

Green Municipal Fund™

Annual Statement of Plans
and Objectives 2011–2012

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Cette publication est aussi disponible en français sous le titre *Énoncé annuel des plans et des objectifs 2011–2012*.



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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 financial products directly support municipal initiatives, while its knowledge products and services provide training and other resources to help municipal governments build their capacity.

Grants are available for sustainable community plans, feasibility studies and field tests, while a combination of grants and low-interest loans are available for capital projects. GMF funds initiatives with high potential for environmental benefit that, where possible, also demonstrate significant social and economic advantages. Then, using a range of knowledge products and related education, training and capacity-building services, it shares the lessons and experience gained through these leading examples of sustainable development to encourage other communities to replicate their success.

This year, in response to clear client feedback, FCM increased GMF loan and grant amounts and added flexibility to the GMF financial offer for capital projects in terms of disbursement and payback.

Eligibility is now structured on environmental objectives or outcomes, as opposed to specific project types, and a new set of eligibility criteria based on environmental objectives has been developed. A new, single online application form with a self-screening questionnaire was launched in tandem with the updated funding offer.

This greater emphasis on client needs goes hand-in-hand with FCM's stronger orientation towards results and continuous improvement of all products and services. FCM will continue its efforts to streamline GMF's operations and increase client service capacity; enhance marketing, communication and product development activities; provide new opportunities to leverage GMF funding and knowledge services; and ensure that GMF remains relevant to the changing needs of municipal governments.

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 reporting tool for the GMF Council and the FCM National Board of Directors.
3. To set priorities and targets for FCM in administering GMF.

Scope and organization

Following the requirements listed in the 2005 Funding Agreement between FCM and the Government of Canada, this document reports on the general management of the Fund, successes and remaining challenges, as well as planned activities and expected results for the 2011–2012 fiscal year.

Key results from 2010–2011 are based on the 2008–2011 strategic plan. Planned activities for 2011–2012 reflect the 2011–2014 strategic plan currently being developed by the GMF Council and are presented in eight key result areas:

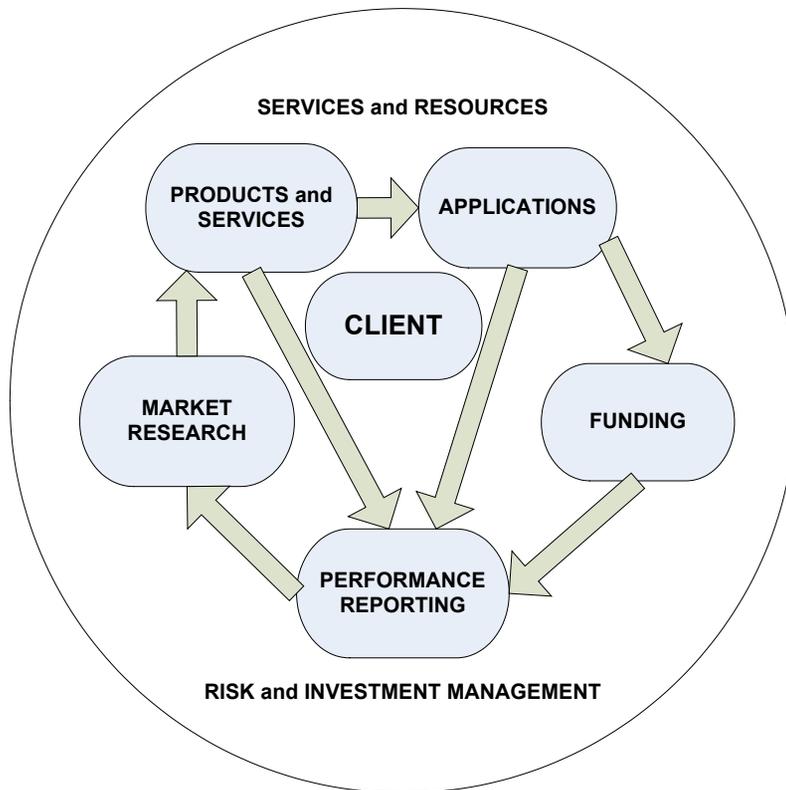
1. Streamlining operations
2. Determining and understanding the needs of the GMF target audiences
3. Measuring outcomes
4. Leveraging for greater impact
5. Building capacity
6. Focused marketing
7. Integrating communications
8. Funding Brownfields

Specific tasks, processes and milestones are captured in separate program business plans.

Core functions

The GMF core functions and key result areas of the GMF strategic plan are linked through the GMF logic model (see figure 2, page 25). Under the direction of the GMF Council, FCM integrates the logic model with a robust measurement system.

Figure 1: Core functions



Market research

Market research and analysis helps FCM understand the demand for GMF products and services and the role of similar products and services offered by other organizations. Understanding the needs of municipal governments and potential clients allows FCM to design relevant funding products as well as knowledge products and services.

Products and services

FCM designs and develops funding products based on client needs. These products are continuously tested, assessed and adjusted to maximize their value.

Knowledge products and services, including education, training and capacity-building services, are designed and developed to support GMF's role as an agent of change and provider of sustainable solutions at the municipal level. They help municipal governments and their partners undertake the kinds of initiatives funded by GMF or to replicate initiatives already funded by GMF.

Engaging clients through education, training and capacity building also offers opportunities for continuous feedback on the suitability and value of all GMF products and services.

Applications

FCM actively solicits applications from target markets such as economic development organizations, developers, architects, real estate agents, urban planners, and municipalities to help meet funding priorities.

FCM also provides technical assistance to municipalities that wish to pursue applications. Eligible applications are assessed by the GMF Peer Review

Committee, whose evaluations are reviewed and recommended by the GMF Council and approved by the FCM Board of Directors.

Funding

Once an application has been approved, FCM prepares, negotiates and administers the grant or loan agreements with successful applicants.

Performance reporting

Each GMF-funded initiative must report on results. FCM analyzes these results — the environmental, social and economic benefits achieved — to report on the impact of the Fund, including funding committed, leveraged and disbursed.

Risk and investment management

FCM oversees the credit risk structure of the loan portfolio to balance risk with demand for funding, 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 integrating services and resources support core functions. These include strategic planning, budgeting, administration, human resources, business and information systems, and communications and marketing. Other corporate services include ensuring compliance with the GMF Funding Agreement and other obligations and supporting governance functions.

Key results from 2010–2011

The 2008–2011 strategic plan developed by the GMF Council grouped activities into six key result areas to gauge incremental progress over the coming years.¹ Activities undertaken in 2010–2011 aimed to achieve measurable progress in each key result area. A brief discussion of important successes in 2010–2011, as well as remaining challenges, follows.

Understanding the needs of the GMF target audiences

In direct response to feedback received from municipal governments, FCM significantly updated the GMF funding offer for capital projects to better meet client needs.

FCM has increased GMF loan and grant amounts, added flexibility in terms of disbursement and payback, and eliminated penalties so that clients have more confidence about what they can expect to receive once they have been approved for funding.

In addition, eligibility is now structured on environmental objectives or outcomes as opposed to specific project types. By not specifying the project type, municipalities are now able to plan and seek GMF funding on a range of projects that may all be very different but lead to the same environmental outcomes. To guide this process, a new set of eligibility criteria based on environmental objectives has been developed for capital project funding. FCM aimed to establish criteria that result in significant

environmental benefit and go beyond business as usual, but are still achievable.

Understanding the needs of municipal governments with respect to financing brownfield initiatives also remains a top priority for FCM. The GMF Funding Agreement requires FCM to make its best effort to commit \$150 million in loans to brownfield projects by March 2012, and one third of the Fund thereafter.

Measuring success

Although FCM has supported almost 870 initiatives across Canada and committed \$500 million in grants and low-interest loans, challenges remain in measuring the impacts of the Fund. To address this challenge, FCM has developed a robust measurement framework system for capital projects based on the lessons it has learned after 10 years of managing GMF.

The new performance measurement system assesses the environmental, economic and social benefits and associated key improvements to quality of life resulting from GMF-funded initiatives. The system also evaluates a project's degree of innovation, replicability and comprehensiveness.

After pilot-testing the new system, FCM has now integrated the framework into its management and reporting processes and calculated results for all capital projects completed to date. This allows FCM to report on the actual environmental benefits of funded projects, rather than just the anticipated benefits.

¹ Two new key result areas targeting communications and brownfields have since been added to the strategic plan. They are addressed in "Planned Activities for 2011–2012."

A new Environmental Results Report system is also under development, which will allow funding recipients to report the environmental impacts of their funded projects.

FCM continues to make improvements based on the recommendations and observations of the 2009 KPMG review and performance audits of GMF. Both reports are available on the [GMF website](#) (click on **About us** and **Annual Reports** on the left navigation menu).

This year, FCM introduced the framework for an organizational GMF performance management system using a balanced scorecard approach. The balanced scorecard is a strategic planning and management system used extensively in business and industry, government and non-profit organizations worldwide to align business activities to the vision and strategy of the organization; to improve internal and external communications; and to monitor organization performance against strategic goals.

FCM will continue to implement and make refinements to this system to provide regular reports to the GMF Council on key GMF performance indicators on measurable outcomes.

Streamlining operations

FCM continues to improve and fine-tune the new application, contracting and disbursement processes implemented at the end of last year. Improvements have also been made to the loan and grant agreements, and work is ongoing to update these documents to reflect and support the updated funding offer.

FCM launched a new [GMF application form](#) featuring a simple and attractive PDF format, a self-screening questionnaire, and tools

such as help text and sample responses to assist applicants in completing the form. Early feedback from applicants has been positive, indicating that questions and requirements are clear and that the form is easier to complete. Technical issues are being resolved as they are identified, and the form will be continuously improved on a regular basis in response to client feedback.

Leveraging for greater impact

FCM continues its efforts to ensure that the Fund's offerings are well-positioned and competitive; to stay informed regarding other funding opportunities available for municipalities; to pilot cross-promotion with other funders; and to investigate co-funding and partnership opportunities.

GMF continues to partner with key organizations to assist in the profiling, marketing and delivery of its market offerings. These partnerships include associations, the private sector, and public-sector agencies with leading-edge expertise in our target priorities. These strong relationships assist GMF with greater opportunities for capacity building and knowledge development.

Current partnerships include organizations such as the Ontario Centre for Environmental Technology Advancement, the Association Québécoise de la Maitrise de l'Énergie (AQME), Economic Development Association of Canada, Montréal Urban Ecology Centre, Canadian Brownfield Network, Canada Green Building Council, Canadian Urban Transit Association, Canadian District Energy Association, and many more. GMF will continue to develop and improve partnerships and collaboration efforts throughout 2011.

This year FCM also identified an opportunity to leverage GMF and develop new, complementary national programs. Several of these initiatives are part of FCM's increased focus on climate change, sustainability, and the green economy; and build on the environmental results achieved through GMF. Others, such as new programs to increase the participation of women in municipal politics and to encourage partnerships between First Nations and neighbouring municipalities, target social and economic sustainability.

FCM also continues to share its sustainability expertise at major events such as at national and regional conferences and workshops focused on the GMF funding sectors.

Capacity building

FCM has established a five-year plan for GMF's capacity-building activities, which sets priorities for GMF's education and training services and products for the next five years.

Activities undertaken this year were designed to make stronger links between capacity building, GMF objectives and municipal needs. One example is the effort to build capacity to advance brownfields redevelopment across the country.

FCM, in partnership with the Government of British Columbia, the Ontario Centre for Environmental Technology Advancement (OCETA) and the Canadian Petroleum Products Institute, delivered a workshop series entitled *Building B.C. Local Government Capacity for Brownfield Redevelopment*. This series of four one-day workshops brought together experts in brownfield technologies, legislation, funding and capacity building; introduced a new provincial [Brownfields Roadmap](#) tool; and strengthened relationships between the

program partners and B.C. municipalities. The series earned FCM and its partners a 2010 Brownie Award.

FCM has recently signed an agreement with OCETA to support a second brownfields [workshop series](#) to be held in selected locations across the country in 2011.

The wealth of knowledge from GMF-funded initiatives and from GMF education, training and capacity-building services continued to grow this year. FCM has generated approximately 150 case studies this year alone, and has produced nine other knowledge products that have been shared with municipal stakeholders and used in GMF's education and training programs.

New knowledge products to enhance municipal sustainability in the GMF funding sectors include the Brownfields Roadmaps and the addition of over 60 new entries to the [Municipal Sustainable Bylaw Collection](#) (MSBC) launched earlier this year. The MSBC highlights the sustainability bylaws, policies and procedures implemented by small and large municipalities across Canada.

FCM received over 70 applications to the 2011 [FCM Sustainable Community Awards](#), with seven of the 12 winning initiatives funded by GMF. This year's Awards saw multiple winners in the energy, planning and waste categories, and also introduced a new integrated neighbourhood development category.

The 2011 [FCM Sustainable Communities Conference](#) was hosted by the City of Victoria and the Capital Regional District, marking the first time it has been held outside of Ottawa. This year's theme — *Embracing Change for Sustainability: Innovative governance, partnerships and financing* — offered rich content and

excellent networking opportunities with municipal leaders in sustainability. Summaries and presentations from the 2011 conference will soon be available online.

The [FCM Sustainable Communities Mission](#) will bring a delegation of municipal decision-makers on a study tour of leading sustainable community development projects in Quebec in August 2011. Participation in the bilingual tour will be open to all Canadian municipalities.

The [GMF webinar series](#) continues to reach a wide municipal audience, drawing positive feedback from participants across the country. Webinars consistently reach maximum registration. Participant feedback from the fall 2010 webinars showed that 90 per cent of respondents felt the webinar had increased their knowledge of the subject area; 88 per cent would apply what they learned in their own work; and 94 per cent would recommend the GMF webinars to others. About one quarter of webinars held this year were delivered in French and targeted to Quebec audiences.

This year has also seen considerable activity in the Partners for Climate Protection program. Eleven new municipalities have joined the program as of December 2010, for a total of 211 PCP members, and PCP members have completed 53 corporate and 50 community milestones. The PCP program is in the first year of its five-year strategic plan to respond to the municipal momentum on climate change.

FCM and ICLEI – Local Governments for Sustainability collected data for PCP’s third national measures reporting project. The results include over 182 initiatives representing 350,000 tonnes of GHG reductions and are tracked in a database maintained by ICLEI. Emissions reductions achieved by PCP members were recognized

through PCP’s [GHG Reduction Initiatives of the Month](#) series. Four PCP webinars focusing on climate change were held, along with five PCP workshops and seminars at the 2011 Sustainable Communities Conference.

With support from Environment Canada, the Enviro-Fleets pilot project was launched to support municipal fleet managers in reducing emissions from heavy-duty vehicles. Two webinars and four full-day [workshops](#) were delivered, reaching over 200 participants from small and large municipalities across the country. A web-based [Guide to Helpful Resources](#), along with a *Guide to Best Practices*, was also launched to inform and motivate municipal fleet managers. Through surveys and other feedback mechanisms, FCM has gathered important information on where more resources and tools are required to reduce municipal fleet emissions. FCM hopes to continue to meet these needs by extending the Enviro-Fleets project beyond March 2011.

Marketing and communications

A renewed approach to client-centric marketing and communications was adopted this year with the internal realignment of GMF work groups and a new focus on strategic and targeted marketing efforts. FCM staff promoted GMF products and services through a variety of in-person communications, print and electronic materials, advertisements, and the media.

With over 4,000 subscribers, the quarterly GMF newsletter and regular e-mail bulletins continue to provide timely updates, news and publications of interest to municipalities across Canada.

To increase the number of applications for funding for brownfields initiatives, FCM’s

regional advisors and other staff delivered a series of promotional presentations and conducted a series of meetings with interested municipal governments and their partners. It is anticipated that other activities, such as the development of a French-language training workshop and regular promotion of brownfields funding through electronic bulletins and other communications vehicles will continue to produce results.

FCM continues to focus on increasing the profile of GMF in Quebec and the number of applications from Quebec municipalities and their partners.

Planned activities for 2011–2012

Key result area 1: Streamlining operations

Objective: Establish the prospect, application, contract to disbursement process so that it is defined by an indicator, standard timeline and performance reporting, and facilitates access and participation for both rural and urban municipalities and across regions.

Activities

Implement remaining recommendations of the 2009 KPMG audits to increase the efficiency and effectiveness of GMF processes.

Establish an integrated customer relationship management system.

Continuously review and improve mechanisms to simplify project loan and grant agreements in a timely manner.

Key result area 2: Determining and understanding the needs of the GMF target audiences

Objective: Focus activities and develop products so that they are aligned with client needs.

Activities

Analyze key trends and initiatives associated with GMF, as required.

Conduct research to stay apprised of developments in the GMF sectors.

Design, assess, review and continually improve targeted funding opportunities for capital projects to enable municipal governments and their partners to develop and implement sustainable projects in different regions and community types across Canada.

Key result area 3: Measuring outcomes

Objective: Measure and demonstrate the qualitative, quantitative, short-term and long-term success of GMF.

Activities
Measure and report on: <ul style="list-style-type: none">• appropriate environmental indicators for projects that:<ul style="list-style-type: none">◦ include return on investment◦ provide both baseline and actual data at project completion• appropriate social and economic measures for projects
Implement a continuous improvement performance management system for GMF using a balanced score card approach.
Provide a regular report to the GMF Council which includes key performance indicators on measurable outcomes.

Key result area 4: Leveraging for greater impact

Objective: Collaborate with stakeholders (e.g. other funding agencies, NGOs, governments, service providers, etc.) for mutual benefit and greater overall impact reflected in projects, plans and studies approved for funding by FCM.

Activities
Develop, implement and measure a partnership and co-funding strategy and strategies to focus on increasing uptake in certain regions and sectors.
Explore and assess innovative and complementary financing instruments with a view to increasing GMF funding capacity.
Encourage integrated development projects that aim for replication of GMF-funded projects.

Key result area 5: Building capacity

Objective: Deliver knowledge, training, and networking activities that leverage GMF to accelerate the implementation, communication and replication of sustainability initiatives in Canadian municipalities.

Activities
Implement mechanisms to ensure knowledge and lessons learned from innovative GMF-funded projects are shared in a timely fashion.
Contribute to the design and implementation of a corporate website with integrated social media capabilities that allows clients to better search and retrieve knowledge products, and identify and develop new resources and tools to support a resource-rich web presence.
Initiate an electronic knowledge management system that will store, classify and track knowledge products.
Using GMF knowledge and lessons learned, plan and deliver key events including the FCM Sustainable Communities Mission, the FCM Sustainable Community Awards, the FCM Sustainable Communities Conference, and workshops (including webinars).
Leverage PCP to deliver knowledge, education and training to GMF’s target audiences (leading to GMF applications).

Key result area 6: Focused marketing

Objective: Design and implement highly targeted, customer-based messaging and sales activities that speak to the direct needs of our priority markets.

Activities
Design and implement a key points of touch program with applicants to improve the conversion process throughout, from prospect to application, and contract to disbursement.
Design creative external messaging that speaks to the specifically defined needs of each target audience.

Key result area 7: Integrating communications

Objective: Ensure that targeted/core priority messages are infused, supported and integrated into all GMF points of touch, both internally and externally.

Activities
Develop and maintain an integrated marketing and communications strategy aligned with the FCM Corporate Communications Strategy.
Review and recommend a database management process/system to assist in improved messaging to targeted groups and priority markets.
Investigate cost-effective opportunities for accessing target market databases.
Profile significant GMF-funded projects in a timely fashion to allow for improved client awareness and potential replication.

Key result area 8: Funding brownfields

Objective: Continue to provide best efforts to achieve \$150 million in funding by 2012.

Activities
Design a creative outreach campaign with a strong value proposition for the development and economic development communities.
Establish partnerships with key stakeholders in relevant sectors.
Continue to develop the Brownfields Practice Group as a strategic think tank.
Increase GMF outreach awareness and capacity on financial deal structuring of multiple level partners to assist in brownfield market development.

Capital and risk management

Sound capital and risk management is critical to ensuring the long-term sustainability of the Fund. By employing risk mitigation strategies for the loan transactions and knowing the risks it is taking, the Fund also strives to optimize capital and use resources efficiently. The Fund employs sound cash-flow and investment management approaches in order to maintain capital in line with the Funding Agreement and to generate sufficient interest income to finance operating costs and grants.

As of September 30, 2010, GMF managed approximately \$602 million and had an externally restricted fund balance of approximately \$560 million.

Cash flow management

The 10-year cash flow forecast model that FCM uses to ensure long-term viability of the Fund enables the achievement of a balance between investment and loan interest income, loan and grant commitments, as well as disbursements and operating expenses, while ensuring the Fund's sustainability. A minimum lending yield policy has been established to provide for a minimum return on the lending activities of the Fund while ensuring that capital is preserved.

Risk profile of GMF loan portfolio

FCM applies sound policies and procedures for credit risk management and loan pricing

to complement the Fund's risk identification, evaluation and loan monitoring activities.

Consistent with section 11.04 (h) of the Funding Agreement, 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 target risk levels and monitors these targets quarterly. The Fund establishes concentration limits 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 this sector's lending activity is driven by municipal private partners that are generally qualified at a higher risk level, it is expected that the risk composition of the portfolio will, as the total portfolio grows, trend toward an increase within the medium-high to high-risk sections of the portfolio's risk profile.

Table 1: Risk profile of the total loan portfolio
(as of September 30, 2010)

Committed and disbursed portfolio	Percentage of total portfolio	Objectives for 2010–2011	Objectives for 2011–2012
Low-risk (A)	43.74%	At least 30%	At least 30%
Low- to medium-risk (B)	20.01%	At least 20%	At least 20%
Medium-risk (C)	33.68%	20-45 %	Up to 35%
Medium- to high-risk (D)	2.27%	Up to 5%	Up to 7.5%
High-risk (E)	0.30%	Up to 2%	Up to 7.5%
Unacceptable risk (F)	0.00%	0%	0%
Total	100%	100%	100%

As of September 30, 2010, the total loan portfolio is in line with the 2010–2011 target risk levels. Objectives for the 2011–2012 period are to maintain the nominal risk composition with slight movement towards a higher risk level to account for municipal private partner applications in the brownfield sector, comparatively evaluated

at a higher risk than municipal or municipal corporation clients.

The risk profile of the disbursed loan portfolio shows the risk distribution of loans that are disbursed and in repayment. At September 30, 2010, 47 loans amounting to \$125.9 million have been fully disbursed.

Table 2: Risk profile of the disbursed loan portfolio
(as of September 30, 2010)

Risk level	Number of contracts	Outstanding loan amounts (\$ million)	Percentage loans in risk level to total disbursed loans
A	19	\$55.1	43.76%
B	9	\$17.4	13.82%
C	18	\$52.5	41.70%
D	0	\$0.0	0.00%
E	1	\$0.9	0.71%
F	0	\$0.0	0.00%
Total	47	\$125.9	100%

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 approved to municipal governments, with a portfolio risk composition not materially different than the current disbursed loan portfolio.

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 completes the governance framework for the Investment Committee and is in line with the requirements of the Funding Agreement. The new investment advisor has proposed numerous improvements to the cash-flow management of the Fund aimed at increasing return on the portfolio.

Funding targets for 2011–2012

The funding targets for 2011–2012 are highlighted below.

Grants for sustainable community plans, feasibility studies and field tests

Under the Funding Agreement, “FCM shall use its best efforts to commit to... granting \$8 to \$12 million per year, from April 1, 2005, to March 31, 2009.” The Agreement anticipates that by March 31, 2009, all remaining GMEF^[2] grant funds will have been disbursed. FCM projects that all of the \$50 million GMEF funds will be disbursed by the end of 2011–2012.

After March 31, 2009, FCM must aim to commit \$6 to \$8 million in grants for sustainable community plans, feasibility studies and field tests. In fulfillment of this requirement, FCM will make a minimum total of \$6 million available for feasibility studies, field tests and sustainable community plans in 2011–2012.

² Through the 2005 Funding Agreement, the Green Municipal Fund™ replaced the earlier, \$50 million Green Municipal Enabling Fund (GMEF), which provided grants for sustainable community plans, feasibility studies and field tests, and the Green Municipal Investment Fund (GMIF), which provided grants and loans for capital projects.

Loans and grants for capital projects

FCM offers a combination of grants and low-interest loans in support of 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. Up to March 31, 2009, FCM may commit \$7 to \$10 million per year in grants to capital projects, and \$5 to \$6 million thereafter. FCM must also aim to commit \$150 million in GMF loans for brownfield projects by March 31, 2012.

In fulfillment of these requirements, a minimum of \$150 million in low-interest loans will be available for capital projects in 2011–2012. Of this amount, a minimum total of \$ 85 million will be available for brownfield projects.

A minimum total of \$5 million will be available in grants for capital projects. This amount has been allocated consistent with the funding levels targeted for loans. Under the provisions of the Funding Agreement, brownfield projects are not eligible for grants.

Future market considerations

The 2011–2012 fiscal year is projected to be impacted by a number of realities and market shifts. Strategies are being developed to address the following issues as they emerge, and to develop the ability to shift and modify products and services to accurately adapt as required:

- The completion of the economic stimulus funding and the potential increased uptake in GMF funding.
- Market awareness that private-sector and incorporated not-for-profit development organizations are becoming lead project managers in the market areas of brownfields and ICES.
- Private-sector and incorporated not-for-profit development organizations are higher risk challenges, but offer opportunities for greater rates of return.
- Brownfield markets are emerging and opportunities exist for an increased volume of funding uptake.
- To address potential funding limitations and allow for ongoing market penetration, research on alternate funding mechanisms and programs will be a priority.

Appendix A: Compliance indicators 2011–2012

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 2011–2012.

Funding Agreement reference	Funding Agreement requirement	Indicator	Target 2011–2012
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.	<p>Approved grants and loans to urban communities</p> <p>Approved grants and loans to rural communities</p>	<p>\$128,800,000</p> <p>\$32,200,000</p>
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.	<p>Approved grants and loans to New Brunswick, Newfoundland and Labrador, Nova Scotia and Prince Edward Island</p> <p>Approved grants and loans to Québec</p> <p>Approved grants and loans to Ontario</p>	<p>\$8,690,000*</p> <p>\$56,810,000*</p> <p>\$46,490,000*</p>

Funding Agreement reference	Funding Agreement requirement	Indicator	Target 2011–2012
		<p>Approved grants and loans to Alberta, Manitoba, Northwest Territories, Nunavut and Saskatchewan</p> <p>Approved grants and loans to British Columbia and Yukon</p>	<p>\$33,190,000*</p> <p>\$15,820,000*</p>
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	\$150,000,000
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	Approx. 55%
10.01 (b)	FCM shall use its best efforts to commit to granting \$8 to \$12 million per year, from April 1, 2005, to March 31, 2009, at which time all the remaining GMEF funds will have been disbursed (\$50 million) and \$6 to \$8 million per year thereafter, to feasibility studies, sustainable community plans, assessments and field tests.	<p>GMF feasibility study, field test and sustainable community planning grant amount approved</p> <p>Cumulative net amount of grants committed to feasibility studies, field tests and sustainable community plans</p>	<p>\$6,000,000</p> <p>\$66,000,000</p>

Funding Agreement reference	Funding Agreement requirement	Indicator	Target 2011–2012
10.01 (b)		Cumulative net amount of grants disbursed to feasibility studies, field tests and sustainable community plans	\$51,000,000
10.01 (c)	FCM shall use its best efforts to commit to granting \$7 to \$10 million per year from April 1, 2005, to March 31, 2009, and \$5 to \$6 million per year thereafter to capital projects.	GMF capital project grant amount approved	\$5,000,000
10.01 (d)	FCM shall use its best efforts to commit to lending or guaranteeing loans to support brownfield remediation and development totaling in aggregate at least \$150 million by March 31, 2012.	<p>Amount of loans or loan guarantees committed to brownfield remediation capital projects</p> <p>Cumulative net amount of loans or loan guarantees committed to brownfield remediation capital projects</p>	<p>\$85,000,000</p> <p>\$115,000,000</p>
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	\$594,200,000

Funding Agreement reference	Funding Agreement requirement	Indicator	Target 2011–2012
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	15%
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	4.2%
11.02	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.	Third-party audit of the 2010–2011 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	Report on March 31, 2011

Funding Agreement reference	Funding Agreement requirement	Indicator	Target 2011–2012
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 2010–2011 <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	August 31, 2011
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 2012–2013 ASPO and distribution to the Minister of Environment and the Minister of Natural Resources, for tabling at Parliament, and other stakeholders	January 31, 2012

* The projections provided may be impacted by the regional balance outcomes of the applications received during the period of oversubscription.

Appendix B: GMF budget 2011–2012

The following table outlines the GMF budget for the 12 months ending March 31, 2012.

Expenses	Budget 2011–2012 (\$)
Management:	
Personnel costs	945,738
Professional services	346,200
Travel, meetings and functions	122,100
Other operating expenses	2,867,082
Total Management	4,281,120
Total Compliance	144,475
Total Council	304,215
Total Peer Review Committee	323,788
Total Funding Services	1,251,136
Client Services:	
Communications	925,202
Marketing	590,053
Product Development & Research	400,187
Client Services Operations	204,005
Total Client Services	2,119,447
Knowledge Services:	
Capacity Building	585,747
Knowledge Services	852,124
Total Knowledge Services	1,437,871
Total Expenses	9,862,052
Maximum Budget Allowed	10,500,000

Appendix C: Funding Agreement articles 11.05 and 11.07

Extracts 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: GMF logic model

Figure 2: GMF Logic Model

