

# THE CAPITAL PLAN

Alberta **2003** Budget  

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Making Alberta Even Better

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# The Capital Plan

*“This is not a short-term, stop gap measure – it is a three-year down payment on a long-term infrastructure plan that will keep pace with the growth and expansion of the province.”*

**Premier Ralph Klein  
March 20, 2003**

*The new fiscal framework will bring sustainability and predictability to capital spending.*

Beginning with Budget 2003, the government will publish a three-year capital plan each year as required by Alberta's new fiscal framework. The capital plan sets out the government's commitment to both government-owned capital projects and local authorities' capital projects.

This commitment is possible because fundamental changes are being made to the way the government manages and accounts for capital spending to bring an end to stop-and-go funding of infrastructure. Details of these changes are contained in the chapter, *A New Fiscal Framework for Alberta*.

## INFRASTRUCTURE CHALLENGES

As part of the spending reductions in the 1990s to restore fiscal balance in Alberta, funding of capital projects was reduced to around \$1 billion per year. This level of funding has proved to be inadequate to meet Alberta's growing infrastructure needs.

Alberta has been experiencing rapid economic and population growth over the last few years, placing the province's infrastructure under enormous pressure. In addition, elements of the province's infrastructure are aging and significant reinvestment is required to ensure that the integrity of existing infrastructure is maintained.

In the three years from 1999-2000 to 2001-02, high resource revenue allowed the government to more than double its planned infrastructure spending. About \$3.5 billion of additional funding was provided. This temporary funding increase allowed many urgent infrastructure priorities to be addressed. However, the extra funding was a mixed blessing. When revenue fell unexpectedly in the fall of 2001, many planned projects had to be deferred until they were affordable. Stop-and-go funding makes it very difficult for the government and local authorities to plan effectively and get the best value for their dollars.

A better approach was needed. The new fiscal framework will bring sustainability and predictability to capital spending.

*“This three-year \$5.5 billion commitment demonstrates that this government is serious about tackling the province’s infrastructure pressures in partnership with Albertans.”*

**Premier Ralph Klein  
March 20, 2003**

## CAPITAL PLAN OVERVIEW

The new three-year capital plan commits a total of \$5.5 billion for capital over the next three years. This is an average of \$1.85 billion per year. In 2002-03, capital spending was \$941 million.

The capital plan includes major projects deferred in the fall of 2001 that have not yet been funded. Funding has also been included to replace some facilities that are beyond their useful life spans, and to continue the process of preserving and maintaining existing infrastructure.

Capital plan funding will be allocated over the next three years as follows:

- \$1.5 billion for the provincial highway network,
- \$893 million for municipal transportation grants,
- \$970 million for health facilities and equipment,
- \$511 million for school facilities and equipment,
- \$373 million for post-secondary facilities,
- \$262 million for water and wastewater management,
- \$209 million for community facilities,
- \$129 million for housing programs,
- \$121 million for other infrastructure programs, and
- \$548 million for government facilities, equipment and inventories.

An additional \$1.4 billion will be required beyond 2005-06 to complete some projects included in the three-year capital plan. About half of this will be required to complete construction of the North-South Trade Corridor and the Edmonton and Calgary ring roads.

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### Capital Plan Summary

(millions of dollars)

	2003-04 Estimate	2004-05 Target	2005-06 Target	Three-year Total
Provincial highway network	457	523	548	1,528
Municipal transportation grants	242	322	329	893
Health facilities and equipment	284	329	357	970
School facilities and equipment	136	189	186	511
Post-secondary facilities	135	172	66	373
Water and wastewater management	86	88	88	262
Community facilities	63	82	64	209
Housing	44	51	34	129
Other infrastructure programs	77	27	17	121
General government capital	139	202	207	548
<b>Total Capital Plan</b>	<b>1,663</b>	<b>1,985</b>	<b>1,896</b>	<b>5,544</b>

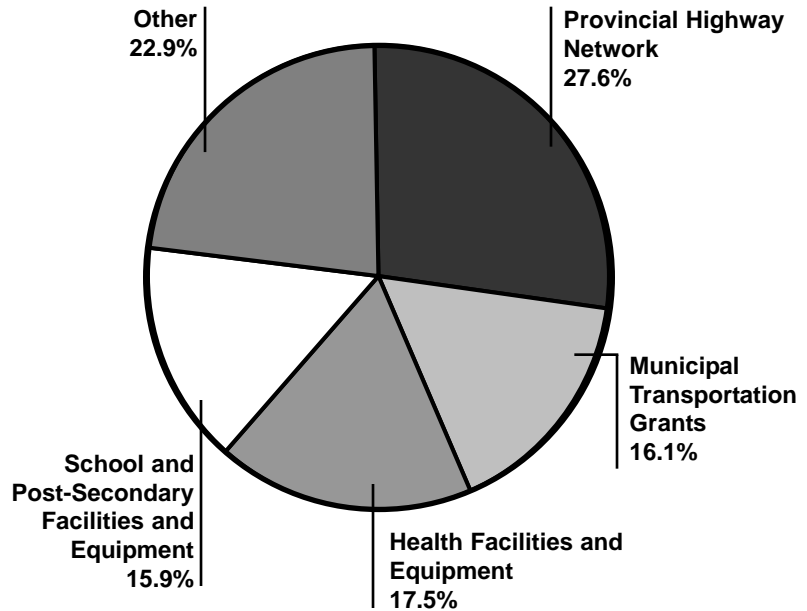
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## 2003-06 Capital Plan

### \$5.5 billion

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### FUNDING OF THE CAPITAL PLAN

The new fiscal framework provides additional options for the funding of capital projects. Previously, all capital spending was on a pay-as-you-go basis, with the cost of capital projects being charged to the government's bottom line as the projects were constructed. This essentially meant that government revenue in the current year was the only source of funding for capital construction.

In the new capital plan, current-year revenue will continue to be the main source of funding, providing over \$3.2 billion over the next three years. However, two additional sources will also be available:

- A Capital Account has been established, which will allow surplus revenue from one year to be saved to fund capital projects in future years. The Capital Account received \$910 million from the 2002-03 surplus that will be used to help fund the three-year capital plan. Additional dollars may be added to the Capital Account in future years once a balance of at least \$2.5 billion is built up in the new Alberta Sustainability Fund.
- Alternative financing will be used. This could include, for example, public-private partnerships (P3s), capital leases, capital bonds and other borrowing. The capital plan assumes that \$1.4 billion in alternative financing will be undertaken in 2004-05 and 2005-06. Financing costs (principal and interest payments) are estimated to total \$98 million over those two years.

*The new Capital Account will provide \$910 million to help fund the capital plan.*

*Alternative financing of \$1.4 billion will help fund the capital plan.*

An Advisory Committee on Alternative Capital Financing will be established to advise the government on the best approach to alternative financing for each project being considered, based on business case analysis. The Committee will consist of private sector individuals with expertise in areas such as finance and investment management, real estate development, and commercial law. Alternative financing will be used for both government-owned capital projects and government-supported projects owned by school boards, health authorities and post-secondary institutions.

## Capital Plan Funding

(millions of dollars)

	2003-04 Estimate	2004-05 Target	2005-06 Target	Three-year Total
Current-year revenue	1,040	1,078	1,126	3,244
Capital Account	623	287	—	910
Alternative financing	—	620	770	1,390
<b>Total Capital Plan</b>	<b>1,663</b>	<b>1,985</b>	<b>1,896</b>	<b>5,544</b>

## CAPITAL PLAN DETAILS

### PROVINCIAL HIGHWAY NETWORK

The capital plan includes \$1.5 billion over the next three years for the provincial highway network, the largest single category in the capital plan. Capital projects include new or widened highways and significant safety improvements, such as new interchanges and bridge replacements.

The full three-year construction plan is available from the Ministry of Transportation. Major projects include:

- Further work on the twinning of the North-South Trade Corridor.
- Further work on key elements of the Deerfoot Trail extension of the North-South Trade Corridor in Calgary, including interchanges at McKenzie Lake Boulevard, Douglasdale Drive and 130th Avenue S.E.
- Commencing new segments of the Calgary and Edmonton ring roads and continuing work on Anthony Henday Drive in Edmonton, including interchanges at Calgary Trail, Whitemud Drive and 87th Avenue.
- Building new interchanges, including:
  - Highway 1 at the junction of Highway 9,
  - Highway 1 at the junction of Cassils Road,
  - Highway 1 in Medicine Hat,
  - Highway 2 at the junction of Highway 567 near Airdrie,
  - Highway 2 near Innisfail, and
  - Highway 16 at the junction of Campsite Road.

*\$1.5 billion for the provincial highway network over the next three years.*

- Commencing work on more than 30 bridge replacements, including:
  - Highway 11A over the North Saskatchewan River at Rocky Mountain House,
  - Highway 49 over the Smoky River at Watino, and
  - Highway 727 over the Ksituan River near Spirit River.

*\$893 million for municipal transportation grants.*

### **MUNICIPAL TRANSPORTATION GRANTS**

The capital plan includes \$893 million to continue for the next three years municipal transportation grants of:

- 5 cents per litre of fuel delivered in Edmonton and Calgary,
- \$60 per capita for all other urban municipalities, and
- annual formula-based grants for rural municipalities.

*\$970 million for health facilities and equipment.*

### **HEALTH FACILITIES AND EQUIPMENT**

The capital plan includes \$970 million over the next three years for health facilities and equipment.

\$776 million of new, expanded and upgraded health facilities will be supported, including:

- constructing the new Alberta Children's Hospital in Calgary,
- constructing the Cardiac Centre of Excellence in Edmonton and the Bone and Joint Centre of Excellence in Calgary,
- expanding and upgrading the Royal Alexandra Hospital in Edmonton,
- completing the Red Deer Regional Hospital redevelopment, and
- replacing long-term care facilities in Edmonton, Westlock, Didsbury and Vegreville.

In addition, \$149 million will be provided for diagnostic and medical equipment, funded by transfers from the federal government, and \$45 million will be provided for We//net and other health-related information systems.

*\$511 million for school facilities and equipment.*

### **SCHOOL FACILITIES AND EQUIPMENT**

Over the last three years, \$1 billion has been provided for school facilities under the New Century School Plan. The capital plan includes a further \$511 million for facilities and equipment over the next three years, consisting of:

- \$226 million for the expansion of existing schools and the construction of new schools,
- \$224 million for the preservation of existing schools, and
- \$61 million for school technology upgrading.

School boards also receive operating grants to fund both operating costs (such as utilities and janitorial services) and maintenance costs (such as minor repairs, painting, floor coverings and other day-to-day maintenance).

*\$373 million for post-secondary facilities.*

## **POST-SECONDARY FACILITIES**

The capital plan includes \$373 million over the next three years to upgrade and expand post-secondary campuses, including:

- constructing the Health Research Innovation Centres at the Universities of Alberta and Calgary,
- the provincial contribution to the University of Alberta Natural Resources Engineering Facility, and
- \$90 million for preserving and upgrading facilities.

*\$262 million for water and wastewater management.*

## **WATER AND WASTEWATER MANAGEMENT**

The capital plan includes \$262 million over the next three years for water and wastewater management, consisting of:

- \$94 million for government-owned dams and associated infrastructure,
- \$78 million in grants to Irrigation Districts to upgrade irrigation infrastructure,
- \$75 million in grants to municipalities for water and wastewater treatment, and
- \$15 million for management of erosion and water resources.

*\$209 million for community facilities.*

## **COMMUNITY FACILITIES**

The capital plan includes \$209 million over the next three years for upgrading and expansion of community facilities, consisting of:

- \$115 million for the Community Facility Enhancement Program,
- \$89 million for centennial projects, and
- \$5 million for heritage infrastructure.

*\$129 million for housing.*

## **HOUSING**

The capital plan includes \$129 million over the next three years for housing programs, consisting of:

- \$104 million for the Canada/Alberta Affordable Housing Agreement, on top of the \$17 million provided in 2002-03, including federal funding under this agreement, and
- \$14 million for upgrading seniors lodges, and
- \$11 million for other social housing programs.



*\$69 million for the Alberta SuperNet and \$52 million for the Infrastructure Canada/Alberta Program.*

## **OTHER INFRASTRUCTURE PROGRAMS**

A total of \$121 million will be provided over the next three years for other infrastructure programs, consisting of:

- the final \$69 million of the government's \$193 million contribution to the Alberta SuperNet, which will provide 422 Alberta communities with high-speed connection to the internet, and
- \$52 million of Alberta's share of the costs of upgrading municipal infrastructure under the Infrastructure Canada/Alberta Program, which is cost-shared on an equal basis among the federal, provincial and municipal governments.

*\$548 million for government-owned facilities, equipment and inventories.*

## **GENERAL GOVERNMENT CAPITAL**

The capital plan includes \$548 million over the next three years for capital investment in government-owned facilities, equipment and inventories.

# Capital Plan Details

(millions of dollars)

	2003-04 Estimate	2004-05 Target	2005-06 Target	Three-Year Total
<b>Provincial Highway Network</b>				
<b>Strategic Economic Corridors</b>				
Rural North-South Trade Corridor	98.7	76.6	76.2	251.5
Urban North-South Trade Corridor - Deerfoot Trail	22.2	22.0	20.4	64.6
Edmonton ring road	59.2	103.7	129.8	292.7
Calgary ring road	2.0	66.0	75.0	143.0
Other economic corridors	23.1	21.4	44.4	88.9
<b>Sub-Total Strategic Economic Corridors</b>	<b>205.2</b>	<b>289.7</b>	<b>345.8</b>	<b>840.7</b>
<b>Highway Construction</b>				
Four-lane construction	2.4	3.0	8.2	13.6
Highway expansion projects	11.5	17.6	19.6	48.7
Interchange and intersection improvements	8.6	6.2	0.5	15.3
Other highway initiatives	57.2	57.2	57.2	171.6
Paving	21.8	12.1	7.5	41.4
Bridge replacement	10.6	9.0	18.9	38.5
Surface overlay and widening	52.4	40.8	14.9	108.1
<b>Sub-Total Highway Construction</b>	<b>164.5</b>	<b>145.9</b>	<b>126.8</b>	<b>437.2</b>
<b>Highway Rehabilitation</b>				
Pavement rehabilitation	67.8	68.0	53.8	189.6
Miscellaneous bridge rehabilitation	8.3	9.0	9.0	26.3
Minor rehabilitation programs	11.1	11.1	12.4	34.6
<b>Sub-Total Highway Rehabilitation</b>	<b>87.2</b>	<b>88.1</b>	<b>75.2</b>	<b>250.5</b>
<b>Total Provincial Highway Network</b>	<b>456.9</b>	<b>523.7</b>	<b>547.8</b>	<b>1,528.4</b>
<b>Municipal Transportation Grants</b>	<b>241.9</b>	<b>321.8</b>	<b>328.8</b>	<b>892.5</b>
<b>Health Facilities and Equipment</b>				
Preservation	122.7	108.6	85.6	316.9
Expansion	97.7	155.3	206.2	459.2
Diagnostic and medical equipment	49.6	49.6	49.7	148.9
We//net and health systems development	13.8	15.6	15.5	44.9
<b>Total Health Facilities and Equipment</b>	<b>283.8</b>	<b>329.1</b>	<b>357.0</b>	<b>969.9</b>
<b>School Facilities and Equipment</b>				
Preservation	48.1	81.8	93.8	223.7
Expansion	67.6	86.8	71.6	226.0
School technology upgrading	20.0	20.4	20.8	61.2
<b>Total School Facilities and Equipment</b>	<b>135.7</b>	<b>189.0</b>	<b>186.2</b>	<b>510.9</b>
<b>Post-Secondary Facilities</b>				
Preservation	24.8	28.8	36.4	90.0
Expansion	110.0	142.7	29.9	282.6
<b>Total Post-Secondary Facilities</b>	<b>134.8</b>	<b>171.5</b>	<b>66.3</b>	<b>372.6</b>
<b>Water and Wastewater Management</b>				
Dams and associated infrastructure	34.0	30.0	30.0	94.0
Irrigation upgrading grants	25.8	25.8	25.8	77.4
Municipal water and wastewater grants	25.0	25.0	25.0	75.0
Management of erosion and water resources	1.3	7.0	7.0	15.3
<b>Total Water and Wastewater Management</b>	<b>86.1</b>	<b>87.8</b>	<b>87.8</b>	<b>261.7</b>

## Capital Plan Details - *continued*

(millions of dollars)

	2003-04 Estimate	2004-05 Target	2005-06 Target	Three-Year Total
<b>Community Facilities</b>				
Community Facility Enhancement Program	38.5	38.5	38.5	115.5
Government-owned centennial projects	10.4	29.5	23.9	63.8
Centennial legacy grants	12.5	12.5	-	25.0
Heritage infrastructure	1.5	1.5	1.5	4.5
<b>Total Community Facilities</b>	<b>62.9</b>	<b>82.0</b>	<b>63.9</b>	<b>208.8</b>
<b>Housing</b>				
Canada/Alberta Affordable Housing Agreement	35.5	40.6	27.7	103.8
Seniors lodges	5.3	6.1	2.5	13.9
Other social housing	3.8	3.8	4.0	11.6
<b>Total Housing</b>	<b>44.6</b>	<b>50.5</b>	<b>34.2</b>	<b>129.3</b>
<b>Other Infrastructure Programs</b>				
Alberta SuperNet	58.7	10.0	-	68.7
Infrastructure Canada/Alberta Program	18.0	17.0	17.0	52.0
<b>Total Other Infrastructure Programs</b>	<b>76.7</b>	<b>27.0</b>	<b>17.0</b>	<b>120.7</b>
<b>General Government Capital</b>	<b>139.5</b>	<b>202.5</b>	<b>206.7</b>	<b>548.7</b>
<b>Total Capital Plan</b>	<b>1,662.9</b>	<b>1,984.9</b>	<b>1,895.7</b>	<b>5,543.5</b>

