

CANADA - PRINCE EDWARD ISLAND  
AGREEMENT ON THE TRANSFER OF FEDERAL GAS TAX  
REVENUES UNDER THE NEW DEAL FOR CITIES  
AND COMMUNITIES 2005 - 2015

CAPACITY BUILDING FUND  
GUIDELINES AND CRITERIA

**BACKGROUND**

On November 22, 2005, the Government of Canada and the Province of Prince Edward Island signed the Agreement on the Transfer of Federal Gas Tax Revenues, which allocated \$37.5 million to Prince Edward Island cities and communities. Of the \$37.5 million, \$4,857,097 was allocated to the Community and Capacity Building Fund. The Agreement states that within this fund, a minimum of \$1 million will be invested in Capacity Building efforts. It should be noted that these guidelines and criteria only cover the capacity building portion of the Communities and Capacity Building Fund.

**1. Statement of Objectives**

The Agreement on the Transfer of Federal Gas Tax Revenues is targeted at “making a transformative difference in the sustainability and future prosperity of cities and communities in Prince Edward Island”. The Agreement seeks to foster sustainable cities and communities, which can achieve a higher quality of life and standard of living.

The vision of sustainability reflected in the Agreement integrates the four independent dimensions: economic, environmental, social and cultural.

Within this context the “Capacity Building Fund” has been established to assist communities to enhance their capacity to achieve and maintain long term sustainability.

**2. Definition**

“Agreement” means this Canada - Prince Edward Island agreement on the Transfer of Funds.

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 of the Agreement.

“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 of the Agreement.

“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 of the Agreement.

“Local Government” means a municipality, as defined in paragraph 1 (e) of the *Municipalities Act*, R.S.P.E.I. 1988, c. M13 and referred to in the *Charlottetown Area Municipalities Act*, R.S.P.E.I. 1988, c. C4.1 and the *City of Summerside Act*, R.S.P.E.I. 1988, c.S9.1. and the Government of Prince Edward Island where it is providing services of a municipal nature to communities.

“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.

### 3. Eligible Projects for Capacity Building Fund

Funds may be used to undertake the following:

- i) develop and implement a Capital Investment Plan;
- ii) collaboration; building partnerships and strategic alliances; participation; consultation and outreach;
- iii) knowledge: use of new technology; research; and monitoring and evaluation;
- iv) municipality-wide or regional transportation 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 (ie. environmental management system, life cycle assessment, area road and transportation planning, water supply system planning, waste water planning, solid waste management planning, watershed planning, community energy planning and land use planning).

### 4. Eligibility

“Eligible Recipient” means:

- i) A Local Government or its duly authorized agent (including a wholly owned corporation);
- ii) A non-municipal entity on the condition that the Local Government where the proposed Eligible Project would be targeted has indicated support for the Eligible Project through a formal resolution of Council. A non-municipal entity may include:
  - Non-governmental organizations;
  - Not-for-profit organizations; or

- For-profit organizations where their activities will contribute to community objectives and long-term sustainability.

- iii) The Province of Prince Edward Island, on behalf of unincorporated areas of PEI.

## 5. Fund Administration

The Community and Capacity Building Fund will be managed by the Project Selection Sub-committee comprised of representatives from the Government of Prince Edward Island and from the Federation of PEI Municipalities.

## 6. Guidelines for Project Selection

The Project Section Sub-Committee will be guided by the following criteria in approving Eligible Projects under this Fund:

- i) Funding under this initiative should be used to assist Local Governments or their duly authorized agents to advance priorities respecting capacity building which will support long term sustainability;
- ii) Preference under the Fund will be given to those incorporated communities that do not provide sewer and/or water services to their residents and do not receive an allocation as compared to those communities outlined in Schedule H of the Agreement who do receive an allocation;
- iii) Projects from unincorporated areas may also be considered where they are reflective of and in keeping with the strategic planning priorities of the Infrastructure Program;
- iv) Priority will be given to projects which are regional or inter-municipal in scope and demonstrate collaboration to develop and support initiatives and plans that will build municipal capacity and/or benefit the region at large;
- v) Priority will be given to projects, which are innovative and promote the use of new technologies, which may have potential strategic or broad reaching

benefits;

- vi) All projects under this Fund must comply with the priorities as established under the Agreement, which is based on a long-term vision of sustainability and which integrates four interdependent dimensions: economic, environmental, social and cultural.

## 7. Implementation Impact Assessment

All applications must include a statement by the Local Government indicating that any long term implementation impacts of the study or project have been considered and that the projected outcome is achievable and sustainable as follows:

- i) Proposals which result in the enhancement of the Municipality's personnel resources and involve the hiring of expertise on a full-time or part-time basis must include a Business Case which clearly demonstrates the Local Government's ability to sustain the position(s) after the funding has ceased.
- ii) Proposals to fund studies which could lead to a recommended plan of action involving capital expenditures must demonstrate the Local Government's capacity to fund the proposed capital expenditures or identify existing sources of funding (such as established programs) which are available to fund such capital expenditures. Terms of Reference for such studies must also require that long term operational costs be examined.

## 8. Incrementality

Funds under this program may not be used to substitute or replace expenditures which are currently covered in existing Local Government budgets, or to duplicate or replace funding available under established Federal or Provincial funding programs. Funds may not normally be used to “top up” or “piggyback” funding from other programs. Capacity Building funding may, however, be used to support the preparation of research which may be required in support of applications being made under other established programs.

## 9. Funding Levels

Funding will be allocated in a transparent and equitable manner and will be approved pursuant to the following established maximum funding levels:

- i) Incorporated Communities that do not provide sewer and/or water services to their residents and do not receive an allocation under the Agreement, or the Province of Prince Edward Island where it is endorsing unincorporated areas, may be eligible to receive up to a maximum of 100% of the cost of eligible projects under the Capacity Building Fund;
- ii) The twenty-six (26) incorporated Communities which provide sewer and/or water services to their residents and who received an allocation under the Agreement will be eligible to receive up to a maximum of 66.67% of the cost of projects under this Fund. In addition, they are permitted to utilize their Gas Tax allocation to fund the remaining costs of the project. This will not be considered to infringe on the “Incrementality” standard.
- iii) Where projects proposals result in the hiring of either full or part-time personnel, funding for salaries and direct incremental costs associated with the position, will be limited as follows: Year 1 - 90% of salary and 75% of direct costs; Year 2 - 70% of salary and 50% of direct costs; and Year 3 - 40% of salary and 25% of direct costs.  
Eligible direct costs associated with the hiring of personnel must be directed related to the position and could include such costs as computer hardware and software, telephone, communications, travel, etc. ) Costs must be incremental and funds will not be used to supplement existing

operating costs.

- iv) As Official Plan and Bylaws are required by the Prince Edward Island Planning Act to be reviewed and updated on a regular basis, an exception to the above funding levels will be funding for the preparation and/or review of Official Plans and municipal Development (Land Use) Bylaws. In order to be eligible for funding under the Capacity Building Fund, Official Plans must be comprehensive in nature, addressing not only land use issues but also economic, environmental and servicing issues.

Prior to the Project commencement date of a review of an Official plan and/or bylaw, the Applicant must provide to the Canada/PEI Infrastructure Secretariat, the qualifications of the expertise to be engaged, and it is agreed that costs will not be eligible unless the Canada-PEI Infrastructure Secretariat is satisfied with the qualifications of the expertise to be engaged.

The maximum contribution available under this Fund for the preparation and/or reviews of Official Plans and Bylaws will be 90% to Communities which do not provide sewer and/or water services. For serviced Communities the maximum funding level will be 75% and Gas Tax funds may be used up to a maximum of 90%. All communities will be required to contribute 10% to demonstrate their commitment to the preparation of such reviews and plans.

- v) The total program contribution for projects described under Section 3 v) and Section 3 vi) of the Capacity Building Fund Guidelines, may be limited to the eligible share of either \$50,000.00; or the eligible share of the tendered amount of the project, whichever is the lesser.