Post-secondary facilities capital funding more than doubles to \$1.1 billion.*

*Support for community facilities will reach \$376 million.*

- The Calgary and Edmonton exhibition facilities receive grants of \$3 million each per year for capital redevelopment projects and also received \$35 million each for facility upgrades in 2005-06;
- \$20 million for the Calgary Zoo, which represents the balance of the \$35 million, two-year commitment for improvements such as expanding the elephant house and upgrading classrooms, laboratories and display areas to place the Calgary Zoo amongst the top zoo destinations in the world;
- The ongoing Community Facility Enhancement Program which provides matching grants of \$38.5 million per year to support the expansion and upgrading of Alberta's extensive network of community-use facilities;
- The expansion and renewal of the Royal Alberta Museum to enhance the visitor experience and attract world class touring exhibits, and
- \$15 million for the Art Gallery of Alberta in Edmonton, towards its new facility.

*Water for Life strategy supports municipalities.*

#### **WATER AND WASTEWATER MANAGEMENT**

Water infrastructure will receive \$277 million in funding. Under the government's *Water for Life* strategy, \$126 million is provided for municipalities and a further \$7 million for government water monitoring systems. Funding also includes:

- Irrigation rehabilitation grants, and
- Government dams, canals and erosion-control infrastructure.

During 2005-06, \$56 million over the commitment in *Budget 2005* was added to municipal water infrastructure.

#### **GOVERNMENT FACILITIES, HOUSING AND EQUIPMENT**

The three-year support for government facilities, equipment and information technology investments includes:

- \$24 million to complete the Rural Affordable Supportive Living program, for which \$76 million was provided in 2005-06. Funding for this program was enhanced in 2005-06 by \$50 million as part of the government's rural housing initiative, which also saw \$15 million provided for lodge repairs and renovations and \$25 million for affordable housing partnerships;
- \$44 million to complete Phase II of the Canada/Alberta Affordable Housing Agreement. Under this multi-year agreement, nearly \$200 million in federal and provincial funding will have been provided for affordable housing in Alberta;
- Completion of the Calgary Courts Centre by 2007;
- Ongoing upgrades to air tanker bases and aircraft, and
- Information technology and government facility upgrades.

*Housing support continues for those in need.*

*Calgary Courts Centre to be completed in 2007.*

#### **CAPITAL FOR EMERGENT PROJECTS**

This \$372 million is to address emerging capital needs, which could include roads, schools, health and post-secondary facilities, water projects or other infrastructure.

## CAPITAL PLAN FUNDING SOURCES

The three sources of funding for the Capital Plan are current-year revenue, the Capital Account, and alternative financing. The 2006-09 Capital Plan will be funded as follows.

### Capital Plan Funding Sources

(millions of dollars)

	2006-07 Estimate	2007-08 Target	2008-09 Target	3-year Total
Current-year revenue	1,324	1,251	1,003	3,578
Capital Account	2,709	2,946	3,825	9,480
Alternative financing	148	116	-	264
<b>Total Capital Plan Funding</b>	<b>4,181</b>	<b>4,313</b>	<b>4,828</b>	<b>13,322</b>

*Capital Account provides over 70% of 2006-09 requirements.*

*Strong resource revenue reduces need for alternative financing.*

*Alberta's first private-finance P3 provides benefits like protection from cost overruns and a fixed opening date.*

*Alberta properly accounts for P3s.*

### ALTERNATIVE FINANCING

Alternative financing can be used to fund capital spending. *Budget 2005* anticipated \$1.3 billion in alternative financing, but strong revenues allowed this to be reduced. The \$264 million in alternative financing in the 2006-09 Capital Plan is for the Anthony Henday Southeast Ring Road public-private partnership (P3) in Edmonton.

### PUBLIC-PRIVATE PARTNERSHIPS

P3s give the government access to private sector expertise and allow the government to transfer certain risks to the private sector. As P3s can include private financing, they can be a funding source for the Capital Plan. If a P3 adds value, the government may choose to use P3s even when the Capital Plan does not require alternative financing.

The Edmonton Anthony Henday Southeast Ring Road is Alberta's first P3 that includes design, build, financing and road operation for 30 years. By using a P3, the government is protected from cost overruns, is insulated from risks such as weather delays and construction difficulties, has a fixed opening date (or penalties will be incurred), and has a 30-year extended warranty on the road. This segment of the Edmonton ring road is on schedule to open in the fall of 2007.

The P3 agreement on the Edmonton Anthony Henday Southeast Ring Road is a capital lease, so the government records the acquisition of a capital asset and the corresponding liability on its balance sheet. The government will have accumulated a \$356 million capital lease liability related to this project when it is completed.

The next planned ring road segment is Calgary's northeast leg of Stoney Trail. The government is seeking a P3 for this Calgary northeast leg. Options such as publicly financing a larger portion of the Calgary Northeast Ring Road are being explored. As it has not yet been determined that a P3 will be the preferred procurement option, the Calgary Northeast Ring Road is included in *Budget 2006* based on conventional procurement.

# Capital Plan Details

(millions of dollars)

	2006-07 Estimate	2007-08 Target	2008-09 Target	3-Year Total
<b>Municipal Infrastructure Support <sup>a</sup></b>				
Alberta Municipal Infrastructure Program	600	600	600	1,800
Municipal transportation grants	309	336	350	995
Federal funding for cities and communities	57	76	95	228
Canada/Alberta Municipal Rural Infrastructure Fund	30	30	18	78
Infrastructure Canada/Alberta Program	14	-	-	14
Waste management assistance	1	1	1	3
Special Infrastructure Assistance Program	3	3	3	9
<b>Total Municipal Infrastructure Support</b>	<b>1,014</b>	<b>1,046</b>	<b>1,067</b>	<b>3,127</b>
<b>Provincial Highway Network</b>				
Strategic Economic Corridors				
Rural North-South Trade Corridor	39	76	140	255
Urban North-South Trade Corridor	23	37	18	78
Edmonton Ring Road	191	142	298	631
Calgary Ring Road	137	257	476	870
North East Economic Corridor	175	113	158	446
Other economic corridors	38	33	36	107
Sub-total Strategic Economic Corridors	603	658	1,126	2,387
Highway construction	383	171	327	881
Provincial highway rehabilitation and planning	88	93	188	369
<b>Total Provincial Highway Network</b>	<b>1,074</b>	<b>922</b>	<b>1,641</b>	<b>3,637</b>
<b>Health Facilities and Equipment</b>				
Health facilities expansion and upgrading	607	991	908	2,506
Health information systems	110	100	99	309
Vaccines	31	32	32	95
<b>Total Health Facilities and Equipment</b>	<b>748</b>	<b>1,123</b>	<b>1,039</b>	<b>2,910</b>
<b>Schools</b>				
Schools expansion and upgrading	339	272	222	833
<b>Total Schools</b>	<b>339</b>	<b>272</b>	<b>222</b>	<b>833</b>
<b>Post-Secondary Facilities</b>				
Post-secondary facilities expansion and upgrading	278	459	385	1,122
<b>Total Post-secondary Facilities</b>	<b>278</b>	<b>459</b>	<b>385</b>	<b>1,122</b>

# Capital Plan Details - *continued*

(millions of dollars)

	2006-07 Estimate	2007-08 Target	2008-09 Target	3-Year Total
<b>Community Facilities and Centennial Projects</b>				
Community Facility Enhancement Program	38	39	38	115
Edmonton and Calgary exhibition redevelopment	6	6	6	18
Centennial legacy and heritage infrastructure grants	36	1	1	38
Government Centennial projects	15	48	74	137
Provincial parks, museums and historic sites	26	21	21	68
<b>Total Community Facilities and Centennial Projects</b>	<b>121</b>	<b>115</b>	<b>140</b>	<b>376</b>
<b>Water and Wastewater Management</b>				
Irrigation rehabilitation grants	24	24	24	72
Municipal water and wastewater grants <sup>a</sup>	32	54	40	126
Infrastructure Assistance for Municipal Wastewater <sup>a</sup>	5	5	5	15
Government water management infrastructure	26	24	7	57
Government water monitoring systems	3	2	2	7
<b>Total Water and Wastewater Management</b>	<b>90</b>	<b>109</b>	<b>78</b>	<b>277</b>
<b>Government Facilities, Housing and Equipment</b>				
Calgary Courts Centre	102	34	20	156
Supportive living and housing support	69	-	-	69
Firefighting equipment and facilities	31	20	20	71
Other government facilities and equipment	143	113	116	372
<b>Total Government Facilities, Housing and Equipment</b>	<b>345</b>	<b>167</b>	<b>156</b>	<b>668</b>
<b>Capital for Emergent Projects</b>	<b>172</b>	<b>100</b>	<b>100</b>	<b>372</b>
<b>Total Capital Plan</b>	<b>4,181</b>	<b>4,313</b>	<b>4,828</b>	<b>13,322</b>

<sup>a</sup> Municipal grants for water and wastewater of \$141 million are in Water and Wastewater Management.