

2005-08 CAPITAL PLAN



Table of Contents

| | |
|--|----|
| 2005-08 Capital Plan | 63 |
| Capital Priorities | 65 |
| 2005-08 Capital Plan Funding Sources | 67 |
| Capital Plan Details | 70 |

LIST OF CHARTS AND TABLES

| | |
|--|----|
| Interprovincial Comparison of Capital Expenditures | 64 |
| Capital Plan Support for \$9.2 Billion of Capital Projects | 65 |
| Capital Plan Summary | 66 |
| Provincial Support for Capital Projects | 68 |
| Capital Plan Funding Sources | 68 |
| Capital Plan Summary by Function | 70 |
| Capital Plan Details | 74 |

2005-08 Capital Plan

Quality infrastructure is an essential part of the government's 20-year strategic plan, *Today's Opportunities, Tomorrow's Promise*. Alberta's 2005-08 Capital Plan supports the infrastructure that will be needed to build the next Alberta. Each of the government's four areas of opportunity has integral capital infrastructure components supported in the 2005-08 Capital Plan. The following are examples of how the Capital Plan is linked to the government's 20-year strategy:

- ***Unleashing Innovation*** through:
 - completing the Health Research Innovation Centres at the University of Calgary and the University of Alberta, and
 - the National Institute for Nanotechnology at the University of Alberta.
- ***Leading in Learning*** through:
 - continuing work on over 100 school projects throughout Alberta;
 - the Centre for Apprenticeship Technologies at Northern Alberta Institute of Technology (NAIT);
 - the Banff Centre's Donald Cameron Hall;
 - the Cold Lake Campus for Portage College;
 - the Health Care Learning Centre at Grant MacEwan College, and
 - upgrading of facilities at the University of Alberta's Augustana Campus in Camrose.
- ***Competing in a Global Marketplace*** by:
 - completing the Leduc Agrivalue Processing Business Incubator, and
 - continuing the North-South Trade Corridor with its links through ring roads in Edmonton and Calgary.
- ***Making Alberta the Best Place to Live, Work and Visit*** through:
 - addition of \$1.8 billion for infrastructure support to municipalities;
 - completion of upgrades to the two Jubilee Auditoria for Alberta's centennial in September;
 - finalizing planning and commencing construction of the new Provincial Museum of Alberta;
 - continuing construction of the Calgary Courts Centre;
 - health care projects, such as a new hospital in South Calgary, and
 - support for Alberta's heritage buildings and parks.

OVER \$9 BILLION IN CAPITAL SUPPORT

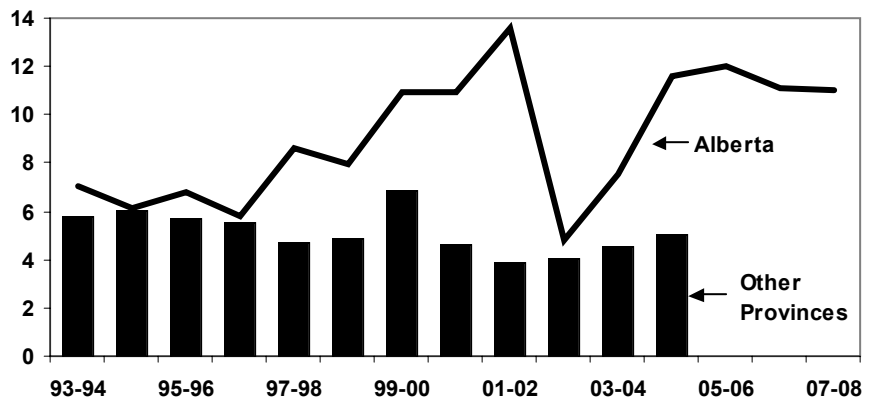
Rapid economic and population growth has put considerable pressure on Alberta's infrastructure. The 2005-08 Capital Plan addresses the infrastructure challenge by providing \$9.2 billion in support for Alberta's infrastructure needs over the next three years:

- \$6.1 billion in support for local authorities' infrastructure. Local authorities include school boards, post-secondary institutions, health authorities, municipalities and other local authorities and organizations, and
- \$3.1 billion investment in government-owned infrastructure.

Over the next three years, the government will support an average of \$3 billion per year in capital projects. This compares to annual spending of \$1 billion only a few years ago. Alberta's support for infrastructure as a percentage of total spending is considerably higher than the average of other provinces.

Interprovincial Comparison of Capital Expenditures

(% of total spending)



Source: Dominion Bond Rating Service Limited, The Canadian and Provincial Governments - 2004 Overview, September 2004. Alberta data for 2003-04 to 2007-08 has been updated by Alberta Finance to reflect the latest Capital Plan information.

Over one-third of the funding in the 2005-08 Capital Plan will be delivered to municipalities. Alberta's support for municipal infrastructure leads the way in Canada. This Capital Plan delivers on the first phase of the government's commitment to provide \$3 billion in additional infrastructure support to municipalities.

Capital Priorities

The 2005-08 Capital Plan commits \$9.2 billion to provincial and local infrastructure over the next three years, which is over \$2.7 billion higher than the \$6.5 billion budgeted in the 2004-07 Capital Plan.

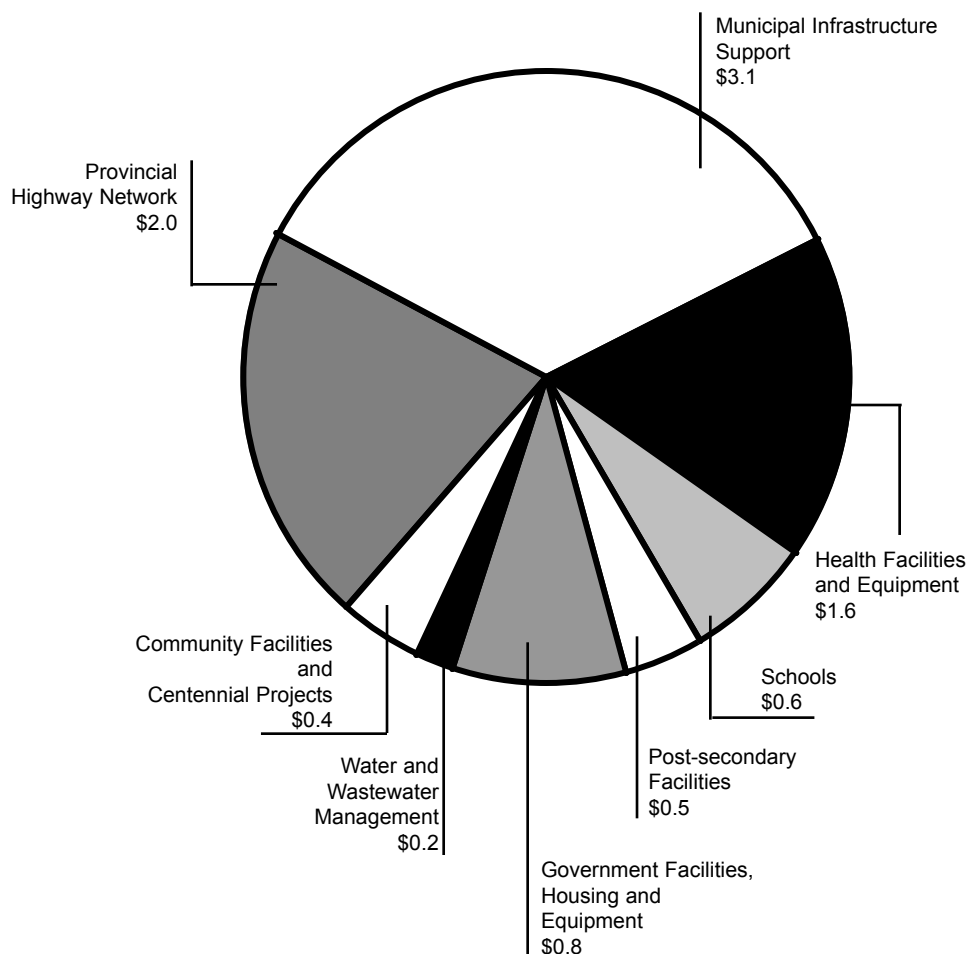
\$1.8 billion of this additional \$2.7 billion commitment is for the Municipal Infrastructure Program. Other increases include:

- new projects;
- cost pressures from the local construction market that is nearing capacity and higher world prices for commodities like steel, and
- scope increases on some projects.

The province will continue to manage its capital spending to ensure that Albertans get maximum value for the resources used.

Capital Plan Support for \$9.2 Billion of Capital Projects

(billions of dollars)



Capital Plan Summary

(millions of dollars)

| | 2005-06 Estimate | 2006-07 Target | 2007-08 Target | 3-year Total |
|--|---------------------|-------------------|-------------------|-----------------|
| Local Authorities' Capital | | | | |
| Municipal infrastructure support | 1,021 | 1,029 | 1,103 | 3,153 |
| Health facilities and equipment | 522 | 430 | 532 | 1,484 |
| Schools | 201 | 251 | 192 | 644 |
| Post-secondary facilities | 111 | 147 | 211 | 469 |
| Community facilities and Centennial projects | 82 | 46 | 46 | 174 |
| Water and wastewater management | 28 | 29 | 29 | 86 |
| Government facilities, housing and equipment | 51 | 29 | 6 | 86 |
| | 2,016 | 1,961 | 2,119 | 6,096 |
| Government-Owned Capital | | | | |
| Provincial highway network | 684 | 636 | 650 | 1,970 |
| Health facilities and equipment | 39 | 38 | 35 | 112 |
| Community facilities and Centennial projects | 94 | 41 | 71 | 206 |
| Water and wastewater management | 30 | 28 | 27 | 85 |
| Government facilities, housing and equipment | 303 | 278 | 169 | 750 |
| | 1,150 | 1,021 | 952 | 3,123 |
| Total Capital Plan | 3,166 | 2,982 | 3,071 | 9,219 |

LOCAL AUTHORITIES' CAPITAL

The Capital Plan will support \$6.1 billion of local authorities' capital projects and equipment purchases. Support has been focused in three areas – municipal infrastructure support, health and education.

MUNICIPAL INFRASTRUCTURE SUPPORT

- \$3.1 billion for municipal infrastructure support, including:
 - \$1.8 billion for the first 3 years of the new five-year, \$3 billion Municipal Infrastructure Program;
 - \$952 million for provincial transportation grants;
 - \$160 million in federal funding for municipalities. The province will receive the funds from the federal government for the recently announced New Deal for Cities and Communities and will then allocate the funds to municipalities, and
 - \$241 million in grants under programs such as the Canada/Alberta Municipal Rural Infrastructure Fund and the Infrastructure Canada/Alberta Program.

HEALTH AND EDUCATION

- \$1.5 billion in grants to health authorities for facilities and equipment. Projects include support for the construction of the South Calgary Hospital, completion of expansions and upgrades in Edson, Lethbridge, Rimbey, and other locations, and ongoing maintenance and preservation funding;
- \$644 million for schools. Projects include new facilities and upgrades in locations such as Buffalo Head Prairie, Calgary, Cold Lake, Devon, Edmonton and Rocky Mountain House, and

- \$469 million for post-secondary projects that include the NAIT Centre for Apprenticeship Technologies, completing the Health Research Innovation Centres in Edmonton and Calgary, upgrades in Lethbridge, Red Deer and Medicine Hat, and other ongoing projects.

This Capital Plan will support the development of multi-purpose facilities like the Health Sciences Ambulatory Learning Centre, which is a joint Capital Health/University of Alberta project. The Centre will improve access to Capital Health ambulatory clinics, which will be integrated with teaching space for the University of Alberta's health sciences programs.

In addition to the municipal, health and education support, \$346 million is allocated for grants for water and wastewater management, community facilities, centennial projects and housing, including \$50 million for Rural Affordable Supportive Living.

GOVERNMENT-OWNED CAPITAL

\$3.1 billion will be invested in government-owned capital, primarily in the provincial highway network. Investments will include:

- \$1.3 billion for strategic economic corridors, including the Edmonton and Calgary ring roads, the North-South Trade Corridor, and highway system improvements in and to the Fort McMurray/Wood Buffalo area;
- \$713 million for road construction, bridge construction, highway planning, and highway rehabilitation, and
- \$1.1 billion for new or upgraded government facilities, parks, equipment, and information technology systems. Information technology projects include health systems development such as the electronic health record.

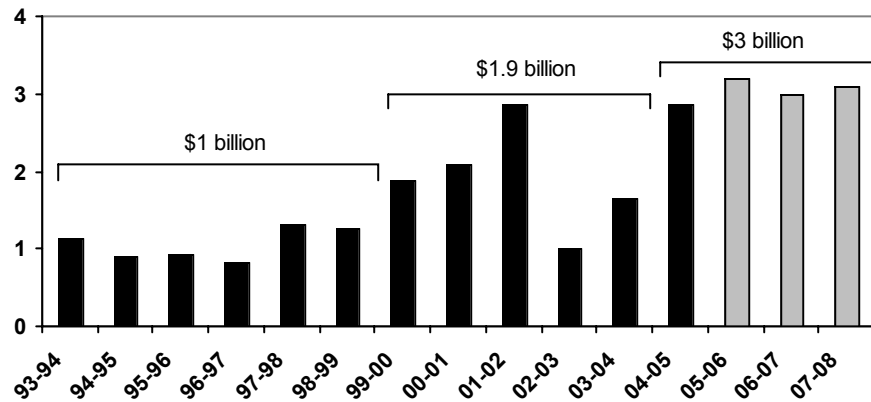
2005-08 Capital Plan Funding Sources

The fiscal framework, which was first introduced in *Budget 2003*, allows the government to address Alberta's infrastructure needs in a more predictable way. Previously, the amount allocated in a particular year for capital depended primarily on the resource revenue outlook for that year. The government now has the flexibility to formulate predictable, long-term capital commitments through the use of the Capital Account and alternative financing.

This approach has allowed a significant increase in the level of capital spending. The 2005-08 Capital Plan averages over \$3 billion per year, almost three times the average of only a few years ago.

Provincial Support for Capital Projects

(billions of dollars)



Note: 2001-02 included pre-funding of capital spending for 2002-03.

The 2005-08 Capital Plan is funded from three sources:

- Current-year revenues – \$3.3 billion which until recently was the only source of funding for capital;
- Capital Account – \$4.6 billion, or 50% of the total Capital Plan, and
- Alternative financing – \$1.3 billion, which includes public-private partnerships (P3s).

Capital Plan Funding Sources

(millions of dollars)

| | 2005-06 Estimate | 2006-07 Target | 2007-08 Target | 3-year Total |
|-----------------------------------|---------------------|-------------------|-------------------|-----------------|
| Current-year revenue | 1,348 | 916 | 998 | 3,262 |
| Capital Account | 1,709 | 1,753 | 1,157 | 4,619 |
| Alternative financing: | | | | |
| Local authorities' capital | 26 | 10 | 580 | 616 |
| Government-owned capital | 83 | 303 | 336 | 722 |
| Subtotal | 109 | 313 | 916 | 1,338 |
| Total Capital Plan Funding | 3,166 | 2,982 | 3,071 | 9,219 |

CAPITAL ACCOUNT

The Capital Account, established in 2002-03, helps increase the predictability of capital spending by allowing surplus money in one year to be carried forward to pay for capital projects in future years. Over the last two years, the Capital Account has been used to fund nearly \$2.3 billion in capital projects. Over the next three years, the Capital Account is expected to fund an additional \$4.6 billion in capital projects.

ALTERNATIVE FINANCING

The 2005-08 Capital Plan assumes that \$1.3 billion in capital projects will be financed through alternative financing:

- \$616 million for approved local authorities' capital projects, and
- \$722 million in provincial government-owned capital, including \$347 million for the Edmonton Southeast Ring Road.

Alternative financing is borrowing, which is allowed for capital projects supported by the government. Borrowing can be in the form of government or local authority debt, capital leases or public-private partnerships. Alternative financing proposals, including local authorities' projects to be funded by the province, must be assessed on their merits, using a business-case analysis.

Public-Private Partnerships (P3s)

Public-private partnerships come in many forms. P3s allow the government to access private sector expertise and innovation in constructing capital projects and can provide the opportunity to transfer design, financing, construction and operating risks. P3s will only be pursued where value for money can be achieved compared to traditional means of construction, financing and operating.

Alberta will account fully for all of its P3 projects. For capital leases, the government is reporting a capital asset equal to the net present value of future capital lease payments, together with an offsetting liability on its balance sheet, to recognize its obligations under the agreement with the private-sector partner. This is how the Edmonton Southeast Ring Road is reported in *Budget 2005*.

During 2004-05, it was determined that the Calgary Courts Centre P3 project, as initially designed, did not deliver enough value so the decision was made for government to finance the project. While the project is now to be financed by the government, a private consortium will design, construct, operate and maintain the asset for a 30-year period.

Local Authorities' Capital

The Capital Plan funding includes alternative financing of \$616 million that will be incurred by local authorities for approved capital projects. The specific projects and methods of alternative financing are yet to be determined. The government will pay local authorities for the financing costs (principal and interest) of these approved projects.

Government-Owned Capital

The Edmonton Southeast Ring Road is Alberta's first highway constructed as a P3 and is part of the \$722 million identified for alternatively financed government projects. A private consortium will design, finance, construct, operate and maintain the asset for a period of 30 years. The federal government will contribute \$75 million to the cost of the project. The provincial government will start to make payments over the 30-year period when the road is open for travel. The net present value of the alternative financing for this project is estimated at \$356 million. Construction of the road will commence this spring and it is scheduled to be open in October 2007. The road will be built to full freeway standards.

Other than the existing P3 for the Edmonton Southeast Ring Road, no other alternatively financed capital projects have been identified.

Capital Plan Details

Capital Plan Summary by Function

(millions of dollars)

| | 2005-06 Estimate | 2006-07 Target | 2007-08 Target | 3-year Total |
|--|---------------------|-------------------|-------------------|-----------------|
| Municipal infrastructure support | 1,021 | 1,029 | 1,103 | 3,153 |
| Provincial highway network | 684 | 636 | 650 | 1,970 |
| Health facilities and equipment | 561 | 468 | 567 | 1,596 |
| Schools | 201 | 251 | 192 | 644 |
| Post-secondary facilities | 111 | 147 | 211 | 469 |
| Community facilities and Centennial projects | 176 | 87 | 117 | 380 |
| Water and wastewater management | 58 | 57 | 56 | 171 |
| Government facilities, housing and equipment | 354 | 307 | 175 | 836 |
| Total Capital Plan | 3,166 | 2,982 | 3,071 | 9,219 |

MUNICIPAL INFRASTRUCTURE SUPPORT

A total of \$3.1 billion over three years will be provided for municipal infrastructure support programs, including:

- \$1.8 billion over three years as part of the new Alberta Municipal Infrastructure Program. This represents the first three years of the \$3 billion commitment made to municipalities.
- \$1.35 billion over three years will be provided for the following:
 - Municipal transportation grants of \$952 million, including the grants based on 5 cents per litre of fuel delivered in Edmonton and Calgary; \$60 per capita for other urban municipalities; formula-based grants for rural municipalities, and grants to municipalities to facilitate resource development.
 - Municipal water and wastewater grants totaling \$118 million.
 - Federal funding for cities and communities totaling \$160 million. The province is allocating the funding to municipalities.
 - Alberta's share of the Canada/Alberta Municipal Rural Infrastructure Fund, totaling \$70 million and the Infrastructure Canada/Alberta Program, totaling \$41 million. The programs are cost shared on an equal basis among the federal, provincial and municipal governments.
 - Assistance for waste disposal.
 - Grants to communities in National Parks.

PROVINCIAL HIGHWAY NETWORK

Investment in the provincial highway network will total just under \$2 billion over the three years. Capital projects will include new highways, highway resurfacing and widening, interchange and intersection construction and improvements, and bridge work. Major projects over the next three years include:

- Twinning the North-South Trade Corridor. This trade corridor is one of Alberta's most important trade routes, linking Mexico, the United States and Canada. In Alberta, the CANAMEX Trade Corridor starts in Coutts in the south and goes north to Grande Prairie;
- Construction of the Southeast portion of the ring road in Edmonton;
- Construction of the Northwest portion of the ring road in Calgary, and
- Significant upgrades to Highways 63 and 881 in and to the Fort McMurray/Wood Buffalo area.

HEALTH FACILITIES AND EQUIPMENT

The three-year Capital Plan includes support for \$1.6 billion in health facilities and equipment.

A total of \$1.2 billion over three years will be provided for the construction and upgrading of health facilities. Projects include:

- Commencement of construction of the South Calgary Hospital;
- Commencement of construction of the joint-use Health Sciences Ambulatory Learning Centre in Edmonton;
- Completion of the Alberta Children's Hospital in Calgary and the Alberta Heart Institute in Edmonton, and
- Continued redevelopment of the:
 - Red Deer Regional Hospital;
 - Royal Alexandra Hospital in Edmonton;
 - First phase of the Foothills Medical Centre in Calgary;
 - First phase of the Peter Lougheed and Rockyview hospitals in Calgary, and
 - Completion of expansions and upgrades in Edson, Lethbridge, Rimbey, and other locations.

A total of \$356 million over three years will be provided for health equipment and information systems development:

- \$206 million is being provided for the Diagnostic Imaging Strategy, to improve digital imaging services through expanded digital networks, and for other health equipment acquisitions for which the federal government is transferring \$50 million, and
- \$150 million to develop health information systems, including the development of the electronic health record and a regional, shared health information system.

SCHOOLS

The Capital Plan will support \$644 million over three years for school capital projects. Funds will be provided for over 100 previously committed modernization and expansion projects including:

- Victoria Composite School in Edmonton;
- Schools in Calgary, and
- A variety of other projects, for example, in Leduc, Airdrie, Didsbury, Okotoks, Fort McMurray, St. Albert, Fort Vermilion, St. Paul, Grande Prairie and Red Deer.

POST-SECONDARY FACILITIES

The Capital Plan will support a total of \$469 million in post-secondary facilities expansion and upgrades over three years.

Projects commencing in 2005-08 include:

- The joint-use Health Sciences Ambulatory Learning Centre;
- Cold Lake Campus of Portage College;
- Facility upgrades at Lethbridge Community College, Red Deer College, Medicine Hat College, and Northern Lakes College, and
- Health Care Learning Centre at Grant MacEwan College in Edmonton.

Research facilities to be completed include the Health Research Innovation Centres and the National Institute for Nanotechnology.

COMMUNITY FACILITIES AND CENTENNIAL PROJECTS

The Capital Plan will provide \$380 million over three years for community facilities and centennial projects, including:

- \$117 million for the Community Facility Enhancement Program, which provides matching grants for building, purchasing, repairing and renovating family and community wellness facilities;
- \$18 million for grants for exhibition facility redevelopment;
- \$30 million for the Alberta Centennial Legacy Grants Program. In all three phases of this program, approximately \$114 million has been awarded for 104 community-owned capital projects commemorating Alberta's centennial;
- \$125 million in government centennial projects, including the Provincial Museum of Alberta and significant upgrades to the Northern and Southern Jubilee Auditoria;
- \$5 million for seniors' lodges upgrades, and
- \$79 million for provincial parks, including \$13 million for the Canmore Nordic Centre which is being upgraded in preparation for the 2005 World Cup of Cross-Country Skiing, in December 2005.

WATER AND WASTEWATER MANAGEMENT

The Capital Plan includes \$171 million over three years for water and wastewater management, including:

- \$70 million for irrigation rehabilitation grants;
- \$15 million for municipal wastewater assistance;
- \$78 million for government-owned dams, canals and erosion control infrastructure, and
- \$8 million for government water monitoring equipment.

GOVERNMENT FACILITIES, HOUSING AND EQUIPMENT

The Capital Plan will support \$836 million over three years for other capital and information technology projects. Initiatives include:

- \$237 million to continue construction of the Calgary Courts Centre;
- \$50 million for Rural Affordable Supportive Living;
- \$25 million for the Canada/Alberta Affordable Housing Agreement, of which the federal government provides 50%;
- \$17 million for the Leduc Agrivalve Processing Business Incubator and the Level III Biocontainment Laboratory;
- \$59 million for forest firefighting, to improve the air fleet, air tanker bases, equipment and other facilities;
- information technology upgrades, and
- government facility upgrades.

Capital Plan Details

(millions of dollars)

| | 2005-06 Estimate | 2006-07 Target | 2007-08 Target | 3-Year Total |
|--|---------------------|-------------------|-------------------|-----------------|
| Municipal Infrastructure Support | | | | |
| Alberta Municipal Infrastructure Program | 600 | 600 | 600 | 1,800 |
| Alberta Cities Transportation Partnerships | 200 | 204 | 226 | 630 |
| Rural transportation partnerships | 61 | 58 | 62 | 181 |
| Streets improvement program | 31 | 31 | 31 | 93 |
| Resource road programs | 16 | 16 | 16 | 48 |
| Municipal water and wastewater grants | 32 | 32 | 54 | 118 |
| Federal funding for cities and communities | 40 | 40 | 80 | 160 |
| Canada/Alberta Municipal Rural Infrastructure Fund | 10 | 30 | 30 | 70 |
| Infrastructure Canada/Alberta Program | 27 | 14 | - | 41 |
| Waste management assistance | 1 | 1 | 1 | 3 |
| Special Infrastructure Assistance Program | 3 | 3 | 3 | 9 |
| Total Municipal Infrastructure Support | 1,021 | 1,029 | 1,103 | 3,153 |
| Provincial Highway Network | | | | |
| Strategic Economic Corridors | | | | |
| Rural North-South Trade Corridor | 71 | 33 | 74 | 178 |
| Urban North-South Trade Corridor | 25 | 22 | 37 | 84 |
| Edmonton Ring Road | 196 | 180 | 141 | 517 |
| Calgary Ring Road | 51 | 111 | 82 | 244 |
| Other economic corridors | 80 | 71 | 83 | 234 |
| Subtotal Strategic Economic Corridors | 423 | 417 | 417 | 1,257 |
| Highway construction | 148 | 141 | 141 | 430 |
| Highway Rehabilitation and Planning | 113 | 78 | 92 | 283 |
| Total Provincial Highway Network | 684 | 636 | 650 | 1,970 |
| Health Facilities and Equipment | | | | |
| Health facilities expansion and upgrading | 392 | 369 | 479 | 1,240 |
| Diagnostic and medical equipment | 102 | 52 | 52 | 206 |
| Health information systems | 67 | 47 | 36 | 150 |
| Total Health Facilities and Equipment | 561 | 468 | 567 | 1,596 |
| Schools | | | | |
| School facilities expansion and upgrading | 201 | 251 | 192 | 644 |
| Total Schools | 201 | 251 | 192 | 644 |
| Post-secondary Facilities | | | | |
| Post-secondary facilities expansion and upgrading | 111 | 147 | 211 | 469 |
| Total Post-secondary Facilities | 111 | 147 | 211 | 469 |

Capital Plan Details - *continued*

(millions of dollars)

| | 2005-06 Estimate | 2006-07 Target | 2007-08 Target | 3-Year Total |
|---|---------------------|-------------------|-------------------|-----------------|
| Community Facilities and Centennial Projects | | | | |
| Community Facility Enhancement Program | 39 | 39 | 39 | 117 |
| Edmonton and Calgary exhibition redevelopment | 6 | 6 | 6 | 18 |
| Centennial legacy and heritage infrastructure grants | 32 | 2 | 2 | 36 |
| Government Centennial projects | 61 | 15 | 49 | 125 |
| Seniors' lodges | 5 | - | - | 5 |
| Provincial parks upgrading | 33 | 25 | 21 | 79 |
| Total Community Facilities and Centennial Projects | 176 | 87 | 117 | 380 |
| Water and Wastewater Management | | | | |
| Irrigation rehabilitation grants | 22 | 24 | 24 | 70 |
| Infrastructure Assistance for Municipal Wastewater | 5 | 5 | 5 | 15 |
| Government water management infrastructure | 28 | 25 | 25 | 78 |
| Government water monitoring systems | 3 | 3 | 2 | 8 |
| Total Water and Wastewater Management | 58 | 57 | 56 | 171 |
| Government Facilities, Housing and Equipment | | | | |
| Calgary Courts Centre | 114 | 98 | 25 | 237 |
| Rural Affordable Supportive Living | 26 | 24 | - | 50 |
| Canada/Alberta Affordable Housing Agreement | 25 | - | - | 25 |
| Leduc Agrivalue Processing Business Incubator | 12 | - | - | 12 |
| Level III Biocontainment Laboratory | 5 | - | - | 5 |
| Other government facilities and equipment | 172 | 185 | 150 | 507 |
| Total Government Facilities, Housing and Equipment | 354 | 307 | 175 | 836 |
| Total Capital Plan | 3,166 | 2,982 | 3,071 | 9,219 |

