

Green Municipal Fund

Annual Statement of Plans
and Objectives 2013–2014



FEDERATION
OF CANADIAN
MUNICIPALITIES

FÉDÉRATION
CANADIENNE DES
MUNICIPALITÉS

Annual Statement of Plans and Objectives 2013–2014

© 2013 Federation of Canadian Municipalities. All rights reserved.

Cette publication est aussi disponible en français sous le titre *Énoncé annuel des plans et des objectifs 2013–2014*.



FEDERATION
OF CANADIAN
MUNICIPALITIES

FÉDÉRATION
CANADIENNE DES
MUNICIPALITÉS

Federation of Canadian Municipalities
24 Clarence Street
Ottawa, Ontario K1N 5P3
www.fcm.ca/gmf

Table of Contents

Introduction.....	1
Core Functions	2
Current Context	4
Plans for 2013–2014	5
Fund Management and Administration	12
Appendix A: Compliance Indicators 2013–2014.....	16
Appendix B: GMF Budget 2013–2014	22
Appendix C: Funding Agreement Articles 11.05 and 11.07	23
Appendix D: Logic Model	24

Introduction

The Government of Canada endowed the Federation of Canadian Municipalities (FCM) with \$550 million to establish the Green Municipal Fund™ (GMF). The Fund was designed to provide a long-term, sustainable source of financing for municipal governments and their partners, and to support communities to improve air, water and soil quality, and to protect the climate.

GMF is FCM's largest national program. Through GMF, FCM aims to fund the very best examples of leadership and innovative approaches in municipal sustainable infrastructure, and to share the lessons and expertise gained through these projects to encourage other communities to replicate their success.

Grants are available for plans, feasibility studies and field tests, while a combination of grants and low-interest loans are available for capital projects. The majority of GMF funding available is loan funding for capital projects.

In 2013–2014, FCM is aiming to approve:

- \$65 million in loans for capital projects in all sectors, and \$5 million in grants for capital projects in the energy, transportation, waste and water sectors
- \$6 million in grants for plans, feasibility studies and field tests

The Green Municipal Fund is a perpetual endowment fund. These annual funding limits help FCM to prudently manage the funding available for green projects.

Purpose

The purpose of the *Annual Statement of Plans and Objectives* (ASPO) is threefold:

1. To fulfill the requirements outlined in the 2005 Funding Agreement with the Government of Canada.
2. To serve as a planning and monitoring tool for the GMF Council and the FCM Board of Directors.
3. To set priorities and targets for FCM in administering GMF.

Scope and organization

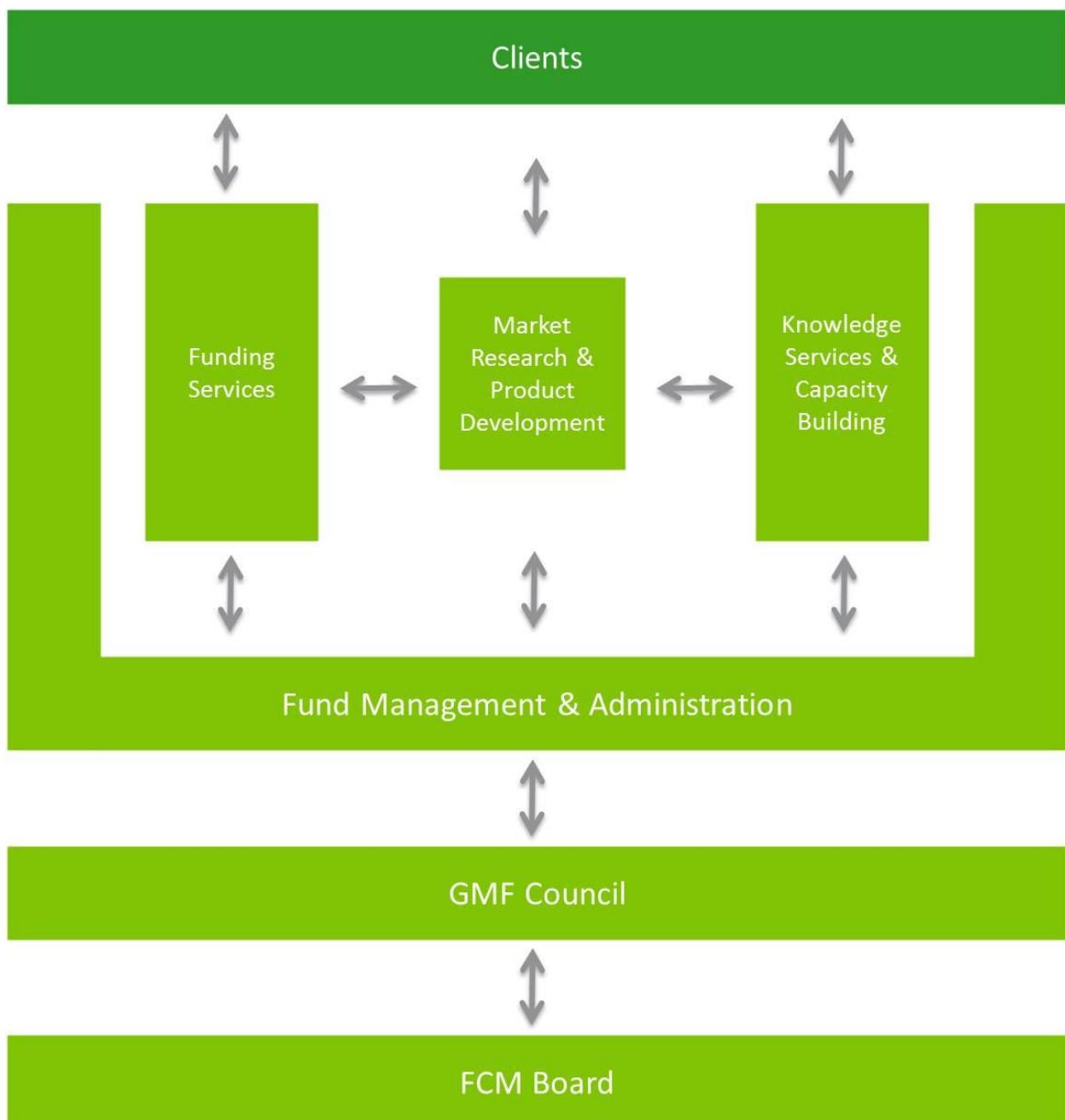
This document provides an overview of the GMF core functions, the current context, and the successes and remaining challenges for 2012–2013. It highlights the expected outcomes and outputs for the 2013–2014 fiscal year in the six key result areas (KRAs) identified in the 2011–2014 GMF Council Strategic Plan:

1. Capacity Building
2. Leveraging Partnerships and Brokering
3. Performance Measurement
4. Risk Management
5. Marketing and Communications
6. Integrated Projects

Planned activities under each KRA are included in the logic model in Appendix D. The ASPO 2013–2014 also outlines the management and administration of the Fund including corporate resources, risk management and funding targets. Unless otherwise noted, figures are as of December 31, 2012.

Core Functions

The GMF core functions and KRAs are linked through the GMF logic model (see Appendix D, page 24).



Market Research and Product Development

Market research and analysis helps FCM understand the demand for GMF funding and knowledge, and similar products and services offered by other organizations. Understanding the needs of municipal governments and their partners as potential clients allows FCM to design relevant funding products, as well as knowledge products and services. These products are continuously tested, assessed and adjusted to maximize their value.

Knowledge Services and Capacity Building

Engaging clients through knowledge sharing and capacity building plays a key role in supporting the replication or adaptation of GMF-funded (or fundable) projects that have resulted in environmental, social and economic benefits in communities across Canada. In doing so, GMF knowledge services help municipal governments and their partners to develop their internal capacity to achieve their sustainability goals.

Funding Services

FCM actively solicits applications from municipalities and their eligible partners, particularly among priority audiences, to help meet funding targets.

Using a client-centered approach, FCM facilitates the application process for municipalities that wish to apply for GMF funding. Staff give advice about how to navigate the application requirements and help them to present a strong application. Eligible applications are assessed by the GMF Peer Review Committee. The GMF Council reviews peer-reviewed applications and makes funding recommendations to FCM's Executive Committee.

Once an application has been approved, FCM prepares, negotiates and signs grant and loan agreements with successful

applicants. After the contract has been signed, FCM disburses funds based on eligible costs incurred for the approved project along with project reports.

Fund Management and Administration

Performance Measurement

All funding recipients must report on results of their funded initiatives. FCM analyzes the benefits achieved to assess and report on the impact of the Fund. FCM also measures and reports on funds committed and disbursed.

Capital and Risk Management

FCM oversees the credit risk structure of the loan portfolio to balance risk and to preserve the long-term sustainability of the Fund. An external manager manages investment of the non-disbursed funds under the guidance of the investment policy and strategy as set out in the GMF Funding Agreement.

Corporate Resources

A number of services and resources support core functions. These include finance, legal, administration, human resources, business and information systems, and communications. The GMF governance function ensures compliance with the Funding Agreement and sound stewardship of the Fund.

Context

The GMF funding offer, updated in December 2011, introduced a new competitive funding approval process in the energy, transportation, waste and water sectors. This new process enables FCM to better manage the high demand for funding in these sectors.

While FCM encourages applications in all funding sectors for all initiative types, increasing the number of applications from Quebec municipalities and for brownfield projects are the current priorities.

FCM has been working with the federal government to develop a new long-term infrastructure plan (LTIP) to replace the Building Canada Fund program that expires in 2014. If these efforts come to fruition, there could be a considerable impact on the scope of funding and knowledge services provided through GMF. Any resulting impacts on the Fund will be reflected in next year's ASPO.

FCM has also continued to focus on updating the GMF risk management process. The current risk review has implications on current and future activities and processes. The review will also help FCM to identify different options to ensure the Fund's long-term financial sustainability, given the historically low interest rates.

The 2012–2013 fiscal year has also seen the longer term evolution of National Programs,

the FCM department within which GMF is housed. These ongoing organizational improvements demonstrate FCM's commitment to providing the highest quality of service to its clients and to meet their changing needs.

FCM's strategic imperatives for GMF for the coming year are to:

- Continue to meet client needs through sound stewardship.
- Proactively manage risk and ensure the long-term sustainability of the Fund.
- Develop a new GMF offer (knowledge and funding) that is responsive to the impacts of LTIP as it unfolds.
- Build strong foundations for better performance measurement.
- Continue to build on organizational effectiveness.

FCM is heading into the third and final year of the 2011–2014 GMF Council Strategic Plan. FCM will continue to align its work with this plan, departmental priorities, and FCM's corporate priorities and Strategic Plan.

Plans for 2013–2014

Key Result Area 1: Capacity Building

Canadian municipalities use the knowledge, networks and tools provided through GMF to develop their internal capacity to achieve their sustainability goals.

Strategic Plan Outcomes (April 1, 2011 to March 31, 2014)	Results since April 1, 2011 (at December 31, 2012)	Anticipated Outcomes 2013–2014	Planned Outputs 2013–2014
<p>Knowledge disseminated earlier in project phases is ensuring relevance of data and maximizing learning throughout the project process.</p> <p>Communities of practice are contributing to the creation, dissemination and use of knowledge and best practices through peer-to-peer networking, mentoring and sharing of expertise.</p> <p>Active research is providing a clear indication of the feasibility of providing accredited training and other knowledge resources to enable capacity building and innovation.</p>	<p>Tools and resources in support of green initiatives are being promoted through the website, PCP and webinars.</p> <p>FCM was recognized with a 2012 Brownie Award by the Canadian Urban Institute for GMF brownfield resources.</p> <p>Stronger outreach in Quebec is contributing to greater uptake of the Fund.</p> <p>Analysis has determined that although peer-to-peer networking is an effective approach to build capacity, it needs to be piloted with innovators or early adopters of sustainability solutions.</p>	<p>A focused and updated GMF offer (knowledge and funding) and continued delivery of core capacity building activities meet client needs in GMF priority areas.</p>	<p>Evaluation of existing knowledge services.</p> <p>Research, analysis and consultation around new knowledge services.</p> <p>Knowledge services framework that outlines core capacity building and knowledge sharing activities to be delivered under new GMF offer.</p> <p>Peer networking and mentoring pilot project in the brownfields sector.</p> <p>2014 Sustainable Communities Conference and related knowledge products.</p> <p>Webinar series.</p> <p>Core services to PCP members (e.g. technical support, annual measures report, workshops, and Milestone 5 success stories).</p> <p>2014 Sustainable Communities Awards program.</p>

Strategic Plan Outcomes (April 1, 2011 to March 31, 2014)	Results since April 1, 2011 (at December 31, 2012)	Anticipated Outcomes 2013–2014	Planned Outputs 2013–2014
			<p>Targeted capacity building in Quebec through new and existing partnerships (Association québécoise pour la maîtrise de l'énergie AQME, Fédération Québécoise des Municipalités).</p> <p>Updated and improved GMF approved projects database.</p>

Key Result Area 2: Leveraging Partnerships and Brokering

The reach of GMF funding and knowledge products achieves greater overall impact.

Strategic Plan Outcomes (April 1, 2011 to March 31, 2014)	Results since April 1, 2011 (at December 31, 2012)	Anticipated Outcomes 2013–2014	Planned Outputs 2013–2014
A partnership strategy is in place and in alignment with FCM's corporate priorities. Long-term financial options are enhancing GMF resources. Broker relationships and initiatives between municipal governments, the private sector, other orders of government and other funding programs and initiatives.	A new FCM corporate sponsorship strategy was developed that will inform the development of a partnership strategy. Based on a thorough analysis of Public–Private Partnerships (PPP Canada) goals, timelines and project scale, FCM concluded its pursuit of a complementary programming relationship. FCM leveraged GMF to deliver knowledge, education and training to GMF's target audiences (e.g. Heart and Stroke Foundation webinar series).	Knowledge and funding components of the GMF offer articulate partnership opportunities.	Corporate parameters for establishing program delivery and funding partnerships. Funding and knowledge components of the GMF offer articulating how, when, and why programming and funding partnerships will be explored.

Key Result Area 3: Performance Measurement

A performance measurement system is effectively and efficiently managing data.

Strategic Plan Outcomes (April 1, 2011 to March 31, 2014)	Results since April 1, 2011 (at December 31, 2012)	Anticipated Outcomes 2013–2014	Planned Outputs 2013–2014
<p>Environmental, social and economic performance indicators are measuring and reporting progress.</p> <p>GMF receives standardized performance reporting from clients.</p>	<p>Strengthened GMF environmental reporting (i.e. adjustments to environmental results data to account for differences between old and newer reporting requirements).</p> <p>An assessment protocol was developed to clarify measurement methodology at the application stage to facilitate applicants' baseline reporting.</p> <p>Key components of the Customer Relation Management (CRM) database are operational: member database and prospect pipeline.</p> <p>Management tools and systems were developed to report on a monthly basis on the competitive selection process for capital projects.</p> <p>Systematic verification and aggregation of reported environmental benefits of GMF-approved projects was implemented.</p>	<p>A performance measurement framework provides a solid foundation for effective and efficient monitoring and evaluation of GMF's performance.</p> <p>The full integration of GMF data and processes into the CRM ensures effective and efficient management of operational processes and strengthened monitoring and reporting.</p>	<p>Refined GMF logic model.</p> <p>Integrated GMF performance measurement framework (including implementation of Evaluation Framework component of the Integrated Marketing and Communications Plan).</p> <p>Enhanced systems and processes for extrapolating environmental, social and economic benefits.</p>

Key Result Area 4: Risk Management

A governance structure and risk management framework anticipates and manages risk and ensures excellent fund stewardship.

Strategic Plan Outcomes (April 1, 2011 to March 31, 2014)	Results since April 1, 2011 (as at December 31, 2012)	Anticipated Outcomes 2013–2014	Planned Outputs 2013–2014
A risk management framework is anticipating and managing risks and ensuring excellent Fund stewardship.	A streamlined approval process was implemented for private-sector partner applicants under the new competitive funding approval process for capital projects.	GMF risks are proactively managed to ensure effective stewardship of the program and the Fund.	Fully operational Risk Management Unit and Risk Committee.
A strengthened governance structure is effectively managing risk.	The risk management function was reviewed.	The implementation of key recommendations from the GMF Governance review, and strengthened planning, monitoring and reporting, contribute to more effective governance of the Fund.	New risk management policies, procedures and tools.
The implementation of forecasting processes and tools is effectively monitoring, anticipating, and managing the demand for funding.	A database of GMF Council resolutions was completed. Key recommendations were implemented from the 2009 performance audit and review of Fund operations.	Groundwork complete and documents in place for the 2014 five-year performance audit and review of Fund operations.	Risk targets appropriate to the agreed business mix to ensure Fund sustainability. 2014–2017 GMF Council Strategic Plan.
	The GMF Governance Manual was updated. Monthly reports on the project pipeline were prepared.		2012–2013 GMF Annual Report. 2014–2015 GMF ASPO.

Key Result Area 5: Marketing and Communications

A GMF marketing and communications strategy leverages the Fund with target audiences and aligns with current and evolving requirements.

Strategic Plan Outcomes (April 1, 2011 to March 31, 2014)	Results since April 1, 2011 (at December 31, 2012)	Anticipated Outcomes 2013–2014	Planned Outputs 2013–2014
<p>An analysis of market trends and client needs, gaps and challenges ensures that GMF marketing and communications activities are aligned to current and evolving requirements.</p> <p>The development and implementation of an integrated marketing and communication strategy is positioning and leveraging GMF with key target audiences (e.g. use of social media, promotions through partnerships, etc.).</p>	<p>The updated funding offer was successfully launched in December 2011. An integrated marketing and communications strategy has been developed.</p> <p>The GMF web pages have been updated and enhanced, making it easier for clients to stay informed on the capital project competitive selection process, access resources and information on GMF and GMF-funded projects, and learn about the Fund's environmental and economic impacts.</p> <p>The Quebec Strategy has been finalized and approved. The associated Action Plan is being implemented and is already resulting in greater funding uptake from Quebec municipalities.</p> <p>Phase 1 of the Brownfields Strategy has been completed.</p>	<p>Knowledge is shared with GMF target audiences through all available communications vehicles.</p> <p>Target audiences are aware of GMF and its funding and knowledge resources, with a particular emphasis on priority audiences (e.g. brownfields applicants, Quebec municipalities, and small and rural communities).</p> <p>A strong visual sub-brand increases recognition with current and potential GMF clients.</p>	<p>Timely and effective GMF and PCP communications tools and activities.</p> <p>New and updated GMF web content, including a revamped approved projects database and aggregated/repackaged content for specific target audiences.</p> <p>Implementation of social media strategy to enhance positioning and leveraging of GMF with target audiences.</p> <p>Updated tools for GMF funding applicants (e.g. application form, eligibility questionnaire, project scorecard).</p> <p>Selected GMF resources and information adapted specifically for the Quebec market.</p> <p>Implementation of final brownfield strategy, brownfield action plan and marketing and communication strategy</p> <p>Participation in key internal (FCM's SCC and AGM) and external events that best meet our target audiences.</p>

Key Result Area 6: Integrated Projects

An integrated projects sector is appropriately incorporated in a new GMF client-centered funding offer.

Strategic Plan Outcomes (April 1, 2011 to March 31, 2014)	Results since April 1, 2011 (at December 31, 2012)	Anticipated Outcomes 2013–2014	Planned Outputs 2013–2014
<p>A comprehensive analysis of market demand for funding for integrated initiatives.</p> <p>Determine the impacts on the Fund of adding a funding sector (e.g. eligibility requirements, funding limits, funding portfolio, regional and urban–rural balance, credit risk).</p> <p>Develop the funding offer and supporting resources for implementation (e.g. application changes, HR training)</p>	<p>A report was completed on best practices, obstacles and case studies on the state of integrated environmental projects in Canada.</p> <p>A review was initiated on the current level of integration within approved projects.</p>	<p>The GMF offer responds to market needs by funding innovative and sustainable municipal infrastructure projects in priority sectors, which may or may not include a dedicated integrated funding sector.</p>	<p>New funding component of an updated GMF offer.</p> <p>Capital project scorecard that reflects new integration focus.</p>

Fund Management and Administration

Capital and Risk Management

Sound capital and risk management is critical to ensuring the long-term sustainability of the Fund. FCM applies risk mitigation strategies to its loan transactions to optimize capital and use resources efficiently.

Current market conditions, however, have not been favourable. Interest rates have been historically low. As investments come to maturity or loans are disbursed at low interest rates, the Fund's revenues will no longer be sufficient to maintain its long-term sustainability.

As of December 31, 2012, FCM managed approximately \$630 million in GMF funding and had a reserve for non-performing loans of \$11 million. The Fund balance, excluding the reserve, is \$577 million.

Cash Flow Management

To sustain the Fund in the long term under current market conditions, FCM will need to increase the yield on the loan portfolio.

A combination of considerations, such as a loan pricing policy by risk categories currently not applying to municipal loans and an increase in the minimum lending yield, would ensure the long-term sustainability of the Fund. These measures would increase interest revenues and maintain the Fund balance above \$500 million, as required by the Funding Agreement.

Risk Profile of GMF Loan Portfolio

FCM applies sound policies and procedures for credit risk management and loan pricing. These measures complement the Fund's risk identification, evaluation and loan monitoring activities.

FCM has established a risk profile of the loan portfolio to prudently manage the risks assumed through GMF lending activities. Six risk levels are used to define the risk profile of the total loan portfolio (disbursed and committed loans):

- low-risk (risk level A)
- low- to medium-risk (risk level B)
- medium-risk (risk level C)
- medium- to high-risk (risk level D)
- high-risk (risk level E)
- unacceptable risk (risk level F)

To manage the risk of the total loan portfolio, FCM sets annual risk targets and monitors these targets quarterly. Concentration limits are established for each risk level and borrower. These concentration limits reflect both the Fund's sustainability imperative and the reality of target market conditions, particularly related to anticipated uptake in the brownfields sector.

Since a large percentage of the lending activity in the brownfields sector is driven by municipalities' private partners that are generally qualified at a higher risk level, FCM expects that the medium-high to high-risk sections of the portfolio's risk profile will increase.

Table 1: Risk Profile of the Total Loan Portfolio
 (as of December 31, 2012)

Committed and disbursed portfolio	Percentage of total portfolio	Objectives for 2012–2013	Objectives for 2013–2014
Low-risk (A)	59.6%	At least 40%	At least 30%
Low- to medium-risk (B)	8.1%	At least 10%	At least 20%
Medium-risk (C)	23.6%	Up to 35%	Up to 25%
Medium- to high-risk (D)	3.0%	Up to 7.5%	Up to 10%
High-risk (E)	5.8%	Up to 7.5%	Up to 15%
Unacceptable risk (F)	0.0%	0%	0%
Total	100%	100%	100%

As of December 31, 2012, the total loan portfolio (Table 1) was largely in line with the 2012–2013 target risk levels. Medium-risk (C) loans have fallen slightly short of the target for the last two years due to the nature of incoming business. The objectives for 2013–2014 reflect prospective loan activities and proactive strategies to ensure the long-term sustainability of the Fund.

Accordingly, the risk targets for 2013–2014 include a decrease in low-risk (A) loans and an increase in low-to medium-risk (B) loans, medium-to high-risk (D) loans and high-risk (E) loans. The target for medium-risk (C) loans has been slightly reduced, reflecting previous years' trends and the expected increases in other categories.

The number of low-to medium-risk (B) loans was also below the target. In prior years, this has been due to loan reclassifications made to reflect the underlying credit risk of certain loans. However, it is expected that loans in the B category may increase with the changes to the GMF risk allocation approach.

Table 2: Risk Profile of the Disbursed Loan Portfolio
 (as of December 31, 2012)

Risk level	Number of contracts	Outstanding loan amounts (\$ million)	Percentage loans in risk level to total disbursed loans
A	58	\$142.4	66.2%
B	9	\$18.4	8.6%
C	21	\$53.8	25.0%
D	0	\$0.0	0.0%
E	1	\$0.5	0.2%
F	0	\$0.0	0.0%
Total	89	\$215.1	100%

The risk profile of the disbursed loan portfolio (Table 2) shows the risk distribution of loans that are disbursed and in repayment. At December 31, 2012, 89 loans were mostly or fully disbursed, for an aggregate outstanding amount of \$215.1 million.

The majority of the outstanding loans are held by municipal governments or municipally owned corporations. The committed loans (not disbursed) have also been assigned a risk level. Most of the committed loans are to municipal governments, with a portfolio risk composition not significantly different than the current disbursed loan portfolio.

A clear but modest trend has been noted, however, reflecting a reduction in number of loans in the lowest risk categories (A and B) with increases in the number of medium-risk loans (C and D), and high-risk loans (E).

Investment management

FCM appointed an investment advisor to assist with the evaluation and management of the investment portfolio of the Fund and advise the Investment Committee on the performance of the investment manager.

The appointment is pursuant to the governance framework for the Investment Committee and is in line with the requirements of the Funding Agreement. The investment advisor has proposed numerous improvements to the cash flow management of the Fund, aimed at increasing return on the portfolio within the risk parameters set out.

The Fund's cash balances are decreasing over time, in line with the growing loan portfolio. Enhancements to GMF's risk management framework in 2013–2014 will help ensure that funds are being managed for term and yield, and that appropriate levels of liquidity and reserves are maintained to support business objectives.

Funding targets for 2013–2014

Grants for plans, feasibility studies and field tests

Under the Funding Agreement, FCM must aim to commit \$6 to \$8 million in grants for sustainable community plans, feasibility studies and field tests. In 2013–2014, FCM will make a minimum of \$6 million available for plans, feasibility studies and field tests.

Loans and grants for capital projects

FCM offers a combination of grants and low-interest loans for capital projects. Grants are only offered in combination with loans. Under the Funding Agreement, FCM must aim to commit \$50 to \$70 million per year in loans and \$5 to \$6 million in grants to capital projects. FCM must also aim to commit 30 per cent of the value of the Fund Assets for brownfield projects.

A minimum of \$65 million in loans will be available for capital projects in 2013–2014. A minimum of \$5 million will be available in grants for capital projects. Under the provisions of the Funding Agreement, brownfield projects are not eligible for grants.

Future market considerations

A number of market shifts are anticipated to affect GMF in 2013–2014. Strategies are being developed to address the following issues as they emerge, and to modify products and services as required:

- Risks associated with brownfield projects offer opportunities and challenges to fill market gaps and provide innovative financing.
- Continued economic instability may result in some projects being placed on hold or not proceeding.
- The completion of federal economic stimulus infrastructure funding may increase interest in GMF funding.

- Private-sector loans are higher risk but offer opportunities for greater rates of return.
- Interest rates remain historically low. FCM is making appropriate strategic decisions to ensure the ongoing sustainability of the Fund in this environment.
- A municipal election year in Quebec may result in fewer applications from that province.
- The 2012 federal wastewater effluent regulations, which require municipalities to build new or update existing treatment plants, may increase applications for funding for water projects.

Appendix A: Compliance indicators 2013–2014

The following table outlines the requirements of the Funding Agreement and the associated compliance indicators. FCM will report quarterly to the GMF Council on its progress against these indicators in 2013–2014.

Funding Agreement reference	Funding Agreement requirement	Indicator	Status (Inception to December 31, 2012)	Target 2013–2014
6.04 (f)	The Board will establish a Council to oversee and advise the Board on an appropriate balance in the number of approved grants and loans between urban and rural communities within Canada.	Approved grants and loans to urban communities (81.1% of Canadian population)	Cumulative: 81.1% (\$693.0M)	Cumulative: 81.1% (\$754.9M) Target for 2013-14 is \$61.9 M (81.4%)
		Approved grants and loans to rural communities (18.9% of Canadian population) ¹	Cumulative: 18.9% (\$161.5M)	Cumulative: 18.9% (\$175.6M) Target for 2013-14 is \$14.1 M (18.6%)
6.04 (g)	The Board will establish a Council to oversee and advise the Board on an appropriate balance in the number of approved grants and loans among regions within Canada.	Approved GMF funding to Québec region (23.6% of Canadian population) ²	Cumulative: \$118.8M (13.9%)	Cumulative: \$136.7M (14.7%) Target for 2013-14 is \$17.9 M (23.6%)

¹ The new definition of ‘rural’ will only be applied to the census data once FCM’s CRM database is up and running in mid February. This could have a marginal impact on the final numbers in the ASPO.

² Based on 2011 Census data.

Funding Agreement reference	Funding Agreement requirement	Indicator	Status (Inception to December 31, 2012)	Target 2013–2014
6.04 (g)		Approved GMF funding to Prairies region - Alberta, Manitoba, Saskatchewan (17.6% of Canadian population) ³	Cumulative: \$101.7M (11.9%)	Cumulative: \$115.1 (12.4%) Target for 2013-14 is \$13.4M (17.6%)
10.01 (a)	FCM shall use its best efforts to commit to lending \$50 to \$70 million per year to capital projects.	GMF capital project loan amount approved	N/A	\$65.0M
10.01 (a)	FCM shall use its best efforts to commit to having 80% to 90% of Fund Assets in loans to capital projects by March 31, 2016, and thereafter.	Percentage of Fund assets in loans to eligible projects	79%	Approx. 85%
10.01 (b)	FCM shall use its best efforts to commit to granting \$6 to \$8 million per year to feasibility studies, sustainable community plans, assessments and field tests.	GMF feasibility study, field test and sustainable community planning grant amount approved	N/A	\$6.0M

³ Based on 2011 Census data.

Funding Agreement reference	Funding Agreement requirement	Indicator	Status (Inception to December 31, 2012)	Target 2013–2014
10.01 (c)	FCM shall use its best efforts to commit to granting \$5 to \$6 million per year to capital projects.	GMF capital project grant amount approved	N/A	\$5.0M
10.01 (d)	FCM shall use its best efforts to commit to maintain loans and/or loan guarantees for brownfield projects in aggregate equal to at least 30% of the value of Fund Assets, excluding the Reserve for Guarantees and the Reserve for Non-Performing Loans.	Percentage of loans or loan guarantees committed to brownfield remediation capital projects	Cumulative: 7.0% (\$41.5M)	Cumulative 10.6% (\$61.5M) Target for 2013-14 is \$20.0M (26%)
10.02	FCM shall maintain at all times Fund Assets, excluding the value of the Reserve for Guarantees and the Reserve for Non-Performing Loans, of at least \$500 million.	Amount of Fund assets	\$555.1M	\$575.9M
10.03 (c)	FCM shall use its best efforts to ensure that at least fifteen per cent (15%) of loans outstanding at any time will be to borrowers other than Municipal Governments.	Percentage of approved loans outstanding to borrowers other than municipal governments	13%	15%

Funding Agreement reference	Funding Agreement requirement	Indicator	Status (Inception to December 31, 2012)	Target 2013–2014
10.03 (c)	FCM will attempt to earn on average at least one and fifty one-hundredths per cent (1.5%) per annum above the Government of Canada Bond rate for equivalent terms on loans to borrowers other than Municipal Governments.	Average interest rate on approved loans outstanding to borrowers other than municipal governments	Government of Canada +2%	Government of Canada rate +3%

Funding Agreement reference	Funding Agreement requirement	Indicator	Status (Inception to December 31, 2012)	Target 2013–2014
11.02	<p>FCM shall maintain separate accounts for the Fund and agrees to obtain and have carried out annually an independent third-party audit of the financial operation of the Fund, including investment of the unallocated portion of the Fund Assets, and loans, grants and loan guarantees to Eligible Recipients for Eligible Projects according to a framework and timeframe approved by the Board which measures its overall performance in achieving the purpose as described in Article II. FCM will convey the audited annual financial statements to Canada no later than five months after FCM's Fiscal Year end, along with a statement of goals and objectives for the following Fiscal Year.</p>	<p>Third-party audit of the 2012–2013 financial operation of the Fund, including investment of the unallocated portion of the Fund assets, and loans, grants and loan guarantees to eligible recipients for eligible projects</p>	N/A	June 2, 2013

Funding Agreement reference	Funding Agreement requirement	Indicator	Status (Inception to December 31, 2012)	Target 2013–2014
11.03	FCM will make public an Annual Report of the Fund's activities and performance no later than five months after FCM's Fiscal Year end, and will convey it to the Minister for tabling in Parliament. The report will be based on information derived from a result-based management framework developed by FCM, on recommendation of Council and approved by the Board.	Publication of the 2012–2013 <i>GMF Annual Report</i> and distribution to the Minister of Environment and the Minister of Natural Resources, for tabling at Parliament, and other stakeholders	N/A	August 31, 2013
11.04	FCM will provide an Annual Statement of Plans and Objectives annually to each of the Ministers at least two months before the Fiscal Year begins.	Publication of the 2014–2015 ASPO and distribution to the Minister of Environment and the Minister of Natural Resources, for tabling at Parliament, and other stakeholders	N/A	March 31, 2014*

* The development of the ASPO will be aligned with the FCM corporate planning process and will be submitted before the end of the fiscal year.

Appendix B: GMF budget 2013–2014

The following table outlines the GMF budget for the 12 months ending March 31, 2014.

Expenses	Budget 2013–2014 (\$)
Total Management (also includes operating expenses such as audit, rent, allocation for Information Systems, Finance and Human Resources)	3,877,500
Total Risk Management Unit	233,900
Total Council	505,300
Total Peer Review	271,000
Total Communications	737,400
Marketing and Product Development:	
– Marketing	570,900
– Product Development	668,700
Total Marketing and Product Development	1,239,600
Total Funding Services	1,417,700
Knowledge Services	
– Capacity Building	466,400
– Other Knowledge Services	772,500
Total Knowledge Services	1,238,900
Total Expenses	9,521,300
Maximum Budget allowed	10,500,000

Appendix C: Funding Agreement articles 11.05 and 11.07

Excerpts from the March 2005 Funding Agreement between the Federation of Canadian Municipalities and the Government of Canada:

ARTICLE XI COVENANTS OF FCM

11.05 Initial Review and Subsequent Five-year Reviews. FCM agrees to obtain, make public and to forward to each Minister for tabling in Parliament, an independent review using recognized evaluations standards on the following timelines: an initial review within six months following March 31, 2009; and subsequent reviews every five years from the date of the first review. Such reviews will assess:

- (a) adherence to the provisions of this Agreement;
- (b) effectiveness and efficiency of the Fund as described in Article II;
- (c) effectiveness and efficiency of the processes for setting Fund priorities and for selecting Eligible Projects;
- (d) the general operation of the Council and the Peer Review Committee;
- (e) the accuracy of reported environmental, economic and social benefits and cost savings;
- (f) effectiveness of stakeholder consultation conducted in relation to the operations of the Fund; and,
- (g) lessons learned and potential for broad application of Eligible Projects.

Canada may cause the copy of the report to be laid before each house of Parliament on any of the first fifteen (15) days on which the House is sitting after each of the Ministers receives it.

11.07 FCM to Request a Performance Audit. FCM agrees to have carried out an independent performance (value-for money) audit to ensure the economy, efficiency and effectiveness with which funds have been used. The audit will follow the same timelines set out in Section 11.05. The report shall be made public and a copy shall be sent to Canada. Canada may cause the copy of the report to be laid before each House of Parliament on any of the first fifteen (15) days on which the House is sitting after each of the Ministers receives it.

Appendix D: Logic Model

