

CANADA – PRINCE EDWARD ISLAND



**AGREEMENT ON THE TRANSFER OF FEDERAL GAS
TAX REVENUES UNDER
THE NEW DEAL FOR CITIES AND COMMUNITIES
2005-2015**

This Agreement made as of November 22, 2005,

- BETWEEN:** **HER MAJESTY IN RIGHT OF CANADA**
 ("Canada"), represented by the Minister of State
 (Infrastructure and Communities) ("Federal Minister") and the
 Minister of Atlantic Canada Opportunities Agency.
- AND:** **HER MAJESTY IN RIGHT OF THE PROVINCE
OF PRINCE EDWARD ISLAND** ("Prince Edward
Island"), represented by the Premier and the Minister of
Community and Cultural Affairs ("Prince Edward Island
Minister").

PREAMBLE

WHEREAS Canada and Prince Edward Island wish to cooperate in making a transformative difference in the sustainability and future prosperity of cities and communities in Prince Edward Island and for Canada's future.

WHEREAS The New Deal for Cities and Communities will engage governments and stakeholders in purposeful partnerships, foster sustainable cities and communities across Canada and enable, all Canadians to achieve a higher quality of life and standard of living.

WHEREAS Canada and Prince Edward Island have agreed to cooperate under the New Deal for Cities and Communities, which is based on a long-term vision of sustainability and which integrates four interdependent dimensions: economic, environmental, social and cultural.

WHEREAS the Government of Canada's Budget 2005 outlined an intent to provide provinces and territories an amount equivalent to a portion of the federal excise tax on gasoline.

WHEREAS this Agreement includes the specific provisions on the Gas Tax for Environmentally Sustainable Municipal Infrastructure to primarily support environmental sustainability objectives under a New Deal for Cities and Communities.

WHEREAS this Agreement reflects the scope of expected areas of cooperation under a New Deal for Cities and Communities, and for which Canada and Prince Edward Island may enter into separate agreements, including possible trilateral agreements, to support sustainability objectives.

WHEREAS the Lieutenant Governor in Council by EC2005-221 has authorized the Minister of Community and Cultural Affairs to enter into this Agreement on behalf of Prince Edward Island.

WHEREAS Canada and Prince Edward Island recognize the need to improve the efficiency of the delivery of provincial programs and services to Local Governments through the establishment of a Canada-Prince Edward Island Infrastructure Secretariat.

WHEREAS Canada and Prince Edward Island recognize that thirty percent (30%) of the provincial population resides in non-incorporated areas, and core municipal

services are provided by the Province of Prince Edward Island, therefore, the definition of Local Government includes the Province.

AND WHEREAS Canada and Prince Edward Island signed an Umbrella Governance Framework to promote an effective shared vision for the overall administration, governance and general policy guidelines for infrastructure programs in Prince Edward Island, in cooperation with municipal leaders, including the three flagship programs: the Canada Strategic Infrastructure Fund (CSIF 2001, CSIF 2003), the Municipal Rural Infrastructure Fund (MRIF), and the Transfer of Federal Gas Tax Revenues under the New Deal for Cities and Communities (GTF/NDCC).

Principles

The Government of Canada and the Government of Prince Edward Island acknowledge that this Agreement has been negotiated with regard to the following principles:

- a. **Principle 1 – Respect for jurisdiction:** The Parties will respect the jurisdiction of all orders of government, while recognizing the merit of intergovernmental cooperation to support the objectives of the New Deal for Cities and Communities.
- b. **Principle 2 – A flexible approach:** In recognition of the diversity of Canadian provinces, territories, cities and communities, Canada will adopt a flexible approach regarding: the allocation of gas tax funds within Prince Edward Island; the mechanism to be used by Prince Edward Island for delivering gas tax funds; the nature of municipal involvement; and the nature of provincial contributions.
- c. **Principle 3 – Equity between provinces and territories:** Canada is committed to treating Provinces and Territories equitably. Canada and Prince Edward Island will commit to an equitable allocation of gas tax funds within Prince Edward Island, recognizing the need to balance urban and rural needs, the need to encourage regional approaches and to recognize the different capacities of municipalities.
- d. **Principle 4 – Promote long-term solutions:** Canada and Prince Edward Island will adopt a long-term focus for the purposes of this Agreement in order to contribute to sustainable cities and communities, including long-term, stable and predictable funding, and ongoing collaboration.

- e. **Principle 5 – Transparency:** The Parties commit to an open and transparent governance process for the purposes of implementing this Agreement.
- f. **Principle 6 – Regular reporting to Canadians:** Canada and Prince Edward Island will use the appropriate mechanisms to report regularly to the public on the expenditures and outcomes through the New Deal for Cities and Communities.

NOW THEREFORE, in accordance with the principles set out above, Canada and Prince Edward Island hereby agree as follows.

1. INTERPRETATION

1.1 Definitions

A capitalized term has the meaning given to it in this section unless the context clearly dictates otherwise.

“**Agreement**” means this Canada – Prince Edward Island agreement on the transfer of Funds.

“**Annual Expenditure Report**” means the annual report to be prepared and delivered by Prince Edward Island to Canada, more particularly described in Schedule D.

“**Audit Report**” means an audit report prepared, at Prince Edward Island’s cost, by the Prince Edward Island auditor general or other provincial licensed auditor, more particularly described in Schedule D.

“**Base Amount**” means the average of provincially-funded capital spending by Prince Edward Island, and the average of municipally-funded capital spending by municipalities on Municipal Infrastructure for the five years preceding the agreement (March 2000 – April 2005 for the Province and January 1999 – December 2004 for municipalities).

“**Canada – Prince Edward Island Infrastructure Secretariat**” means the secretariat created pursuant to the Municipal Rural Infrastructure Fund Agreement between Canada and PEI dated April 27, 2005.

“Capacity Building Projects” means projects and activities designed to assist Local Governments in building capacity by developing and implementing projects, such as integrated community sustainability plans and capital investment plans, as more particularly described in Schedule A.

“Capital Investment Plan” means a document created through a public process, with approval from locally-elected officials, providing a detailed understanding of anticipated investments into tangible capital assets that are considered “priorities” along with a rationale for these priorities.

“Environmentally Sustainable Municipal Infrastructure (ESMI) Projects” means Municipal Infrastructure projects that:

- (i) improve the quality of the environment and contribute to reduced greenhouse gas emissions, cleaner water or cleaner air; and,
- (ii) fall within the category of projects described in Schedule A hereto.

“Eligible Costs” means those costs described in Schedule B, incurred in respect of Eligible Projects.

“Eligible Projects” means Capacity Building Projects and ESMI Projects.

“Eligible Recipient” means:

- (i) A Local Government or its duly authorized agent (including its wholly-owned corporation);
- (ii) A non-municipal entity, on the condition that the Local Government where the proposed Eligible Project would be housed has indicated support for the Eligible Project through a formal resolution of the Local Government’s council. A non-municipal entity includes:
 - For-profit organizations (such as P3), or
 - Non-governmental organizations, or
 - Not-for-profit organizations;
- (iii) Prince Edward Island, on behalf of unincorporated areas of PEI.

“Eligible Recipient Requirement” means those requirements described in Schedule C hereto.

“**Fiscal year**” means the period beginning April 1 of a year and ending March 31 of the following year.

“**Funding Agreement**” means an agreement made between Prince Edward Island and an Eligible Recipient pursuant to which Funds are paid to the Eligible Recipient.

“**Funds**” means the funds made available pursuant to this Agreement and includes any interest earned on the said Funds.

“**GTF**” means the Gas Tax Fund Transfer Payment Program, pursuant to which this Agreement is entered into.

“**Incorporated Communities**” means communities in Prince Edward Island that are incorporated under Prince Edward Island’s *Municipalities Act*.

“**Infrastructure Programs**” means Canada’s infrastructure programs in existence at the time of the execution of this Agreement, including the Canada Strategic Infrastructure Fund, the Border Infrastructure Fund, the Municipal Rural Infrastructure Fund and the Infrastructure Canada Program.

“**Integrated Community Sustainability Plans**” means a long-term plan, developed in consultation with community members, that provides direction for the community to realize sustainability objectives it has for the environmental, cultural, social and economic dimensions of its identity, as more particularly described in Schedule G hereto.

“**Local Government**” means a municipality, as defined in paragraph 1 (e) of the *Municipalities Act*, R.S.P.E.I. 1988, c. M-13 and referred to in the *Charlottetown Area Municipalities Act*, R.S.P.E.I. 1988, c. C-4.1 and the *City of Summerside Act*, R.S.P.E.I. 1988, c.S-9.1., and the Government of Prince Edward Island where it is providing services of a municipal nature to communities.

“**Ministers**” means the Federal Minister and the Prince Edward Island Minister.

“**Municipal Infrastructure**” means tangible capital assets in Prince Edward Island, primarily for public use or benefit, owned by an Eligible Recipient.

“**New Deal**” and “**New Deal for Cities and Communities**” means the federal initiative to enhance Government of Canada commitments to advancing local sustainability on four major themes: economic, environmental, social and cultural.

“**Outcomes Report**” means the report to be delivered by Prince Edward Island to Canada and made available to the public, which reports on the outputs and outcomes of the use of the Funds, using the indicators set out in Schedule E.

“**Parties**” means Canada and Prince Edward Island.

“**SIMSI**” means Infrastructure Canada’s Shared Information Management System for Infrastructure.

“**Third Party**” means any person, other than a party to this Agreement that participates in the implementation of an Eligible Project.

“**Unincorporated Areas**” mean communities in Prince Edward Island that are not municipalities established under Prince Edward Island’s *Municipalities Act* and receive infrastructure services from Prince Edward Island.

1.2 Entire Agreement

This Agreement supersedes and invalidates all other commitments, representations and warranties relating to the subject matter hereof which the Parties may have made either orally or in writing prior to the date hereof, and all of which will become null and void from the date this Agreement is signed.

1.3 Schedules

The following schedules are attached to form part of this Agreement:

- Schedule A- Eligible Project Categories
- Schedule B- Eligible Costs
- Schedule C- Eligible Recipient Requirements
- Schedule D- Audit, Reporting and Evaluation
- Schedule E- Outcome Indicators
- Schedule F- Communications Protocol
- Schedule G- Integrated Community Sustainability Plans
- Schedule H - Allocation to Eligible Recipients

1.4 Precedence

In the event of a conflict, the part of this Agreement that precedes the signatures of the Parties will take precedence over the Schedules.

1.5 Accounting Principles

All accounting terms not otherwise defined herein have the meanings assigned to them; all calculations will be made and all financial data to be submitted will be prepared, in accordance with the generally accepted accounting principles (GAAP) in effect in Canada and in Prince Edward Island. GAAP will include, without limitation, those principles approved or recommended from time to time by the Canadian Institute of Chartered Accountants, or any successor institute, applied on a consistent basis.

2 PURPOSE

The purpose of this Agreement is to:

- a) provide a joint framework for the transfer of Funds to Prince Edward Island for investment in environmentally sustainable municipal infrastructure; and,
- b) confirm the Parties commitment to areas of further co-operation which may, following further agreement, be formalized through additional agreements parallel to this Agreement or appended as separate schedules hereto.

3 COMMITMENTS BY THE PARTIES

3.1 Commitments by the Government of Canada:

Canada will:

- a) honour any existing contribution agreement with Prince Edward Island in respect of Infrastructure Programs, in accordance with its terms.
- b) ensure that the funding under this Agreement provides additional funding for Local Governments rather than displacing other federal

infrastructure funding; and intends to renew and extend the Canada Strategic Infrastructure Fund, the Border Infrastructure Fund and the Municipal Rural Infrastructure Fund, as they expire.

- c) discuss with Prince Edward Island other proposals from Prince Edward Island regarding the New Deal.
- d) invest Gas Tax funding in First Nations on Reserve communities in Prince Edward Island to address their infrastructure priorities.
- e) encourage inter-municipal and municipal – First Nations reserve collaborations on Eligible Projects.

3.2 Prince Edward Island Commitments

Prince Edward Island agrees that it will:

- a) ensure that over the period of April 1, 2005, to March 31, 2010, its average annual capital spending on Municipal Infrastructure and that of Local Governments within Prince Edward Island will not be less than the Base Amount;
- b) not reduce, eliminate or claw back any Municipal Infrastructure funding, which is currently being made available to Eligible Recipients by Prince Edward Island;
- c) include the Eligible Recipient Requirements in any Funding Agreement and enforce all terms and conditions of Funding Agreements in a diligent and timely manner, and seek remedies from non-compliant Eligible Recipients;
- d) ensure that Capital Investment Plans are completed either by each Local Government, or at some higher level appropriate to Prince Edward Island, prior to the 2nd (second) year of this Agreement;
- e) prior to the end of fourth (4th) year of the Agreement, ensure the development of Integrated Community Sustainability Plans, either by a Local Government or at some higher level appropriate to Prince Edward Island;

- f) ensure that prior to March 31, 2010, all Local Governments submit all financial data prepared in accordance with generally accepted accounting principles (GAAP) in effect in Canada and in Prince Edward Island;
- g) ensure that Local Governments contributions include net incremental infrastructure investments, a commitment not to reduce or claw back any capital infrastructure funding which is currently being made available for infrastructure, and commitments to complete and/or contribute to integrated community sustainability plans and make them available to the public;
- h) put into effect legislative or regulatory changes, to existing provincial legislation and regulations, that permit Local Governments to: i) enhance cost-recovery for water and waste-treatment infrastructure and/or (ii) more easily access private sector funding for the construction of Municipal Infrastructure;
- i) improve the efficiency of the delivery of provincial programs and services to Local Governments through the establishment of a Canada-Prince Edward Island Infrastructure Secretariat;
- j) support Local Governments in preparing Integrated Community Sustainability Plans.
- k) assist municipalities in building capacity for sustainability planning and encourage cooperation among municipalities in delivering municipal infrastructure and other services.

4 MANAGEMENT COMMITTEE

4.1 Establishment and Duties

Upon execution of this Agreement, the Ministers shall promptly establish a Committee (the “Management Committee”) to be co-chaired by two members—one of whom is to be appointed by the Federal Minister and designated as Federal Co-Chairperson, and one of whom is to be appointed by the Provincial Minister and designated as Provincial Co-Chairperson.

In addition to the co-chairs, the Management Committee will consist of two

(2) representatives appointed by the Federation of Prince Edward Island Municipalities and an additional representative appointed by each of the provincial and federal government Ministers.

The Management Committee will:

- a) develop and approve the framework for Capital Investment Plans and Integrated Community Sustainability Plans;
- b) approve individual Capital Investment Plans as per Section 6.3.4 of this Agreement;
- c) establish guidelines and funding criteria for the Communities and Capacity Building Fund;
- d) establish the form and content of the Outcomes Report, including indicators to measure results and outcomes, before March 31, 2007;
- e) monitor the overall strategic implementation of the Agreement;
- f) co-ordinate the development of a plan for the next phases of the New Deal for Cities and Communities for Prince Edward Island, including:
 - i. developing further elements of the New Deal for Prince Edward Island Cities and Communities;
 - ii. encouraging inter-governmental cooperation in priority setting and program delivery;
 - iii. responding to sustainability planning outcomes.

The Management Committee may also choose to establish one or more sub-committees, and establish rules and procedures with respect to its meetings and those of any sub-committee it may create, including rules for the conduct of meetings and the making of decisions.

- 4.2** The Management Committee may set up a Project Selection Sub-Committee as part of this Agreement. The Management Committee will establish the authority/duties/composition of the Project Selection Sub-Committee.

5 CONTRIBUTION PROVISIONS

5.1 Allocation to Prince Edward Island

Canada's total contribution to Prince Edward Island is as follows:

Fiscal year	Canada's Contribution
2005-2006	\$4.5 million
2006-2007	\$4.5 million
2007-2008	\$6.0 million
2008-2009	\$7.5 million
2009-2010	\$15.0 million
TOTAL	\$37.5 million

5.2 Payment

Provided there is no default under the terms of Section 8.2 of this Agreement, Canada's contribution will be paid in equal semi annual payments as follows:

- a) The first payment will be made not later than July 1st of each Fiscal Year set out above in subsection 5.1; and
- b) The second semi annual payment will be made not later than November 1 of each Fiscal Year.

In respect of the first Fiscal Year of this Agreement, payment of Canada's annual contributions shall be made following the execution of this Agreement.

5.3 Appropriations

A payment due by Canada hereunder is conditional on a legislated appropriation for the GTF for the Fiscal Year in which the payment is due.

5.4 Limit on Canada's Financial Commitments

- 5.4.1 Eligible Recipients may use Funds to pay up to 100% of Eligible Costs of an Eligible Project. However, to the extent an Eligible

Recipient is receiving money under an Infrastructure Program in respect of an Eligible Project to which the Eligible Recipient wishes to apply Funds, the maximum federal contribution limitation set out in any Infrastructure Program contribution agreement made in respect of that Eligible Project shall continue to apply.

- 5.4.2 Without prior written approval of Canada, Prince Edward Island may not use the payment of Funds to an Eligible Recipient as the provincial contribution under contribution agreements under existing Infrastructure Programs.

5.5 Disposal of Eligible Projects

To the extent that Prince Edward Island receives a repayment of all or a portion of a contribution pursuant to the operation of Paragraph 12 of Schedule C, Prince Edward Island shall immediately pay the said amount to Canada.

5.6 Contracting

Prince Edward Island agrees that all contracts for the supply of services or materials to Eligible Projects will be awarded in a way that is transparent, competitive, and consistent with value for money principles.

6 ALLOCATION TO ELIGIBLE RECIPIENTS, DELIVERY MECHANISM AND USE OF FUNDS

- 6.1 The following Allocation model has been developed in consultation with the Federation of PEI Municipalities. The model takes into account the following policy principles:

- i) by way of transparency and equity, population will be a major determinant in the allocation of funds; however, it will not be the sole determinant.
- ii) on PEI, only twenty-six (26) Incorporated Communities provide sewer and/or water services to their residents, and these communities require stable and predictable funding in accordance with the investment direction of this agreement.

- iii) on PEI, there are forty-nine (49) Incorporated Communities that do not provide sewer and/or water services, but could benefit from this agreement, and as such will be eligible recipients under the Communities & Capacity Building Fund (CCBF).
- iv) on PEI, the Province plays a unique and substantial role in the provision of municipal services for municipalities, particularly as it relates to the provision of solid waste management, the rehabilitation of roads and bridges within incorporated communities, and the development and implementation of province-wide environmental services and requirements, including sludge remediation.
- v) it is recognized that on a one-time basis (and in concert with funding from the Canada Strategic Infrastructure Fund), an investment priority is the successful completion and implementation of the province-wide “PEI Sludge Remediation Program.” This program will directly benefit all residents residing in Unincorporated Areas, and in Incorporated Communities, notably Charlottetown and Summerside, through the direct investment into their respective waste treatment plants.

6.2 The allocation of Funds will be disbursed accordingly:

- i) a one time, maximum \$4.5 million allocation will be made towards the completion of the PEI Sludge Remediation Program. Should all or a portion of these funds not be required for this province-wide regionalization purpose, then the balance of funds will be disbursed to Incorporated Communities that provide sewer and/or water services to their residents.
- ii) in recognition of the unique nature and role the Province plays in the provision of municipal services, an allocation of \$11 million will be provided to the Province for the rehabilitation of roads and bridges within incorporated municipalities.
- iii) Incorporated Communities that provide sewer and/or water services to their residents, as per Schedule H of this Agreement, will receive \$17.1 million in funding on a per capita basis.

- iv) the balance of Funds (\$4.9 million) will be allocated to the Communities and Capacity Building Fund (CCBF) that will give consideration to Incorporated Communities that do not provide sewer and/or water services to their residents; to projects that are regional in scope; to local Capacity Building efforts; to initiatives from unincorporated areas that are reflective of, and in keeping with, the strategic planning priorities of this infrastructure program. Within this initiative, at least \$1 million will be invested in Capacity Building efforts. The Management Committee will establish the guidelines and the funding criteria for the CCBF.
- v) the Management Committee may make adjustments in allocations to Eligible Recipients to reflect such events as the establishment of new municipalities, the merging of municipalities, structural or service level changes in a municipality, or updated Statistics Canada census data, which reflects municipal population change. Any adjustments to allocations will be on a forward basis only.
- vi) the Province may deduct from Canada's fund contributions such amounts as Canada may approve for the purpose of reimbursing the Province's administrative costs as per Section 6.6.3 of this Agreement.

6.3 Delivery Mechanism

- 6.3.1 To facilitate the disbursement of funds in Year 1 of this Agreement, a Letter of Understanding will be signed between the Province of Prince Edward Island and each directly-funded Eligible Recipient, and upon the signing of the Letter, the funds shall be disbursed to the Eligible Recipient. The Letter of Understanding shall include the Eligible Recipient requirements as outlined in Schedule C and shall bind the Eligible Recipient to expend funds for Eligible Projects only, and solely in respect of Eligible Costs.
- 6.3.2 Each of the twenty-six (26) Incorporated Communities that provide sewer and/or water services to their residents, as indicated in Schedule H of this Agreement, will be required by October 1, 2006, to submit to the Management Committee for approval individual Capital Investment Plans in order to receive any further funding. Any

communities which do not have the capacity to complete such plans will be eligible to apply for assistance under the CCBF component for assistance to hire professional expertise to develop their plans.

6.3.3 Capital Investment Plans submitted by Prince Edward Island on behalf of unincorporated areas are to include the following additional information:

- a) the proposed method that Prince Edward Island will use for measuring the Outcomes which Prince Edward Island expects will result from the use of Funds;
- b) a general description of how the use of Funds will contribute to environmental and other sustainability efforts of the Eligible Recipient; and
- c) before any use of Funds on the roads and bridges category of Schedule A, the appropriate documentation of the impact on sustainability outcomes in a format approved by the Management Committee.

6.3.4 if the Capital Investment Plan is approved by the Management Committee, Prince Edward Island agrees to enter into a Funding Agreement with the Eligible Recipient with respect to the Eligible Projects described in the Eligible Recipient's Capital Investment Plan.

6.4 Use of Funds

6.4.1 An Eligible Recipient shall use Funds that come available to it each Fiscal Year only for the purpose of paying for Eligible Costs incurred with respect to the Eligible Projects identified in its Funding Agreement with Prince Edward Island.

Multi-Year Commitments:

6.4.2 An Eligible Recipient may establish access to all or any of the five years of its allocation of Funds under a single Capital Investment Plan submitted to and accepted by Prince Edward Island; however, allocations will be paid by Prince Edward Island to the Eligible Recipient in installments as Funds are made available each year by Canada to Prince Edward Island and according to the terms and

conditions of the Eligible Recipient's Funding Agreement.

Accumulation of Fund Allocations:

- 6.4.3 An Eligible Recipient may accumulate its annual Funds allocations up until March 31, 2008, at which time, if a Capital Investment Plan has not been submitted by the Eligible Recipient, Ministers may, after receiving the Management Committee's advice, redirect the Eligible Recipient's allocation for use by other Eligible Recipient for Eligible Projects described in Schedule A.
- 6.4.4 Funds accumulated by Eligible Recipients are to be held in the account set up by Prince Edward Island under section 6.6.1 if this Agreement for the purpose of holding Funds pending payment to Eligible Recipients.

6.5 Payment Installments and Adjustments

- 6.5.1 Subject to the Eligible Recipient meeting the terms and conditions of its Funding Agreement, Prince Edward Island agrees to pay the Eligible Recipient its Funds allocation for each Fiscal Year beyond 2005-06 in two equal semi-annual payments, with each payment to be received by the Eligible Recipient no later than sixty (60) days from the date upon which Prince Edward Island receives Canada's semi-annual Fund payment.
- 6.5.2 Prince Edward Island agrees to pay each Eligible Recipient its 2005-06 Fiscal Year Fund allocation by the later of:
 - a) sixty (60) days from the date a Funding Agreement is signed; or
 - b) sixty (60) days from the date Prince Edward Island receives Funds from Canada.
- 6.5.3 Funds which an Eligible Recipient is eligible to receive under this Agreement and that have not been triggered for payment by March 31, 2010, under provisions 6.5.1 to 6.5.2 may be redirected by Ministers, after receiving advice from the Management Committee, to alternate uses by Eligible Recipients that meet the requirements of subsection 6.4.1.

6.6 Management of Funds

- 6.6.1 Prince Edward Island agrees to deposit the Funds into a separate account, pending payment to Municipalities in accordance with the terms of this Agreement, and agrees to ensure that all Funds deposited into that account are invested in accordance with applicable legislation.

It is understood and agreed that Prince Edward Island is providing assistance in the administration and allocation of Funds being made available by Canada to Eligible Recipients pursuant to this Agreement and that Prince Edward Island has no beneficial interest to the extent of any amounts approved to be paid and deducted pursuant to Sections 6.2 vi) and 6.6.3.

- 6.6.2 Prince Edward Island agrees to pay Funds to Eligible Recipients solely for Eligible Projects identified in Schedule A and solely in respect of Eligible Costs identified in Schedule B.
- 6.6.3 All administration costs of Prince Edward Island in respect of the implementation and management of this Agreement shall be for the account of Prince Edward Island, provided that Funds may be used by Prince Edward Island to pay the administrative costs incurred by Prince Edward Island in the delivery of the Funds or in fulfilling the reporting and audit requirements set out below in Section 7, provided that Prince Edward Island submits in advance, for review and acceptance by Canada, a business case justifying such use of Funds.
- 6.6.4 Interest earned on Funds held by Prince Edward Island shall be deposited to the account referred to in Section 6.6.1 and shall be used only for the purpose of making payments to Eligible Recipients or for paying administrative costs incurred by Prince Edward Island in the delivery of Funds or in fulfilling the reporting and audit requirements set out below in Section 7, if approved pursuant to 6.6.3 above.

7 REPORTING, AUDITS AND EVALUATION

7.1 Reporting

7.1.1 Prince Edward Island will, at its cost:

- a) Prepare and deliver to Canada no later than September 30 of each Fiscal Year, in respect of the prior Fiscal Year, an Annual Expenditure Report and make its best efforts to provide an interim, unaudited version of the Annual Expenditure Report by June 30 of each Fiscal Year; and
- b) Prepare, publish and disseminate to the public, by no later than September 30, 2009, and periodically thereafter, an Outcomes Report.

7.1.2 Canada may incorporate all or any part or parts of the said reports into any report that Canada may prepare for its own purposes, including any reports that may be made public.

7.2 Audits

7.2.1 Annual Expenditure Reports will be accompanied by an Audit Report.

7.2.2 Prince Edward Island agrees to ensure that proper and accurate accounts and records, including invoices, statements, receipts and vouchers in respect of all Eligible Projects that receive Funds, are kept for at least three (3) years after termination of this Agreement and will, upon reasonable notice, make them available or cause the Eligible Recipient to make them available to Canada for inspection or audit.

7.2.3 Canada may request and Prince Edward Island agrees to complete, at its cost, and provide to Canada an audit of any one or more individual Eligible Projects.

7.2.4 Prince Edward Island will share with Canada the results of any compliance or performance audit that they may carry out beyond the Audit Report, which examines the use of Funds to a specific extent.

7.3 Evaluation

7.3.1 No later than March 31, 2009, Canada and Prince Edward Island shall complete a joint formative evaluation of the program set out in this

Agreement, the results of which will be made public. The Parties shall seek the input of Eligible Recipients, or representatives thereof, as the Parties deem appropriate.

- 7.3.2 At a minimum, the evaluation will address the issues related to achievement of the objectives of this Agreement, the use of funding, the effectiveness of the funding approach described in Sections 5 and 6 of this Agreement, and the effectiveness of the communications protocol described in Schedule F.
- 7.3.3 The Parties agree to cooperate with respect to the above noted evaluation, the costs of which will be shared equally by the Parties. Canada agrees to consult with Prince Edward Island on the design of the evaluation framework.
- 7.3.4 In addition to the foregoing, no later than June 30, 2009, Canada will, at its cost, complete a national evaluation, incorporating the results of the joint bilateral evaluations described above. Canada will share the results of this national evaluation with Prince Edward Island prior to its completion.

8 DISPUTE RESOLUTION, DEFAULT, REMEDIES AND INDEMNITY

8.1 Dispute Resolution

The Parties agree to keep each other informed of any disagreement or contentious issue. Disagreements or contentious issues that cannot be resolved at the bureaucratic level will be brought to the Management Committee for review, discussion and resolution. Any issue that cannot be resolved at the Management Committee will be submitted to Ministers for resolution.

8.2 Events of Default

Canada may declare that an event of default has occurred if Prince Edward Island has:

- a) not complied with any condition, undertaking or material term in the Agreement; or
- b) failed to deliver an Annual Expenditure Report, Audit Report or Outcomes Report, when required by either Prince Edward Island under this Agreement or an Eligible Recipient; or

- c) delivered an Annual Expenditure Report or Audit Report that disclosed non-compliance by either Prince Edward Island or an Eligible Recipient.

Canada will not declare that an event of default has occurred unless it has consulted with Prince Edward Island and given notice to it of the occurrence, which in Canada's opinion, constitutes an event of default.

Prince Edward Island, within 30 days of receipt of the notice, shall either correct the condition or event, or demonstrate, to the satisfaction of Canada, that it has taken such steps as are necessary to correct the condition.

8.3 Remedies

If Canada declares that an event of default has occurred, after 30 days of declaration, it may immediately exercise one or more of the following remedies:

- a) in the case of a default under subsection 8.2 a) above, terminate or suspend its obligation to pay Funds. If Canada suspends payment it may pay suspended Funds if Canada is satisfied that the default has been cured;
- b) in the case of any other default, suspend its obligation to pay Funds pending Canada's satisfaction that the default has been cured.

8.4 Indemnity

Prince Edward Island agrees at all times to indemnify and save harmless Canada, its officers, servants, employees or agents, from and against all claims and demands, losses, costs, damages, actions, suits or other proceedings by whomsoever brought or prosecuted in any manner based upon, or occasioned by any injury to persons, damage to or loss or destruction of property, economic loss or infringement of rights caused by or arising directly or indirectly from:

- a) all Eligible Projects;
- b) the performance of this Agreement, or the breach of any term or condition of this Agreement by Prince Edward Island, its officers, employees and agents, or by a third party, its officers, employees or agents;

- c) the performance of a Funding Agreement or the breach of any term or condition of a Funding Agreement by an Eligible Recipient, its officers, employees and agents, or by a third party, its officers, employees or agents;
- d) the design, construction, operation, maintenance and repair of any part of an Eligible Project; and
- e) any omission or other wilful or negligent act of Prince Edward Island or an Eligible Recipient or third party and their respective employees, officers, or agents;

Except to the extent to which such claims and demands, losses, costs, damages, actions, suits or other proceedings relate to the act or negligence of an officer, employee or agent of Canada in the performance of his or her duties.

9 TERM OF AGREEMENT AND RENEWAL

9.1 Term

This Agreement shall commence on November 22, 2005 and shall expire on March 31, 2015. Either Party may terminate this Agreement on two (2) years written notice.

9.2 Review

Following the completion of the evaluation described in Subsection 7.3.1 above, the Parties may elect to amend the Agreement, as appropriate.

10 COMMUNICATIONS

The Parties hereby agree to follow the terms of the communications protocol set out in Schedule F hereto.

11 MISCELLANEOUS

11.1 Binding Obligations

Each Party declares to the other that the signing and execution of this Agreement was duly and validly authorized, and that each has incurred a legal and valid obligation in accordance with the terms and conditions of the Agreement.

11.2 Survival

The Parties' rights and obligations, set out in Sections 3.2 (c) – (g), 5.4, 5.5, 7.1, 7.2, 7.3, 8.3, 8.4, 10, 11.4 and Schedule C, will survive the expiry or early termination of this Agreement, and any other section which is required to give effect to the termination or to its consequences shall survive the termination or early termination of this Agreement.

11.3 Governing law

This Agreement is governed by the laws applicable in Prince Edward Island.

11.4 Debts Due to Canada

Any amount owed to Canada under this Agreement will constitute a debt due to Canada, which Prince Edward Island will reimburse forthwith, on demand, to Canada.

11.5 No Benefit

No member of the House of Commons or of the Senate of Canada will be admitted to any share or part of any Contract made pursuant to this Agreement or to any benefits arising therefrom.

11.6 No Agency

It is understood, recognized and agreed that no provision of this Agreement and no action by the Parties will establish or be deemed to establish a partnership, joint venture, principal-agent relationship or employer-employee relationship in any way or for any purpose whatsoever between Canada and Prince Edward Island, or between Canada, Prince Edward Island and a Third Party.

11.7 No Authority to Represent

Nothing in this Agreement is to be construed as authorizing one Party to contract for or to incur any obligation on behalf of the other or to act as agent for the other. Nothing in this Agreement is to be construed as authorizing any Recipient or any Third Party to contract for or to incur any obligation on behalf of either Party or to act as agent for either Party and Prince Edward Island will take reasonable steps to ensure that all Funding Agreements contain provisions to that effect.

11.8 Counterpart Signature

This Agreement may be signed in counterpart, and the signed copies will, when attached, constitute an original Agreement.

11.9 Values and Ethics Code

No person governed by the post-employment, ethics and conflict of interest guidelines of Canada will derive a direct benefit from this Agreement unless that person complies with the applicable provisions.

11.10 Severability

If for any reason a provision of this Agreement that is not a fundamental term is found to be or becomes invalid or unenforceable, in whole or in part, it will be deemed to be severable and will be deleted from this Agreement, but all the other terms and conditions of this Agreement will continue to be valid and enforceable.

11.11 Waiver

A Party may waive any right under this Agreement only in writing; and any tolerance or indulgence demonstrated by that Party will not constitute waiver of such right. Unless a waiver is executed in writing, that Party will be entitled to seek any remedy that it may have under this Agreement or under the law.

11.12 Lobbyists and Agent Fees

Prince Edward Island warrants that any person who lobbies or has lobbied on its behalf to obtain funding, or any benefit under this Agreement, and who is subject to the Lobbyists Registration Act (Canada), is registered accordingly. Furthermore, Prince Edward Island warrants that no remuneration based on a percentage of Canada's contribution will be paid to a lobbyist.

11.13 Amendments to the Agreement

If Canada concludes an agreement for similar purposes with any other province or territory of Canada, and that agreement taken as a whole is materially different from this Agreement, Prince Edward Island may ask Canada to agree to amend this Agreement so that, taken as a whole, it affords similar treatment to Prince Edward Island as the other agreement affords to the other province or territory.

Additionally, this Agreement may be amended from time to time on written agreement of the Ministers.

11.14 Notice

Any notice, information or document provided for under this Agreement will be effectively given if delivered or sent by letter, postage or other charges prepaid, or by facsimile or email. Any notice that is delivered will have been

received on delivery; and any notice mailed will be deemed to have been received eight (8) calendar days after being mailed.

Any notice to Canada must be sent to:

Assistant Deputy Minister, Cities and Communities
Infrastructure Canada
90 Sparks Street
Ottawa, Ontario
K1P 5B4

Facsimile: 613-952-4978
Email: laroche.yazmine@infrastructure.gc.ca

Any notice to Prince Edward Island will be addressed to:

Deputy Minister
Department of Community and Cultural Affairs
Province of Prince Edward Island
P.O. Box 2000
Charlottetown, Prince Edward Island
C1A 7N8

Each Party may change the address that it has stipulated by notifying in writing the other party of the new address.

SIGNATURES

This Agreement has been executed on behalf of Canada by the Minister of State (Infrastructure and Communities), and the Minister of the Atlantic Canada Opportunities Agency, and on behalf of Prince Edward Island by the Premier and the Minister of Community and Cultural Affairs.

GOVERNMENT OF CANADA

Original signed by:

**GOVERNMENT OF PRINCE
EDWARD ISLAND**

Original signed by:

Minister of State (Infrastructure and
Communities)

Premier of Prince Edward Island

Minister of Atlantic Canada
Opportunity Agency

Minister of Community and Cultural
Affairs

WITNESSED BY:

Original signed by:

Federation of Prince Edward Island
Municipalities

SCHEDULE A- Eligible Project Categories

1) ESMI Projects include the following:

a) in the Public Transit Infrastructure Category:

- i) Rapid Transit: tangible capital assets and rolling stock (includes ferries, transit stations, park and ride facilities, and grade separated bus lanes);
- ii) Transit Buses: bus rolling stock, transit bus stations;
- iii) Intelligent Transport System (ITS) and Transit Priority Capital Investments;
 - ITS technologies to improve transit priority signalling, passenger and traffic information and transit operations;
 - Capital investments, such as transit queue-jumpers and High Occupancy Vehicle (HOV) lanes;
- iv) Public transit facilities including garages, maintenance facilities, and terminals; and
- v) Infrastructure and tangible assets associated with public transit for persons with disabilities.

b) in the Water Infrastructure Category:

- i) Drinking water supply, storage systems, drinking water treatment systems and drinking water distribution systems;
- ii) Raw-water supply lines to storage facilities;
- iii) Raw-water storage facilities;
- iv) Raw-water supply lines from storage facilities to treatment facilities;
- v) Water treatment facilities;
- vi) Water pumping facilities;
- vii) Treated-water supply lines;
- viii) Treated-water supply lines;
- ix) Distribution system upgrades and replacements, including individual services to the property line;
- x) Implementation of Water Infrastructure Management Systems,

including the purchase of software and collection of data to the limits outlined in the program guidelines;

- xi) Regional systems relating to items mentioned above; and
- xii) Infrastructure related to source water protection for municipal water supply systems.

c) in the Wastewater treatment systems Category:

- i) Outfall sewer from the collection system to the wastewater treatment facilities;
- ii) Wastewater treatment facilities;
- iii) Wastewater pumping facilities;
- iv) Outfall sewers from the wastewater treatment facilities to the point of discharge or disposal, and related works;
- v) Sewage collection system upgrades and replacements, including service mains to the property line.
- vi) Implementation of Wastewater Infrastructure Management Systems, including the purchase of software and collection data to the limits outlined in the program guidelines; and
- vii) Flood Proofing Infrastructure.

d) in the Wastewater (Storm sewer drainage systems and facilities) Category:

- i) Storm sewer line replacement or rehabilitation;
- ii) Construction of new storm sewer treatment facilities;
- iii) Replacement or rehabilitation of storm sewer collection lines including service lines, and catch basins;
- iv) Outfall storm sewers to the point of discharge or disposal, and related works;
- v) Implementation of Storm Sewer Infrastructure Management Systems, including the purchase of software and collection of data to the limits outlined in the program guidelines; and
- vi) Flood Proofing Infrastructure.

e) in the Community Energy Systems Category:

- i) Retrofits of local government-owned buildings;
- ii) Energy systems such as renewable energy, including wind power, combined with heat and power (CHP), cogeneration and district energy;

- iii) Street lighting.

f) in the Solid Waste Management Category:

- i) Waste diversion – Material Recovery Facilities;
- ii) Organics management;
- iii) Collection depots;
- iv) Waste disposal landfills;
- v) Thermal treatment; and
- vi) Regional Waste Management systems.

g) in the Local Roads and Bridges Category:

- i) Reconstruction and rehabilitation of road structures;
- ii) Construction, reconstruction and rehabilitation of railways other than grade separations;
- iii) Construction, reconstruction and rehabilitation of bridges;
- iv) Other ancillary works such as sidewalks, commuter bikeways, lighting, traffic control signals, pedestrian signals, storm drainage and utility relocations;
- v) Construction or implementation of major transportation systems management projects such as major intersection improvements, major traffic signal coordination, etc.; and
- vi) Construction of noise attenuation devices as a part of an Eligible Project, and rehabilitation of existing noise attenuation devices on an eligible roadway or transit-way, consistent with the municipality's approved noise attenuation policy.

2. CAPACITY BUILDING

Funds can be used to undertake the following:

- i) develop and implement a Capital Investment Plan;
- ii) collaboration: building partnerships and strategic alliances; participation; and consultation and outreach;
- iii) knowledge: use of new technology; research; and monitoring and evaluation;
- iv) municipality-wide or regional transportation planning studies and major systems planning reviews;
- v) transportation studies to address specific environmental and/or safety concerns including environmental impact assessments
- vi) integration: integrated sustainability planning, Infrastructure planning, policy development and implementation (e.g. environmental management system, life cycle assessment, area road and transportation planning including, water supply system planning, wastewater system planning, solid waste management planning, watershed planning, community energy planning and land use planning).

SCHEDULE B- Eligible Costs

Eligible Costs

1 Project Costs

Eligible costs, as specified in each agreement, will be all direct costs that are in Canada's opinion properly and reasonably incurred and paid by an Eligible Recipient under a contract for goods and services necessary for the implementation of an Eligible Project. Eligible costs may include only the following:

- a) the capital costs of acquiring, constructing or renovating a tangible capital asset, and any debt financing charges related thereto;
- b) the fees paid to professionals, technical personnel, consultants and contractors specifically engaged to undertake the surveying, design, engineering, manufacturing or construction of a project infrastructure asset and related facilities and structures;
- c) the costs of environmental assessments, monitoring and follow-up programs as required by the *Canadian Environmental Assessment Act*, or a provincial equivalent; and
- d) the costs related to strengthening the capacity of Local Governments to develop Capital Investment Plans and Integrated Community Sustainability Plans.

1.1 Employee and Equipment Costs

In the case of Eligible Recipients that are remote Local Governments, as determined by the Management Committee, the out-of-pocket costs (not overhead) related to employees or equipment may be included in its eligible costs under the following conditions.

- a) the Eligible Recipient has determined that it is not economically feasible to tender a contract;
- b) employees or equipment are employed directly in respect of the work that would have been the subject of the contract; and
- c) the arrangement is approved in advance and in writing by Prince Edward Island.

1.2 Administration Costs

That portion of Funds representing interest earned may be used to pay for administration costs.

Ineligible Costs

Costs related to the following items are ineligible costs:

- a) Eligible Project costs incurred before April 1, 2005;
- b) services or works that, in the opinion of Prince Edward Island, are normally provided by the Eligible Recipient or a related party;
- c) salaries and other employment benefits of any employees of the community applicant except as indicated in Section 1.1 ;
- d) an Eligible Recipient's overhead costs, its direct or indirect operating or administrative costs, and more specifically its costs related to planning, engineering, architecture, supervision, management and other activities normally carried out by its applicant's staff;
- e) costs of feasibility and planning studies for individual Eligible Projects;
- f) taxes for which the Eligible Recipient is eligible for a tax rebate and all other costs eligible for rebates;
- g) costs of land or any interest therein, and related costs;
- h) cost of leasing of equipment by the Local Government except as indicated in Section 1.1 above;
- i) routine repair and maintenance costs;
- j) legal fees;
- k) administrative costs incurred as a result of implementing this Agreement, subject to 1.2 above; and
- l) audit and evaluation costs.

SCHEDULE C- Eligible Recipient Requirements

A. Eligible Recipients shall:

1. complete, prior to October 1, 2006, a Capital Investment Plans for Incorporated Communities and regions as defined by the Management Committee.
2. complete, prior to the end of the fourth (4th) year of this Agreement, where the Eligible Recipient is a Local Government, an Integrated Community Sustainability Plan, either by itself or as part of some higher level of agglomeration.
3. prior to March 31, 2010, adopt and use the accounting rules of the GAAP.
4. ensure that the Funds will result in net incremental capital spending on Municipal Infrastructure.
5. permit Canada reasonable access to all records relating to all Eligible Projects that have received Funds.
6. be responsible for the complete, diligent and timely implementation and completion of the Eligible Project.
7. acknowledge that Prince Edward Island may hold back Funds if the Eligible Recipient is in default under the Funding Agreement.
8. comply, as necessary, with the communications protocol set out in Schedule F.
9. comply with all legislated environmental assessment requirements and agree that no funds will be committed to an Eligible Project until all required environmental assessment requirements have been satisfied.
10. implement all mitigation measures identified in any environmental assessment of the Eligible Project.
11. if Funds are paid by Prince Edward Island to the Eligible Recipient in advance of the Eligible Recipient incurring and paying Eligible Costs, invest such Funds in accordance with provincial legislation respecting investments

by Municipalities.

12. (a) retain title to, and ownership of, the Municipal Infrastructure resulting from the Eligible Project for at least ten (10) years after Project completion;
- (b) if, at any time within ten (10) years from the date of completion of the Eligible Project, the Eligible Recipient sells, leases, encumbers or otherwise disposes of, directly or indirectly, any asset constructed, rehabilitated or improved, in whole or in part, with funds contributed by Canada under the terms of this Agreement, other than to Canada, Prince Edward Island, a Local Government, or a Crown corporation of Prince Edward Island that is the latter's agent for the purpose of implementing this agreement, the Eligible Recipient shall repay Prince Edward Island on demand, a proportionate amount of the funds contributed by Canada, as follows:

Where Eligible Project asset is sold, leased, encumbered or disposed of:	Repayment of contribution (in current dollars)
Within 2 Years after Eligible Project completion	100%
Between 2 and 5 Years after Eligible Project completion	55%
Between 5 and 10 Years after Eligible Project completion	10%

13. (a) award and manage all contracts for the supply of services and/or material to the Eligible Project ("Contracts") in accordance with the Eligible Recipient's relevant policies and procedures, a copy of which will be provided to Prince Edward Island in advance of Prince Edward Island making any payments to the Eligible Recipient; and
- (b) award Contracts in a manner that is transparent, competitive and consistent with value for money principles.
14. ensure that over the period of April 1, 2005 to March 31, 2010 the Local Government's capital spending on Municipal Infrastructure will not fall below its Base Amount.
15. the Eligible Recipient acknowledges that it may use Funds to pay up to 100% of Eligible Costs of an Eligible Project provided that to the extent it is

receiving money under an Infrastructure Program in respect of an Eligible Project to which the Eligible Recipient wishes to apply Funds, the maximum federal contribution limitation set out in any Infrastructure Program contribution agreement made in respect of that Eligible Project shall continue to apply and Funds paid to the Eligible Recipient shall be deemed to be a federal contribution under the said contribution agreement.

16. indemnify and save harmless Canada and Prince Edward Island, their officers, servants, employees or agents from and against all claims and demands, losses, costs, damages, actions, suits or other proceedings by whomsoever brought or prosecuted in any manner based upon, or occasioned by any injury to persons, damage to or loss or destruction of property, economic loss or infringement of rights caused by or arising directly or indirectly from:
 - i) all Eligible Projects;
 - ii) the performance of this Agreement, or the breach of any term or condition of this Agreement by the Parties, its officers, employees and agents, or by a third party and any of its officer, employees, servants or agents;
 - iii) the performance of a Funding Agreement or the breach of any term or condition of the Funding Agreement by the Parties, its officers, employees and agents, or by a third party and any of its officer, employees, servants or agents;
 - iv) the design, construction, operation, maintenance and repair of any part of an Eligible Project; and
 - v) any omission or other wilful or negligent act of the Parties or Eligible Recipient or third party and their respective employees, officers, servants or agents.

B. Prince Edward Island as an Eligible Recipient on behalf of Unincorporated Area populations shall:

1. over the life of the Agreement, develop an Integrated Community Sustainability Plan for the Unincorporated Areas.
2. prior to March 31, 2010, adopt and use the accounting rules in accordance with generally accepted accounting principles (GAAP).
3. ensure that the Funds will result in net incremental capital spending on

Municipal Infrastructure and provincial spending in Unincorporated Areas.

4. permit Canada reasonable access to all records relating to all Eligible Projects that have received Funds.
5. be responsible for the complete, diligent and timely implementation and completion of the Eligible Project.
6. comply with all legislated environmental assessment requirements and agree that no funds will be committed to an Eligible Project until all required environmental assessment requirements have been satisfied.
7. implement all mitigation measures identified in any environmental assessment of the Eligible Project.
8. commit, before 2010, all funding to Eligible Costs.
9.
 - (a) Retain title to, and ownership of, the Municipal Infrastructure resulting from the Eligible Project for at least ten (10) years after Project completion.
 - (b) if, at any time within ten (10) years from the date of completion of the Eligible Project, the Eligible Recipient sells, leases, encumbers or otherwise disposes of, directly or indirectly, any asset constructed, rehabilitated or improved, in whole or in part, with funds contributed by Canada under the terms of this Agreement, other than to Canada, an Incorporated Area, or a Crown corporation of Prince Edward Island that is the latter's agent for the purpose of implementing this agreement, the Eligible Recipient shall repay Canada on demand (as per Section 5.5 of this Agreement), a proportionate amount of the funds contributed by Canada, as follows:

Where Eligible Project asset is sold, leased, encumbered or disposed of:	Repayment of contribution (in current dollars)
Within 2 Years after Eligible Project completion	100%
Between 2 and 5 Years after Eligible Project completion	55%
Between 5 and 10 Years after Eligible Project completion	10%

10.
 - a) award and manage all contracts for the supply of services and/or material to the Eligible Project (“Contracts”) in accordance with the Eligible Recipient’s relevant policies and procedures, a copy of which will be provided to Canada in advance of Canada making any payments to the Eligible Recipient; and
 - b) award Contracts in a manner that is transparent, competitive and consistent with value for money principles.

11. the Eligible Recipient acknowledges that it may use Funds to pay up to 100% of Eligible Costs of an Eligible Project provided that to the extent it is receiving money under an Infrastructure Program in respect of an Eligible Project to which the Eligible Recipient wishes to apply Funds, the maximum federal contribution limitation set out in any Infrastructure Program contribution agreement made in respect of that Eligible Project shall continue to apply and Funds paid to the Eligible Recipient shall be deemed to be a federal contribution under the said contribution agreement.

SCHEDULE D – Reporting and Audits

1. Reporting

1.1 Annual Expenditure Report

1.1.1 The Annual Expenditure Report will report on:

- the amounts received from Canada under this Agreement;
- the amounts paid to Eligible Recipients;
- the amounts received from Canada for future payments to Eligible Recipients;
- amounts paid by Eligible Recipients in aggregate for Eligible Projects;
- amounts held at year end by Eligible Recipients in aggregate to be paid for Eligible Projects.

1.1.2 The Annual Expenditure Report will also indicate in a narrative the progress that Prince Edward Island has made in meeting its commitments and contributions, according to Section 3.2 of this Agreement.

1.1.3 The Annual Expenditure Report will also include the following information:

A listing of all Eligible Projects that have been approved for funding, indicating the location, investment category, amount and identity of all sources of funding, nature of the investment and expected outcomes, as identified in Schedule E. Canada-Prince Edward Island Infrastructure Secretariat will utilize the SIMSI for the administration/delivery of this funding.

1.1.4 In the case of Eligible Recipients with a year end other than March 31, and with the prior approval of Prince Edward Island, the Annual Report may include information in respect of Eligible Projects related to that Eligible Recipient to the year end of that Eligible Recipient.

1.2. Outcomes Report

Prince Edward Island will deliver to Canada and make available to residents no later than September 30, 2009, an Outcomes Report. The Management Committee will establish the form and content of this report, including indicators to measure results and outcomes, before March 31, 2007, but will include, in any event, information on the degree to which these investments

have actually contributed to the achievement of the objectives of cleaner air, cleaner water and reduced GHG emissions.

Canada may incorporate all or any parts of the said reports into any report that Canada may prepare for its own purposes, including any reports that may be made public.

2. Audit Report

The Audit Report, which includes the results of financial and compliance audits, will provide an opinion as to whether all of the information contained in the Annual Expenditure Report is complete and accurate and whether Prince Edward Island has complied with all material provisions of this Agreement.

Schedule D, Continued
Annual Expenditure Report – Template Reporting Format for Funding Flows

	Annual	Cumulative
	01/04/20xx – 31/03/20xy	Date of signing – 31/03/20xy
Prince Edward Island		
Opening balance of unspent funding		xxx
Received from Canada	xx	xxx
Transferred to Eligible Recipients	(xx)	(xxx)
Closing balance of unspent funding		xxx
Municipal Eligible Recipients in aggregate		
Opening balance of unspent funding		xxx
Received from Prince Edward Island	xx	xxx
Spent on eligible projects	(xx)	(xxx)
Closing balance of unspent funding		xxx
Prince Edward Island as an Eligible Recipient		
Opening balance of unspent funding		xxx
Received from Canada	xx	xxx
Spent on eligible projects	(xx)	(xxx)
Closing balance of unspent funding		xxx

SCHEDULE E- Outcome Indicators

The effectiveness of Fund use under the Agreement will be measured using a set of core indicators linked to the Outcomes and Outputs. The Management Committee will identify specific indicators consistent in principle with those outlined below for the purpose of assessing progress toward the Outcomes and Outputs.

Outcomes

- a) Cleaner Air [indicator to be determined]
- b) Cleaner Water [indicator to be determined]
- c) Lower Greenhouse Gas Emissions [indicator to be determined]

Outputs:

- a) Community Energy Systems [indicator to be determined]
- b) Public Transit Infrastructure [indicator to be determined]
- c) Water Infrastructure [indicator to be determined]
- d) Wastewater Infrastructure [indicator to be determined]
- e) Solid waste [indicator to be determined]
- f) Local Roads and Bridges [indicator to be determined]
- g) Capacity Building [indicator to be determined]

SCHEDULE F- Communications Protocol

Canada and Prince Edward Island agree that Canadians have a right to transparency and public accountability, which is best served by full information about the benefits of the New Deal for Cities and Communities.

This communications protocol establishes the principles and practices that will guide all announcements and events related to this Agreement, funding to Eligible Recipients under this Agreement and the New Deal. Communications activities may include, without limitation, major public events or announcements, or communications products such as speeches, press releases, websites, advertising, promotional material or signage.

The Parties agrees that:

1. A public event will mark the signing of this Agreement. This event will be developed by communications officials from Canada and Prince Edward Island, and will provide for municipal involvement and media participation.
2. In addition to joint communications activities, Canada and Prince Edward Island may include messaging in their own communications products and activities, around their commitment to the New Deal and other initiatives and investments in cities and communities.

The Government of Canada agrees that:

1. It will make periodic announcements, through public events, press releases and/or other mechanisms, of the transfer of federal gas tax revenues to Prince Edward Island for allocation to municipalities within its jurisdiction.
2. It will make regular announcements, on a city, community or regional basis, of projects that have benefited from federal gas tax funds. Key milestones may be marked by public events, press releases and/or other mechanisms.
3. It will report regularly to the public on the outcomes of the investments entered into under this Agreement, including through the Treasury Board Secretariat Canada's Annual Performance Report, and through the National Evaluation described in Section 7 of this Agreement.

The Prince Edward Island agrees that:

1. All communications referring to projects funded under this Agreement will clearly acknowledge the contributions made by Canada.
2. All communications materials referring to the sharing of federal gas tax revenues with Eligible Recipients will recognize that this initiative forms part of the New Deal through the use of the Canada word mark and of a tagline.
3. Prince Edward Island's Funding Agreements will include the provisions included this Protocol, particularly that:
 - a) All communications by the Eligible Recipient referring to projects funded under this Agreement will clearly recognize Canada's investments.
 - b) Eligible Recipients will ensure permanent signage at the location of projects receiving investments under this Agreement, prominently identifying the Government of Canada's investment and including the Canada word mark. Where there is no fixed location for signage, such as a transit vehicle, a prominent marker will recognize the Government of Canada's contribution. All signage/plaques will be located in such a way as to be clearly visible to users, visitors and/or passers-by.

General

1. The timing of public events shall be sufficient to allow for all orders of government to plan their involvement. Either Party shall provide a minimum of 21 days notice of an event or announcement.
2. The Parties agree that they and Eligible Recipients will each receive appropriate recognition in joint communications materials.
3. Joint communications material and signage will reflect Government of Canada communications policy, including the Official Languages Act, and federal-provincial/territorial identity graphics guidelines.

Assessment

Communication results will be assessed as part of the evaluation process set out in Section 7.3.2 of the Agreement.

SCHEDULE G – Integrated Community Sustainability Plans

Integrated Community Sustainability plans are plans that will support the development of sustainable healthy and vibrant communities. In Prince Edward Island, integrated community sustainability plans will build on and enhance existing planning instruments such as municipal planning strategies and land use bylaws. Integrated Community Sustainability Plans will:

- a) integrate economic, environmental, social and cultural sustainability objectives;
- b) be prepared with public participation;
- c) maximize the benefits of any infrastructure that will be produced under this Agreement; and
- d) demonstrate, where appropriate, that there has been collaboration with other Municipalities to achieve sustainability objectives and may be adopted by two or more Municipalities.

SCHEDULE H – Allocation to Eligible Recipients

This page contains an outline of the proposed funds to be paid to Eligible Recipients.
Allocation of funds is on an entitlement per capita and project basis.

Municipal services provided by Province	-	\$11,000,000
PEI Sludge Remediation Initiative	-	\$ 4,500,000
Communities and Capacity Building Fund	-	\$ 4,857,097
Incorporated Communities listed below	-	<u>\$17,142,903</u>
Total Funds	-	\$37,500,000

MUNICIPALITIES	POPULATION	2005-06 (\$)	2006-07 (\$)	2007-08 (\$)	2008-09 (\$)	2009-10 (\$)	TOTAL 5-YEAR ALLOCATION
Charlottetown	32,245	908,120	908,120	1,210,826	1,513,533	3,027,065	\$ 7,567,663
Summerside	14,654	412,702	412,702	550,270	687,837	1,375,674	\$ 3,439,185
Stratford	6,314	177,822	177,822	237,096	296,370	592,740	\$ 1,481,849
Cornwall	4,412	124,256	124,256	165,674	207,093	414,185	\$ 1,035,464
Montague	1,945	54,777	54,777	73,036	91,295	182,591	\$ 456,477
Kensington	1,385	39,006	39,006	52,008	65,010	130,020	\$ 325,049
Souris	1,248	35,148	35,148	46,863	58,579	117,159	\$ 292,896
Alberton	1,115	31,402	31,402	41,869	52,336	104,673	\$ 261,682
O’Leary	860	24,220	24,220	32,294	40,367	80,734	\$ 201,836
Tignish	831	23,404	23,404	31,205	39,006	78,012	\$ 195,030
Borden-Carleton	798	22,474	22,474	29,966	37,457	74,914	\$ 187,285
Miscouch	766	21,573	21,573	28,764	35,955	71,910	\$ 179,775
Georgetown	721	20,306	20,306	27,074	33,843	67,685	\$ 169,213
North Rustico	637	17,940	17,940	23,920	29,900	59,800	\$ 149,499
Wellington	382	12,000	12,000	16,000	20,000	40,000	\$ 100,000
Crapaud	382	12,000	12,000	16,000	20,000	40,000	\$ 100,000
Murray Harbour	357	12,000	12,000	16,000	20,000	40,000	\$ 100,000
Hunter River	354	12,000	12,000	16,000	20,000	40,000	\$ 100,000
Abram’s Village	342	12,000	12,000	16,000	20,000	40,000	\$ 100,000
Morell	332	12,000	12,000	16,000	20,000	40,000	\$ 100,000
Kinkora	315	12,000	12,000	16,000	20,000	40,000	\$ 100,000
Mount Stewart	312	12,000	12,000	16,000	20,000	40,000	\$ 100,000
St. Peter’s Bay	267	12,000	12,000	16,000	20,000	40,000	\$ 100,000
Resort Municipality	267	12,000	12,000	16,000	20,000	40,000	\$ 100,000
Tyne Valley	223	12,000	12,000	16,000	20,000	40,000	\$ 100,000
Victoria	119	12,000	12,000	16,000	20,000	40,000	\$ 100,000
Total	71583						\$ 17,142,903

