

CAPITAL PLAN 2009–12

BUDGET2009

BUILDING ON
OUR STRENGTH

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Capital Plan 2009–12

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CAPITAL PLAN 2009–12

HIGHLIGHTS

- ✧ Significant investments in capital, \$23.2 billion over three years, will take advantage of a competitive marketplace and help stimulate the economy;
- ✧ Increase of \$1 billion or 4.5% over last year's three-year Capital Plan, primarily due to climate change initiatives;
- ✧ Direct borrowing of \$1.1 billion in each of the next three years for capital purposes, and
- ✧ Funding set aside for provincial contributions to federal stimulus programs.

Over 2009-12, the Government of Alberta plans to spend \$23.2 billion on capital projects, representing Alberta's commitment to continue implementation of its *20-Year Strategic Capital Plan*. This level of investment will provide employment opportunities, build roads, schools and hospitals, and promote long-term economic growth. As well, investing in infrastructure now takes advantage of improved pricing in the construction sector. These investments will be made while dramatically enhancing efforts to support climate change initiatives.

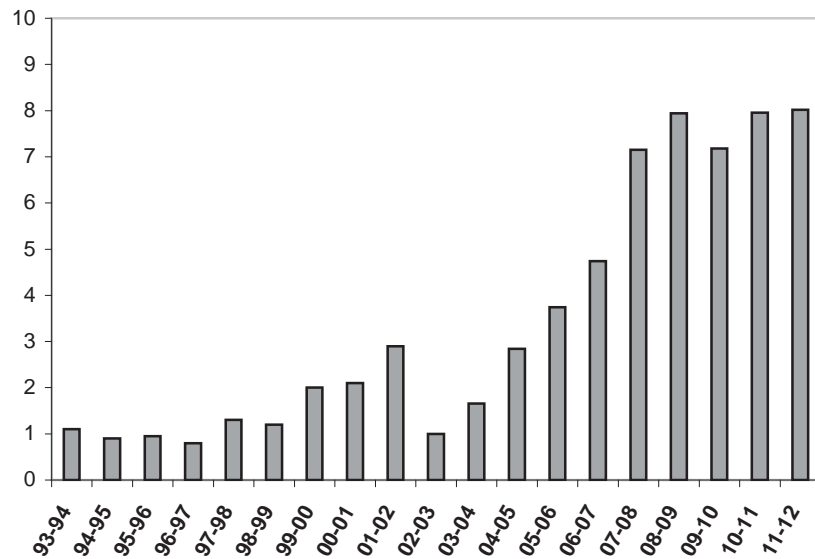
Over the next three years, the Capital Plan will average \$7.7 billion of infrastructure spending annually. This is almost \$2 billion more per year than the level of spending proposed in the *20-Year Strategic Capital Plan*. This degree of capital support is unmatched in the rest of Canada.

As a province, we have been growing our investment in infrastructure for a number of years. An increase in spending was necessary to meet the needs created by rapid population and economic growth in recent years. In the coming year, this significant investment in infrastructure will play a role in our recovery. Estimates suggest that every \$1 billion in infrastructure spending supports 11,600 jobs, which includes the spinoff in the supply and services sector.

Alberta will take advantage of its sound fiscal management policies to provide greater flexibility for the future as we deliver on our infrastructure commitments. No province is in a better position to borrow than Alberta. We have a triple-A credit rating that will allow us to borrow at the lowest rates possible, at a time when interest rates are at historic lows. Although we have the cash on hand to pay for infrastructure now, Alberta will engage in borrowing over the next three years to maintain our cash balance for future fiscal flexibility, while minimizing the cost of debt.

Province's Support for Capital Infrastructure

(billions of dollars)



The 2009-12 Capital Plan represents a 4.5 percent or \$1 billion increase from the 2008-11 Capital Plan published in *Budget 2008*. The significant changes in some of the spending envelopes are mainly due to:

The 2009-12 Capital Plan represents a \$1 billion increase over the plan published in Budget 2008.

- ◆ Municipal infrastructure support – the new Green Transit Incentives Program;
- ◆ Health facilities – reprofiling capital grants to future years to allow Alberta Health Services to draw down its capital cash reserves;
- ◆ Post-secondary facilities – winding down of capital projects;
- ◆ Community facilities – expiration of the Major Community Facilities Program and other one-time grants provided in 2008-09;
- ◆ Government facilities, equipment and other capital – climate change initiatives, and
- ◆ Unallocated provision – allocated most of the funding to projects.

Comparison of 2008-11 and 2009-12 Capital Plans

(millions of dollars)

	2008-11 Budget 2008	2009-12 Budget 2009	Dollar Change
Municipal infrastructure support	4,997	5,618	621
Provincial highway network	5,349	5,806	457
Health facilities and equipment	3,337	2,951	(386)
Schools	1,660	1,677	17
Post-secondary facilities	1,480	1,216	(264)
Community facilities	705	260	(445)
Water and wastewater	721	715	(6)
Housing	1,077	1,018	(59)
Government facilities/other	2,029	3,313	1,284
Unallocated provision	803	580	(223)
Total Capital Plan	22,158	23,154	996

The various components making up the Capital Plan directly contribute to the government's five priorities. The following are examples of how this Capital Plan supports these priorities:

ENSURE ALBERTA'S ENERGY RESOURCES ARE DEVELOPED IN AN ENVIRONMENTALLY SUSTAINABLE WAY, through:

- ◆ Supporting research, development, and implementation of innovative technologies through the new Carbon Capture and Storage initiative and the Climate Change and Emissions Management Fund;
- ◆ Investing in leading-edge initiatives that will reduce air pollution and greenhouse gas emissions through the Canada ecoTrust for Clean Air and Climate Change;
- ◆ Pursuing, at a minimum, Leadership in Energy and Environmental Design silver certification as the standard for all newly constructed government-funded facilities, and the Building Owners and Managers Association Building Environmental Standards certification program for facility operations, and
- ◆ Providing Albertans a safe and secure water supply through the Alberta Municipal Water/Wastewater Program and the Water for Life strategy.

|| *Established the new Carbon Capture and Storage initiative.*

INCREASE ACCESS TO QUALITY HEALTH CARE AND IMPROVE THE EFFICIENCY AND EFFECTIVENESS OF HEALTH CARE SERVICE DELIVERY, through:

- ◆ Planning capital projects to align with the strategies of *Vision 2020*, with an aim to provide more health care in community settings;
- ◆ Providing more acute care and continuing care beds throughout the province over the next several years as well as enhancing capacity in areas such as ambulatory, diagnostic, emergency and surgical care, and
- ◆ Enhancing health information systems as well as providing funds for vaccine purchases.

|| *2009-12 funding will provide Albertans increased access to quality health care through state-of-the-art facilities.*

PROMOTE STRONG AND VIBRANT COMMUNITIES AND REDUCE CRIME SO ALBERTANS FEEL SAFE, through:

- ◆ Continuation of the commitment to develop more than 11,000 affordable housing units through various grant programs;
- ◆ Supporting capital projects that help implement the 10-year strategic plan to end homelessness in Alberta;
- ◆ Completing construction of the new Edmonton Remand Centre that will have the capacity to house 2,000 inmates, and
- ◆ Expanding and upgrading Alberta's extensive network of community facilities through the Community Facility Enhancement Program.

|| *Continue to support the development of more than 11,000 affordable housing units.*

ENHANCE VALUE-ADDED ACTIVITY, INCREASE INNOVATION, AND BUILD A SKILLED WORKFORCE TO IMPROVE THE LONG-RUN SUSTAINABILITY OF ALBERTA'S ECONOMY, through:

- ◆ Promoting a unique approach to scientific discovery through the construction of the Centennial Centre for Interdisciplinary Science at the University of Alberta;

Creating 15,000 additional course registrations annually through Athabasca University's main campus.

- ◆ Enhancing research and teaching capacity through the construction of the Energy, Environment, and Experiential Learning Building at the University of Calgary;
- ◆ Expanding Athabasca University's main campus to build research capacity in e-learning, allowing the delivery of 15,000 additional course registrations per year, and
- ◆ Doubling the capacity to deliver energy, manufacturing and construction programming at Southern Alberta Institute of Technology's (SAIT) Trades and Technology Complex.

PROVIDE THE ROADS, SCHOOLS, HOSPITALS AND OTHER PUBLIC INFRASTRUCTURE TO MEET THE NEEDS OF A GROWING ECONOMY AND POPULATION, through:

Continued stable and sustainable funding for municipalities to help address growth pressures.

- ◆ Providing municipalities with stable and sustainable funding through the Municipal Sustainability Initiative to help address growth pressures;
- ◆ Funding innovative projects that improve local, regional, and inter-city transit networks through the new Green Transit Incentives Program (GreenTRIP);
- ◆ Funding the construction of 18 new K-9 schools in Edmonton and Calgary through the Alberta Schools Alternative Procurement Phase 1 project, with another 14 schools committed for the Edmonton and Calgary regions in Phase 2, and
- ◆ Continuing construction of the ring roads in Calgary and Edmonton.

CLIMATE CHANGE INITIATIVES

The development of energy resources plays a critical role to the province's economic growth. Alberta is committed to developing these resources in an environmentally responsible way while continuing to fulfill its role as one of the top energy suppliers in the world. In January 2008, the government released its provincial climate change strategy which focuses on implementing carbon capture and storage, using energy more efficiently and greening energy production.

The 2009-12 Capital Plan includes nearly \$1.7 billion of capital spending to support technologies that reduce greenhouse gas emissions and increase efficiency of energy use and production through the following initiatives:

Companies will have several options available to them to reduce their greenhouse gas emissions in order to meet legislated requirements.

- ◆ \$2 billion committed to accelerate carbon capture and storage projects that could permanently store up to five million tonnes of carbon dioxide in Alberta's geological formations annually by 2015;
- ◆ Another \$2 billion committed to promote the use of energy-saving public transit through GreenTRIP that will reduce the number of vehicles on Alberta roads;
- ◆ The Climate Change and Emissions Management Fund, which is dedicated to investing in projects and technologies that reduce greenhouse gas emissions, and
- ◆ The Canada ecoTrust for Clean Air and Climate Change program, a federally funded program that supports applied research, demonstration projects, and technology development that would directly reduce greenhouse gas emissions and air pollutants.

Significant investment in technology not only fosters innovation but it also secures Alberta's leadership role in addressing the global issue of climate change. The following table summarizes the government's 2009-12 capital commitment to major climate change initiatives:

Climate Change Initiatives

(millions of dollars)

	2009-10	2010-11	2011-12	Total
Carbon Capture and Storage	100	300	400	800
Green Transit Incentives Program	10	150	360	520
Climate Change and Emissions Management Fund	71	59	84	214
EcoTrust for Clean Air and Climate Change	39	39	39	117
Total Funding Approved	220	548	883	1,651

FEDERAL SUPPORT FOR INFRASTRUCTURE

On August 29, 2008, the Government of Alberta and the Government of Canada signed the Building Canada infrastructure framework agreement. The agreement establishes the terms and conditions that will govern the partnership between Alberta and Canada, enabling both parties to jointly address the development of important infrastructure projects. Alberta will receive an estimated \$1.8 billion in support through the Building Canada plan, which will complement Alberta's unprecedented infrastructure investment. The following table summarizes the federal contribution to components of the Building Canada plan:

Alberta will receive \$1.8 billion through the Building Canada plan to complement its unprecedented investment in infrastructure.

Federal Contribution – Building Canada Plan

(millions of dollars)

	2009-14
Building Canada Fund:	
<i>Major Infrastructure Component</i>	753
<i>Communities Component</i>	88
<i>Subtotal</i>	841
Provincial/Territorial Base Fund	175
Gas Tax Fund	798
Total Federal Contribution	1,814

The Building Canada Fund will be delivered through two programs: the Major Infrastructure Component and the Communities Component. The \$753 million **Major Infrastructure Component** will focus on larger, strategic projects of national and regional priority. This program requires a matching provincial contribution. For municipal projects funded through this program, a municipal contribution will be required as well. Commitments have already been made under the Major Infrastructure Component for projects such as an interchange on the Edmonton ring road, the Centre for Sports Excellence in Calgary, expansion of the Northlands exhibition facility in Edmonton, the Kinnear Centre for Creativity and Innovation at the Banff Centre and the Calgary Stampede Park Western Legacy Project.

The \$88 million **Communities Component** will focus on smaller-scale projects in communities with a population of less than 100,000. This program will require matching contributions from the province and municipalities. Eligible funding categories are water, wastewater, solid waste, local roads, culture, sports, connectivity, green energy and collaborative projects. All requests are evaluated by a federal-provincial committee through a competitive application-based process. Alberta and Canada have already agreed to fund 22 projects with a total project cost of more than \$76 million. The combined provincial-federal contribution to these projects will be \$48 million, with municipalities contributing the remainder. Additional project proposals will be reviewed and approved early in the 2009-10 fiscal year.

Alberta and Canada have already agreed to fund 22 projects with a total project cost of more than \$76 million through the Communities Component.

In its Budget 2009, the Government of Canada committed an additional \$500 million to be shared by all the provinces for the Communities Component. This funding will be targeted to 'shovel-ready' infrastructure projects. Details on Alberta's share have yet to be determined.

The federal government will also provide \$175 million through the **Base Funding Agreement**. Originally intended to be \$25 million per year over the 2007-14 period, Alberta plans to take advantage of Canada's Budget 2009 commitment to accelerate these payments to stimulate the economy and help advance infrastructure projects. Funding for the Art Gallery of Alberta has already been provided under the Base Funding Program.

The Building Canada plan will also provide \$798 million to Alberta municipalities through the extension of the **Gas Tax Fund** agreement from 2010 to 2014. This federal flow-through funding will be used to support municipal infrastructure. It does not require a matching provincial or municipal contribution.

In its Budget 2009, the federal government committed to a number of federal programs aimed at stimulating the economy by making investments in infrastructure. While the details of these federal programs have not been finalized, this Capital Plan has set aside funding to match potential federal funds available under these programs.

CAPITAL PLAN DETAILS – BY FUNCTION

(millions of dollars)	2009-10 Estimate	2010-11 Target	2011-12 Target	3-year Total
Municipal infrastructure support	1,491	1,965	2,162	5,618
Provincial highway network	1,842	2,136	1,828	5,806
Health facilities and equipment	369	1,255	1,327	2,951
Schools	761	423	493	1,677
Post-secondary facilities	490	485	241	1,216
Community facilities	80	65	115	260
Water and wastewater management	254	188	273	715
Housing	328	223	467	1,018
Government facilities/other capital	1,352	1,104	857	3,313
Unallocated provision	212	113	255	580
Total Capital Plan	7,179	7,957	8,018	23,154

MUNICIPAL INFRASTRUCTURE SUPPORT

MAJOR 2008-09 ACCOMPLISHMENTS:

\$1.6 billion in grants forecast for 2008-09, with some of the following achievements:

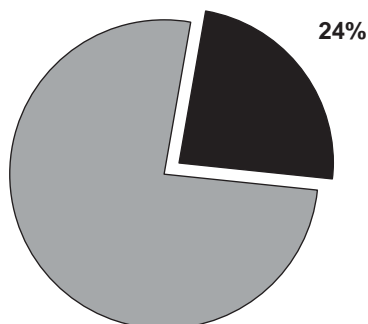
- ◆ Through various municipal transportation grant programs, 360 municipalities were recipients of \$1 billion to support over 2,000 active projects. Projects ranged from construction or rehabilitation of roads and bridges to the purchase of public transit vehicles. Notable was support for the LRT extensions in Edmonton and Calgary, the 23rd Avenue interchange in Edmonton, and the upgrade of 16th Avenue North in Calgary, and
- ◆ The Municipal Sustainability Initiative provided \$455 million in capital grants to municipalities to contribute to addressing critical infrastructure needs. Some examples include:
 - ◆ Upgrades to processing equipment at the Edmonton Waste Management Centre;
 - ◆ Construction of the West Light Rail Transit line in Calgary;
 - ◆ Purchase of a new fire truck for Olds;
 - ◆ Construction of a new water line between Blairmore and Coleman to increase water supply;
 - ◆ Construction of a new roadway connecting McLennan and the Peavine Métis Settlement, and
 - ◆ Building a new fire hall in Lethbridge.

Over 2,000 projects, in 360 municipalities, benefited from \$1 billion of municipal transportation grants.

THE NEXT THREE YEARS:

The development of public infrastructure at the municipal level is central to providing essential services and maintaining a high quality of life for Albertans. Although growth pressures have stabilized, the government remains committed to providing Alberta's municipalities with increased long-term sustainable funding for infrastructure. Municipal infrastructure support has grown significantly over the last few years, increasing by \$621 million from 2008-11.

Municipal Infrastructure Support represents 24%, or \$5.6 billion of the 2009-12 Capital Plan.



Provide \$520 million in funding to expand and enhance public transit networks through GreenTRIP.

The cornerstone program for support to municipalities is the Municipal Sustainability Initiative (MSI). Grants are issued to recipients based on a formula that considers a base funding component, population, education property tax requisitions and kilometres of local road.

Over 2009-12, \$5.6 billion will be provided to municipalities, and this support includes:

- ◆ \$2.7 billion for capital grants under MSI to address core municipal infrastructure needs such as roads, bridges, and public transit;
- ◆ \$1 billion for municipal transportation grants under several programs based on factors such as population, kilometres of open road and terrain;
- ◆ \$591 million under the Federal Gas Tax Fund Program, which returns a portion of the federal gasoline tax to the province for distribution to municipalities;
- ◆ \$520 million for GreenTRIP to support innovation in public transit;
- ◆ \$486 million for the Alberta Municipal Infrastructure Program, which provides grants to municipalities for roads, bridges, public transit, water and wastewater, emergency services, and infrastructure management systems;
- ◆ \$176 million, representing the federal and provincial contributions for the Building Canada Communities Component, and
- ◆ \$73 million for other municipal support such as the Canada-Alberta Municipal Rural Infrastructure Fund and underground petroleum storage tank site remediation.

PROVINCIAL HIGHWAY NETWORK

MAJOR 2008-09 ACCOMPLISHMENTS:

\$2 billion forecast to be spent in 2008-09, with some of the following achievements:

- ◆ Built 90 kilometres of new highway, repaved 1,240 kilometres, widened 54 kilometres, and opened 50 kilometres of twinning work in 2008-09;
- ◆ Began construction of the Anthony Henday Drive northwest ring road in Edmonton;
- ◆ Continued construction on the Stoney Trail northeast and northwest ring roads in Calgary, including constructing interchanges at Beddington Trail and Country Hills Boulevard;
- ◆ Began major work on the new five-lane bridge over the Athabasca River in Fort McMurray and replacement of the deck on the Dunvegan Bridge north of Grande Prairie;
- ◆ Made significant progress on twinning or widening work on several highway segments, including Highway 4 near Milk River, Highway 54 west of Innisfail, Highway 58 east of Rainbow Lake, and a 13 kilometre section of Highway 21 near Sherwood Park;
- ◆ Constructed an interchange near Chestermere;
- ◆ Improvements to the Deerfoot Trail interchange at Peigan Trail-Barlow Trail in Calgary, and
- ◆ Repaving and illumination work on the Queen Elizabeth II highway south of Edmonton between Ellerslie Road and Highway 39.

Commenced construction of a new five-lane bridge over the Athabasca River in Fort McMurray.

THE NEXT THREE YEARS:

Alberta's roadways are the lifeblood of our economy; connecting communities and enabling the safe and efficient movement of people and goods. An effective highway network increases our competitiveness in domestic and international markets. The government continues to recognize the importance of this network and has increased funding by \$457 million from 2008-11 levels, bringing investment in provincial highway projects to \$5.8 billion over the next three years. This will enable the government to continue developing important strategic economic corridors, such as ring road links in Edmonton and Calgary, connections between major urban centers and high-growth industrial areas, and resource roads throughout the province.

The 2009-12 Capital Plan includes funding to:

- ◆ Complete the northeast and northwest segments of the Calgary Stoney Trail ring roads in fall 2009;
- ◆ Start construction of the southeast Calgary Stoney Trail ring road in 2010;
- ◆ Complete the northwest segment of the Edmonton Anthony Henday ring road in fall 2011;
- ◆ Complete an interchange at Anthony Henday Drive and Stony Plain Road in Edmonton, with a contribution from the federal government;
- ◆ Continue planning for other ring road segments;
- ◆ Complete two interchanges on Highway 63 within Fort McMurray at Thickwood Boulevard and Confederation Way, plus a new bridge structure over the Athabasca River;
- ◆ Continue twinning portions of Highway 63 between Edmonton and Fort McMurray;
- ◆ Begin construction to replace the bridge at Highway 22 over the North Saskatchewan River near Drayton Valley, and
- ◆ Perform paving and rehabilitation work on highways throughout the province.

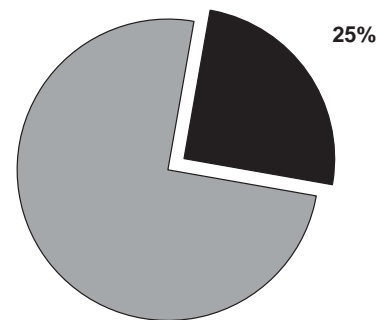
HEALTH FACILITIES AND EQUIPMENT

MAJOR 2008-09 ACCOMPLISHMENTS:

\$979 million forecast to be spent in 2008-09, with some of the following achievements:

- ◆ Completion of the Highwood Tower addition at the Rockyview General Hospital in Calgary;
- ◆ A new intensive care nursery at the Grey Nuns Community Hospital in Edmonton;
- ◆ Ambulatory care renovations and expansion at the Northern Lights Regional Health Centre in Fort McMurray;
- ◆ Opened the new Johnstone Crossing Community Health Centre, providing public and community health services to Red Deer and adjacent communities;

Provincial Highway Network represents 25%, or \$5.8 billion of the 2009-12 Capital Plan.



Construct an interchange at Stony Plain Road and Anthony Henday Drive in Edmonton.

Completed the Highwood Tower expansion at the Rockyview General Hospital in Calgary and renovations to the Grey Nuns Community Hospital in Edmonton and the Northern Lights Regional Health Centre in Fort McMurray.

- ◆ A new renal dialysis bus to serve the communities of Whitecourt and Hinton;
- ◆ Added a CT scanner and expanded the emergency department at the Brooks Health Centre;
- ◆ A major expansion and renovation to the Oyen Health Centre, and
- ◆ Continued progress on major facility construction projects such as the South Calgary Health Campus and the Edmonton Clinic.

THE NEXT THREE YEARS:

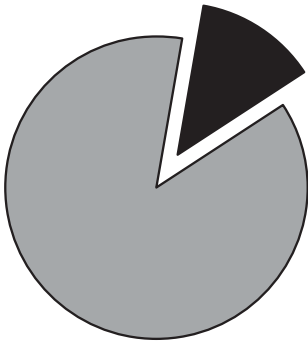
Government is committed to ensuring that Albertans have improved access to quality health care services. Through the Capital Plan, significant support has been provided for health facility infrastructure in recent years. Over the last five years, over 40 major health facility developments or expansions have been completed and are operational.

In December 2008, *Vision 2020: The Future of Health Care in Alberta* was announced as a strategy aimed at improving the efficiency of the health system, providing more health care in community settings, and reviewing existing, planned and approved hospitals to ensure local needs are met. Capital projects will be planned to align with the goals and strategies of this initiative.

In addition to their capital cash reserves, Alberta Health Services will receive capital funding totaling nearly \$3 billion over the next three years for expansion projects, construction of new health facilities and for health information systems and vaccines. It will also provide more acute and continuing care beds throughout the province over the next several years, as well as enhance capacity in areas such as ambulatory, diagnostic, emergency and surgical care.

Health Facilities and Equipment represents 13%, or \$3 billion of the 2009-12 Capital Plan.

13%



Accommodated 4,650 students in 12 new schools.

SCHOOLS

MAJOR 2008-09 ACCOMPLISHMENTS:

\$609 million in grants forecast for 2008-09, with some of the following achievements:

- ◆ Completed 12 new schools with enough capacity to accommodate 4,650 students;
- ◆ Completed 4 additions and replaced or modernized 11 schools;
- ◆ Approved 106 modular classrooms to address enrolment pressures;
- ◆ Awarded Alberta's first contract for a public-private partnership procurement of school facilities. The Alberta Schools Alternative Procurement Phase One (ASAP I) project will construct 18 schools in Edmonton and Calgary. Work to date includes site preparation, grading, pilings, and work on stairwell and elevator structures, and
- ◆ Led by a cross-ministry team, continued with planning towards a second phase of ASAP school construction, which will provide 14 new schools in Edmonton, Calgary and their surrounding communities.

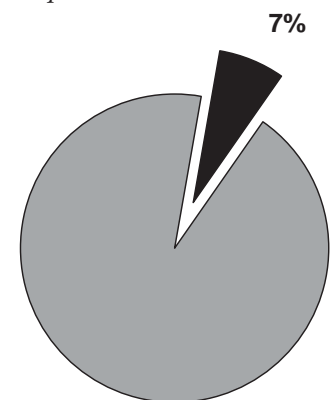
THE NEXT THREE YEARS:

Nearly \$1.7 billion is provided in this Capital Plan for new school facilities, expansions and preservation projects over the next three years. This includes funding for the Infrastructure Maintenance and Renewal Program, which manages the capital maintenance and renewal of existing school facilities. Focused efforts have been made to develop flexible approaches in providing the infrastructure necessary to ensure that students are educated in well-maintained community-centred schools.

The 2009-12 Capital Plan for school infrastructure includes funding to:

- ◆ Complete 54 new and replacement schools throughout the province to accommodate over 31,000 students;
- ◆ Construct 18 K-9 schools, nine in Calgary and nine in Edmonton, through the ASAP I project to be opened by September 2010 (included in the figure above). The schools will use a core design with modular classrooms that can be moved to accommodate changing student populations;
- ◆ Continue with plans to build 14 elementary, middle and high schools in Edmonton, Calgary, Okotoks, Langdon, Spruce Grove and Sherwood Park as a second phase of ASAP (included in the figure above). These schools are anticipated to be complete in 2012. Ten elementary and middle schools will incorporate a core design with modular classrooms; while the four high schools will use specific designs for unique programming needs;
- ◆ Continue 54 new and ongoing major modernization and addition projects in various stages of completion, and
- ◆ Perform priority school infrastructure revitalization projects throughout the province including roof repairs, health and safety upgrades, mechanical system replacements and energy efficiency improvements.

Schools represents 7%, or \$1.7 billion of the 2009-12 Capital Plan.



Build 54 new and replacement schools, which will accommodate over 31,000 students.

POST-SECONDARY FACILITIES

MAJOR 2008-09 ACCOMPLISHMENTS:

\$880 million in grants forecast for 2008-09, with some of the following achievements:

- ◆ Created space for more than 400 students at various post-secondary institutions and made progress on expansions that will result in space for over 1,000 more;
- ◆ Completed the Bill Kondro Wing of Lakeland College's Lloydminster Campus that will serve a wide variety of programs, including computer programming, health education, heavy oil training and interior design;
- ◆ Finished the new Portage College Cold Lake Campus to improve rural access to several post-secondary education programs;
- ◆ Completed the Alberta Water and Environmental Science Building at the University of Lethbridge to support research on water and water related socio-economic issues;
- ◆ Made significant progress towards:
 - ◆ Completing Phase One of Red Deer College's Building Communities Through Learning initiative to serve trades and technology programs;

Created 400 new student spaces throughout various post-secondary institutions.

- ◆ Opening a new library at the University of Alberta's Augustana Campus in Camrose in spring 2009, and
- ◆ Finishing the Veterinary Medicine Facilities at the University of Calgary, a state-of-the-art clinical skills training centre.
- ◆ Provided over \$82 million towards 26 preservation projects at 12 different institutions, and
- ◆ Increased funding for the Infrastructure Maintenance Program to maintain existing facilities.

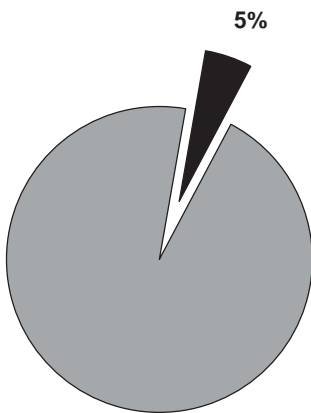
THE NEXT THREE YEARS:

To meet the goal of preparing Albertans for lifelong learning, government is committing \$1.2 billion in support for post-secondary infrastructure over 2009-12. This spending will build a resilient and responsive post-secondary system that aligns supply and capacity to the demands of learners, society and the economy. This Capital Plan will provide space for more than 16,000 learners in high demand programs and enhance the province's research capacity.

The 2009-12 Capital Plan includes investments in post-secondary facilities, such as:

- ◆ Health Research Innovation Centre and the Teaching, Research and Wellness Building at the University of Calgary for medical and health research;
- ◆ Markin Building for Health Sciences and Management at the University of Lethbridge, to bring together the Faculty of Management and the School of Health Sciences;
- ◆ Athabasca University's main campus expansion to enhance research capacity in e-learning, allowing the delivery of 15,000 additional course registrations per year;
- ◆ SAIT's Trades and Technology Complex, doubling its capacity to deliver energy, manufacturing and construction programming;
- ◆ Centennial Centre for Interdisciplinary Science at the University of Alberta for graduate and undergraduate science programs;
- ◆ Bow Valley College renovation and expansion of existing facilities, creating space for almost 4,000 more students;
- ◆ Mount Royal College and Grant MacEwan College science lab expansions;
- ◆ Energy, Environment, and Experiential Learning Building at the University of Calgary;
- ◆ Edmonton Clinic at the University of Alberta, creating more than 800 new spaces for students in health care related professions, and
- ◆ \$328 million for infrastructure maintenance at post-secondary institutions across the province.

Post-Secondary Facilities
represents 5%, or \$1.2 billion of
the 2009-12 Capital Plan.



*Will provide space for more than
16,000 learners in high
demand programs.*

COMMUNITY FACILITIES

MAJOR 2008-09 ACCOMPLISHMENTS:

\$365 million forecast to be spent in 2008-09, with some of the following achievements:

- ◆ The Major Community Facilities Program (MCFP) provided \$153 million in grants to construct or upgrade public-use facilities for sport, recreation, culture and wellness. Examples include:
 - ◆ \$3.7 million to expand and renovate the G.H. Dawe Community Centre in Red Deer;
 - ◆ \$3.6 million to expand the ENMAX Centre in Lethbridge;
 - ◆ \$3.3 million towards the construction of a new community arena and fitness facility in Brooks, replacing the existing 47-year-old Brooks Centennial Arena, and
 - ◆ \$1 million to assist with rebuilding the Viking Carena.
- ◆ \$50 million in support for the development of the Capital Region River Valley Park;
- ◆ \$40 million towards the expansion of the TELUS World of Science in Calgary;
- ◆ The Community Facility Enhancement Program (CFEP) provided approximately \$39 million in matching grants to expand or upgrade community-use facilities. Some examples include:
 - ◆ Upgrades to the High Level Sports Complex;
 - ◆ Renovations to the Lakeland Animal Care Centre in Cold Lake;
 - ◆ Upgrading the Community Theatre Arts Centre in Medicine Hat, and
 - ◆ Renovations to the Wainwright and District Communiplex.

Issued \$192 million in grants through MCFP and CFEP programs to construct and upgrade community facilities in 2008-09.

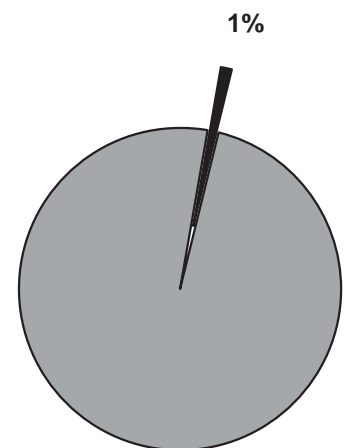
THE NEXT THREE YEARS:

Community facilities play a key role in maintaining a culturally vibrant province, strengthening our communities and promoting tourism. Museums, historic sites, provincial parks, indoor and outdoor recreation centres, and buildings utilized by non-profit groups and foundations for various purposes are examples of facilities that collectively enhance community life. Investments in this type of infrastructure will continue to be made through our Capital Plan to provide Albertans with the opportunity to participate in community life through recreation, the arts and cultural activities.

Three-year support totaling \$260 million for community facilities across the province includes:

- ◆ \$38 million annually for the ongoing CFEP, which provides matching grants to support the expansion and upgrading of Alberta's extensive network of community-use facilities;
- ◆ \$56 million to continue work to refurbish the Royal Alberta Museum, and
- ◆ \$18 million annually for maintaining and improving Alberta's network of 500 provincial parks and protected areas. A central registration and reservation system will also be implemented to increase accessibility to provincial park campgrounds.

Community Facilities represents 1%, or \$260 million of the 2009-12 Capital Plan.



WATER AND WASTEWATER MANAGEMENT

MAJOR 2008-09 ACCOMPLISHMENTS:

\$346 million forecast to be spent in 2008-09, with some of the following achievements:

- ◆ Completed the rehabilitation and upgrading of the main canal, and North and South McGregor Dam structures of the Carseland-Bow River Headworks System;
- ◆ Provided \$290 million in grants under the Alberta Municipal Water/Wastewater Program (AMWWP) and the *Water for Life* strategy in support of municipal water facilities and regional water system development;
- ◆ Upgraded the East Dam Earthwork and Electrical Controls, and replaced gates on the East and North Dam, part of the St. Mary to Milk River Headworks System;
- ◆ Allocated \$22 million in grants to support the rehabilitation of irrigation systems;
- ◆ Upgraded structures, including head gates, in the Western Headworks System, and
- ◆ Rehabilitation largely complete on the Reesor and Spruce Coulee Dam.

Provided \$290 million in grants under AMWWP and Water for Life in 2008-09.

THE NEXT THREE YEARS:

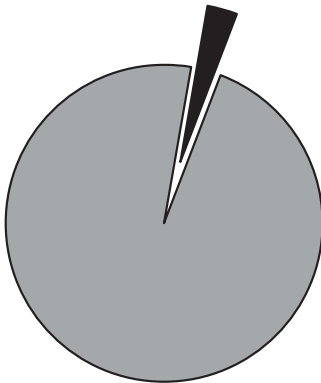
Effective management of our water resources remains a government priority in order to provide reliable, good quality supplies for communities, ecosystems and the economy. The Alberta *Water for Life* strategy, launched in 2003, is the most comprehensive water management plan in North America, and part of that plan is to provide the infrastructure necessary to deliver water and wastewater services. Funding commitments for initiatives that ensure Albertans continue to have access to a safe and secure water supply have remained consistent from year to year.

An investment of \$715 million for water infrastructure will be made in the following areas:

- ◆ Regional water and wastewater treatment projects throughout the province, supporting the *Water for Life* strategy;
- ◆ Grants to municipalities under the Alberta Municipal Water/Wastewater Program;
- ◆ Continue rehabilitation work on the Carseland-Bow River Headworks System;
- ◆ Construction on the Calgary Bow River Weir Project;
- ◆ Upgrades to the South Heart River Dam controls;
- ◆ Irrigation rehabilitation grants to support the agriculture industry, and
- ◆ Rehabilitation of the Lethbridge Northern Headworks System.

Water and Wastewater Management represents 3%, or \$715 million of the 2009-12 Capital Plan.

3%



HOUSING

MAJOR 2008-09 ACCOMPLISHMENTS:

\$413 million forecast to be spent in 2008-09, with some of the following achievements:

- ◆ Created approximately 2,200 more affordable housing units;
- ◆ \$45 million dedicated for the Regional Municipality of Wood Buffalo, for the second year in a row, to support the creation of 300 affordable housing units;
- ◆ \$100 million in block funding to municipalities across the province for affordable housing initiatives. Eligibility is based on a formula that considers population growth, vacancy rates and average rents for a two-bedroom unit and previous year's eligibility. Some examples of projects that received funding commitments are:
 - ◆ \$25 million to develop 150 affordable housing units for the YMCA's new Welcome Village in Edmonton;
 - ◆ \$21.4 million for the Mustard Seed Street Ministry Society housing initiative in Calgary, which will create 112 housing units for lower income individuals who have experienced homelessness, and
 - ◆ \$3.2 million to Jasper for a housing initiative that will develop 42 one-bedroom units, targeting short-term and temporary residents predominantly working in the hospitality sector.

Created 2,200 new affordable housing units in 2008-09.

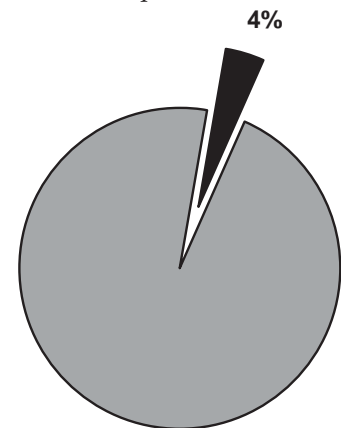
THE NEXT THREE YEARS:

Responding through the Affordable Housing Initiative, the provision of affordable housing for Albertans remains a critical priority for government. The objectives are to increase the supply of affordable and barrier-free housing to address demand, provide transitional housing to help reduce homelessness, and seniors housing to allow more seniors to remain in their homes.

This Capital Plan includes \$1 billion over three years for programs to help achieve these goals, and includes:

- ◆ Support for government's goal of developing more than 11,000 affordable housing units through various grant programs;
- ◆ \$400 million related to the implementation of *A Plan for Alberta - Ending Homelessness in 10-years*, as well as continued collaboration with municipalities and the Alberta Secretariat for Action on Homelessness. This includes:
 - ◆ The development of over 700 units in the first year, the majority of which will be for single room occupancy, and
 - ◆ The creation of 2,700 housing units for Alberta's homeless population over three years.
- ◆ Provision of more seniors housing through the Affordable Supportive Living Initiative, enabling the construction of over 1,200 additional units.

Housing represents 4%, or \$1 billion of the 2009-12 Capital Plan.



\$400 million will be provided to capital projects that help implement *A Plan for Alberta - Ending Homelessness in 10-years*.

GOVERNMENT FACILITIES, EQUIPMENT AND OTHER CAPITAL

MAJOR 2008-09 ACCOMPLISHMENTS:

\$702 million forecast to be spent in 2008-09, with some of the following achievements:

- ◆ Commenced construction of the new Edmonton Remand Centre;
- ◆ Began Phase II of the Calgary Courts Centre, which involves renovating the Court of Appeal Building, demolishing the old Court of Queen's Bench, construction of a 700-stall underground parkade and development of an urban park;
- ◆ Acquired several parcels of land for government use, including those within the Edmonton and Calgary Transportation and Utility Corridors;
- ◆ Construction is underway for the replacement of the research greenhouse at the Brooks Crop Diversification Centre South;
- ◆ Awarded the contract for a master planning consultant to develop a long-term planning strategy for the redevelopment of the Legislature Grounds in Edmonton, which will be coordinated with the development of the Federal Building and a new Centennial Plaza, and
- ◆ Delivered \$37 million towards capital maintenance and renewal projects to preserve government-owned facilities.

Acquired parcels of land for the Transportation and Utility Corridors in Edmonton and Calgary.

THE NEXT THREE YEARS:

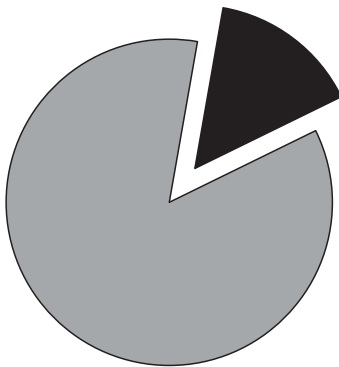
The three-year support for government facilities, equipment and other capital totals \$3.3 billion. This is an increase of nearly \$1.3 billion over 2008-11 levels mainly due to implementation of the new Carbon Capture and Storage initiative. This spending envelope covers a broad range of other activities; from building government-owned facilities to purchasing computer equipment for government departments and agencies and making the capital investments necessary to effectively operate the Swan Hills Treatment Centre.

The 2009-12 Capital Plan includes funding for:

- ◆ Implementation of Carbon Capture and Storage initiative projects;
- ◆ Phase One critical projects identified under the Information Management and Technology Strategy, which seeks to establish a single enterprise approach to Government of Alberta technology management;
- ◆ Construction of the new Edmonton Remand Centre, planned for completion in 2012;
- ◆ Restoration and renovation of the Federal Building on the Legislature Grounds, scheduled for occupancy by 2012, as well as the creation of Centennial Plaza and construction of a new 650-stall parkade;
- ◆ Initiatives through the Climate Change and Emissions Management Fund and the Canada ecoTrust for Clean Air and Climate Change program;
- ◆ Providing 14,000 new child care spaces by 2011, over 6,000 of which have been provided, and
- ◆ Purchasing ecologically sensitive land through the Enhanced Land Stewardship Program, offset by proceeds from the sale of surplus government lands.

Government Facilities, Equipment and Other Capital represents 15%, or \$3.3 billion of the 2009-12 Capital Plan.

15%



UNALLOCATED PROVISION

The 2009-12 Capital Plan includes \$580 million that has been set aside for allocation to ministries at a later date. This provision could be used to help fund Alberta's contribution towards projects eligible to receive federal stimulus funding or to help address high-priority capital funding pressures that may arise. A portion of the funding has been earmarked for the Alberta First Responders' Radio Communications System. This project will develop a shared province wide radio system, replacing several aging systems, which will increase inter-operability so first responder organizations such as police, fire and Emergency Medical Services can communicate with one another to better ensure public safety.

ALTERNATIVE FINANCING

The Alternative Capital Financing Office in the Ministry of Treasury Board leads the process to identify and analyze alternative ways of procuring and financing capital projects. Alternative financing can take different forms, including direct government borrowing, capital leases, public-private partnerships (P3s) and borrowing by local authorities. In this year's budget, government plans to use \$1.1 billion in direct borrowing in each of the next three years for capital purposes.

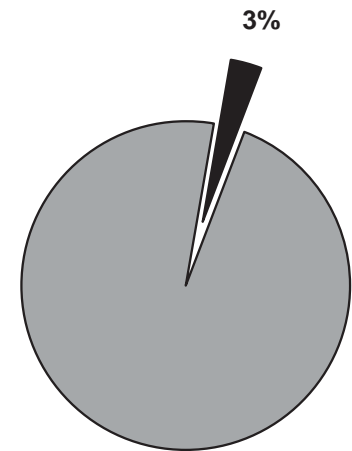
A P3 in Alberta is an infrastructure project in which a private contractor provides part of the project financing and designs and builds the project. The P3 could also include having the private contractor provide an "extended warranty" by operating and maintaining the project. Government pays the private contractor over the contract period but would reduce the payments if the contractor does not meet defined performance standards.

P3s are used for a number of reasons. They can allow government access to private sector expertise and accommodate the transfer of certain risks, such as cost escalation and construction delays, to the private sector. P3s often include operations and maintenance of the infrastructure which provides a long-term warranty over the term of the agreement with the private contractor compared to a one or two-year warranty using traditional procurement. Including the operations and maintenance also ensures government has well maintained assets over the contract period, and enables government to address the cyclical renewal costs of the assets. Government pays for risk transfer, so achieving the optimum allocation of risk between the public and private partners is essential to generating value using a P3. Generally, the P3 will reduce project timeframes by one or two years compared to the traditional design build approach.

Alberta will only pursue a P3 when there is greater value in using a P3 than in acquiring an asset using traditional procurement methods. Each P3 is evaluated to ensure value for money over the life of the agreement term and is reviewed by an external advisory committee made up of private sector members.

Unallocated Provision

represents 3%, or \$580 million of the 2009-12 Capital Plan.



Alberta will only pursue a P3 when there is a greater value to using a P3 than traditional procurement methods.

Government has pursued some projects where value was demonstrated. To date, \$1.8 billion has been approved to be alternatively financed through P3s. Several projects are either operational, under construction or under procurement.

The *Northeast Stoney Trail ring road project* in Calgary is a P3 Design-Build-Finance-Operate project that is currently under construction and on schedule for completion in fall 2009. The P3 model resulted in an estimated savings of \$350 million when compared to the conventional procurement approach.

The *Anthony Henday Northwest ring road segment* is another P3 roads project that is underway. Doing the project as a P3 will result in estimated savings of \$240 million compared to a conventional procurement approach. Construction started in August 2008 and will be completed by fall 2011.

To date, \$1.8 billion has been approved to be alternatively financed through P3s.

The *Alberta Schools Alternative Procurement Phase One (ASAP I)* project includes the design, building, financing and 30-year maintenance of 18 schools, nine in Edmonton and nine in Calgary. A P3 model was used for the procurement of the schools and is providing estimated savings of \$118 million over a conventional procurement approach. The 18 new schools are under construction and scheduled to open in September 2010.

The *Southeast Stoney Trail ring road project* in Calgary is under procurement as a P3 Design-Build-Finance-Operate project. The project is 25 kilometres long with 29 bridge structures. The P3 procurement is expected to provide cost savings and allow the ring road segment to be opened by fall 2013, which is two years earlier than if a traditional approach were used. Construction is expected to commence in early 2010.

Other P3 procurements are currently being considered. A second package of schools, ASAP Phase Two, was announced in January 2008 and will deliver schools in Calgary and Edmonton and surrounding regions. ASAP Phase Two will build on the model of ASAP Phase One.

The government will also consider the remaining segments of the Edmonton and Calgary ring roads and could consider other social infrastructure projects for P3 procurement if they have the potential to generate value for money. Additional P3 projects could include health care, post-secondary and water/wastewater treatment facilities.

Over the past several months, the global financial crisis, including the current global economic downturn and the uncertainty in capital markets worldwide, has spawned a significant level of uncertainty in Canadian financial markets as a whole, and has presented specific challenges to privately financed capital projects. While challenges in the capital markets will likely persist for some time, Alberta will continue to monitor the situation closely, adapt its P3 approach if required and will continue to use P3 procurements in appropriate applications where value for money can be demonstrated.

Alberta is committed to maintaining transparency and completeness in how it treats its P3 projects in its financial statements. The ring roads are government assets, so the capital asset and the corresponding liability are recorded on the government's balance sheet as the project is constructed. Schools constructed as part of ASAP I will be owned by the school boards, even though the government signed the agreement. The government will show the value of these schools as a capital expense and will also record the corresponding liability. These methods of showing P3s are consistent with generally accepted accounting principles, which the government is committed to following.

The following table summarizes the projected use of alternative financing for the 2009-12 period:

Alternative Capital Financing Summary

(millions of dollars)

	2009-10	2010-11	2011-12
	Estimate	Target	Target
Opening balance sheet liability	916	2,662	4,283
Additional P3 liabilities ^a	653	534	842
Direct borrowing for capital	1,100	1,100	1,100
Principal repayment	(7)	(13)	(21)
Closing balance sheet liability	<u>2,662</u>	<u>4,283</u>	<u>6,204</u>

Interest payments

	38	93	159
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^a Represents only the portion of assets being alternatively financed.

Capital Plan Details

(millions of dollars)

	2009-10 Estimate	2010-11 Target	2011-12 Target	3-Year Total
Municipal Infrastructure Support				
Municipal Sustainability Initiative	350	1,150	1,237	2,737
Municipal transportation grants	352	319	364	1,035
Federal Gas Tax Fund	191	200	200	591
Alberta Municipal Infrastructure Program	486	-	-	486
Green TRIP	10	150	360	520
Building Canada Communities Component	66	110	-	176
Other support	36	36	1	73
Total Municipal Infrastructure Support	1,491	1,965	2,162	5,618
Provincial Highway Network				
Calgary Ring Road	156	663	823	1,642
Edmonton Ring Road	485	486	242	1,213
Highway construction	427	368	391	1,186
Highway rehabilitation	229	267	160	656
Rural and Urban North-South Trade Corridors	173	140	120	433
Northeast Alberta Transportation Corridor	283	138	-	421
Other economic corridors	89	74	92	255
Total Provincial Highway Network	1,842	2,136	1,828	5,806
Health Facilities and Equipment				
New facilities and expansions	161	1,031	1,135	2,327
Capital maintenance and renewal	84	89	95	268
Health information systems	80	93	65	238
Vaccines	44	42	32	118
Total Health Facilities and Equipment	369	1,255	1,327	2,951
Schools				
New facilities and expansions	509	275	365	1,149
Capital maintenance and renewal	252	148	128	528
Total Schools	761	423	493	1,677
Post-Secondary Facilities				
New facilities and expansions	363	379	128	870
Capital maintenance and renewal	121	100	107	328
Other support	6	6	6	18
Total Post-Secondary Facilities	490	485	241	1,216

Capital Plan Details – continued

(millions of dollars)

	2009-10 Estimate	2010-11 Target	2011-12 Target	3-Year Total
Community Facilities				
Community Facility Enhancement Program	38	38	38	114
Parks capital maintenance and renewal	18	18	18	54
Other support	24	9	59	92
Total Community Facilities	80	65	115	260
Water and Wastewater Management				
Regional water/wastewater projects - <i>Water for Life</i>	100	83	190	373
Municipal Water and Wastewater Partnership grants	88	50	50	188
Irrigation rehabilitation grants	29	24	24	77
Carseland-Bow River Headworks System rehabilitation	20	23	4	47
Other support	17	8	5	30
Total Water and Wastewater Management	254	188	273	715
Housing				
Affordable Housing Program	178	73	217	468
Homelessness Prevention Initiative	100	100	200	400
Affordable Supportive Living Initiative	50	50	50	150
Total Housing	328	223	467	1,018
Government Facilities, Equipment and Other Capital				
Carbon Capture and Storage	100	300	400	800
Edmonton Remand Centre replacement	310	180	47	537
Federal Building retrofit and parkade	180	151	17	348
Climate Change and Emissions Management Fund	71	59	84	214
Information Management and Technology Strategy	93	60	-	153
Eco-Trust for Clean Air and Climate Change	39	39	39	117
Capital maintenance and renewal	17	10	10	37
Other support	542	305	260	1,107
Total Government Facilities, Equipment and Other Capital	1,352	1,104	857	3,313
Unallocated Provision	212	113	255	580
Total Capital Plan	7,179	7,957	8,018	23,154

