

Office of Infrastructure of Canada

Quarterly Financial Report for the quarter ended September 30, 2019

Statement outlining results, risks and significant changes in operations, personnel and programs

Introduction

This quarterly report has been prepared by management as required by Section 65.1 of the *Financial Administration Act* and in the form and manner prescribed by the Treasury Board. This quarterly report should be read in conjunction with the Main Estimates as well as *Budget 2019*.

The key to building Canada for the 21st century is a strategic and collaborative long-term infrastructure plan that builds economically vibrant, strategically planned, sustainable and inclusive communities. Infrastructure Canada (INFC) works closely with all orders of government and other partners to enable investments in social, green, public transit and other core public infrastructure, as well as trade and transportation infrastructure.

Further information on INFC's mandate, responsibilities, and programs can be found in [INFC's 2019-20 Main Estimates](#).

Basis of Presentation

This quarterly report has been prepared by management using an expenditure basis of accounting. The accompanying Statement of Authorities includes INFC's spending authorities granted by Parliament and those used by INFC consistent with the Main Estimates and Supplementary Estimates for the 2019-20 fiscal year (FY). This quarterly report has been prepared using a special purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities.

The authority of Parliament is required before monies can be spent by the government. Approvals are given in the form of annually approved limits through *Appropriation Acts* or through legislation in the form of statutory spending authority for specific purposes.

INFC uses the full accrual method of accounting to prepare and present its annual departmental financial statements that are part of the departmental performance reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

In the past, INFC has worked in collaboration with other federal departments and agencies to deliver some of its transfer payment programs (collectively known as federal delivery partners).

During the second quarter of 2019-20, the only federal delivery partner for certain sunsetting programs was Transport Canada.

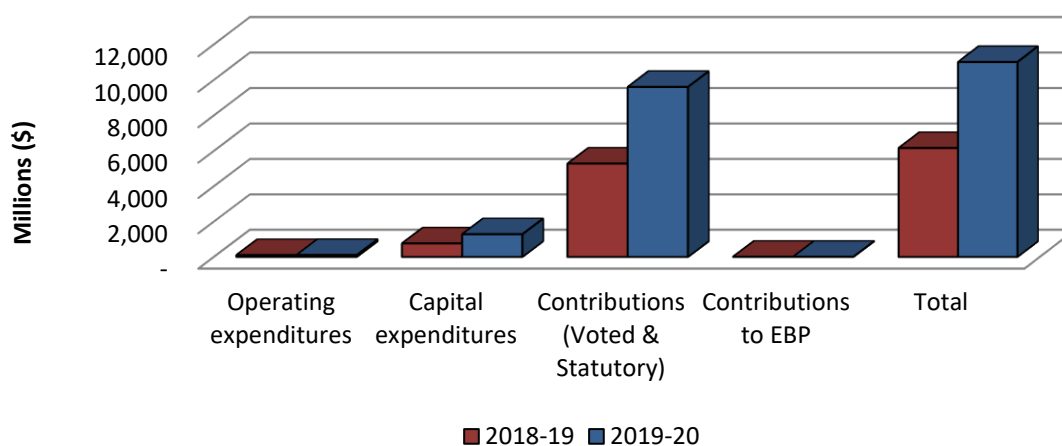
It should be noted that this quarterly report has not been subject to an external audit or review.

Highlights of Fiscal Quarter and Fiscal Year-to-Date Results

This section highlights the significant items that contributed to the change in resources available for use from 2018-19 to 2019-20 and in actual expenditures as of September 30, 2018 and September 30, 2019.

Authorities

Graph 1: Comparison of Authorities Available as of September 30, 2018 and September 30, 2019



As shown in the Statement of Authorities, INFC’s total authorities available for 2019-20 are \$11.007 billion as of the end of Quarter 2 (Q2) and represent a \$4.847 billion increase compared to the same quarter in the prior year.

This increase is summarized in the table below:

Authorities	Increase/(Decrease) vs. Prior Year-to-date (000’s)	% Change vs. prior year
Operating Expenditures	9,454	9.1%
Capital Expenditures	515,411	67.2%
Contributions (Voted and Statutory)	4,322,594	81.8%
Contributions to Employee Benefit Plans	(895)	(11.5%)

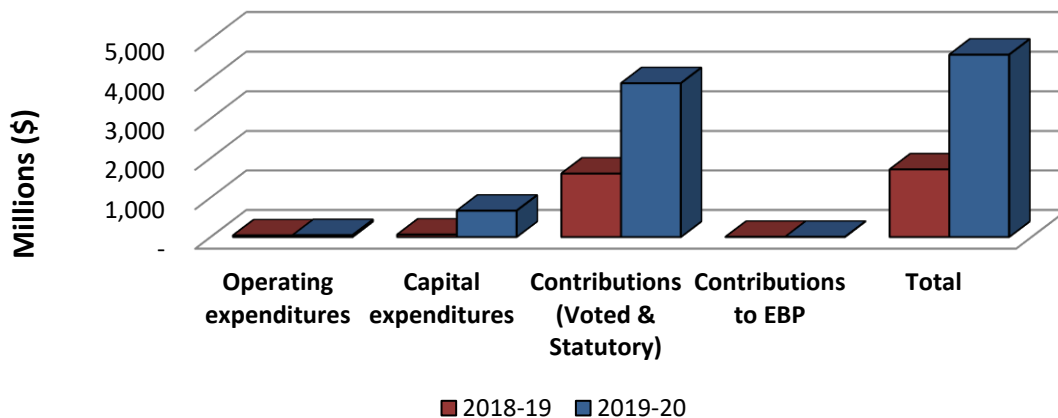
The sources of significant year-over-year changes are summarized as follows:

- **Operating Expenditures** – the increase is as a result of the Samuel De Champlain Bridge Corridor project entering into the Operating, Maintenance and Rehabilitation (OMR) phase of the project and the resulting operating expenses that will be paid to the private partner.
- **Capital Expenditures** – the increase is related to the milestone payments in fiscal year 2019-20 for the Samuel De Champlain Bridge Corridor project.
- **Contributions (Voted and Statutory)** – Voted contribution funding has increased in certain programs, namely Major Infrastructure Component, Investing in Canada Infrastructure Program, National Regional Projects and Public Transit Infrastructure Fund. The increase is also due to the one-time additional statutory funding announced as part of Budget 2019 for the Gas Tax Fund and the Municipal Asset Management Program.
- **Contributions to Employee Benefit Plans** – For 2019-20, anticipated personnel costs in the Main Estimates were lower than in the previous year resulting in a lower contribution. However, through the Supplementary Estimates, INFC anticipates receiving additional funding which will align personnel expenditures with authorities. As a result, Employee Benefit Plans contributions will be adjusted accordingly

Expenditure Analysis

Expenditures at the end of Q2 were \$4.610 billion, compared to \$1.714 billion reported in the same period of 2018-19, representing an increase of 169.0% between Q2 of the two years. The source of the relative increase is demonstrated in the tables, graphs and analysis below.

Graph 2: Comparison of Total Expenditures as of September 30, 2018 and September 30, 2019

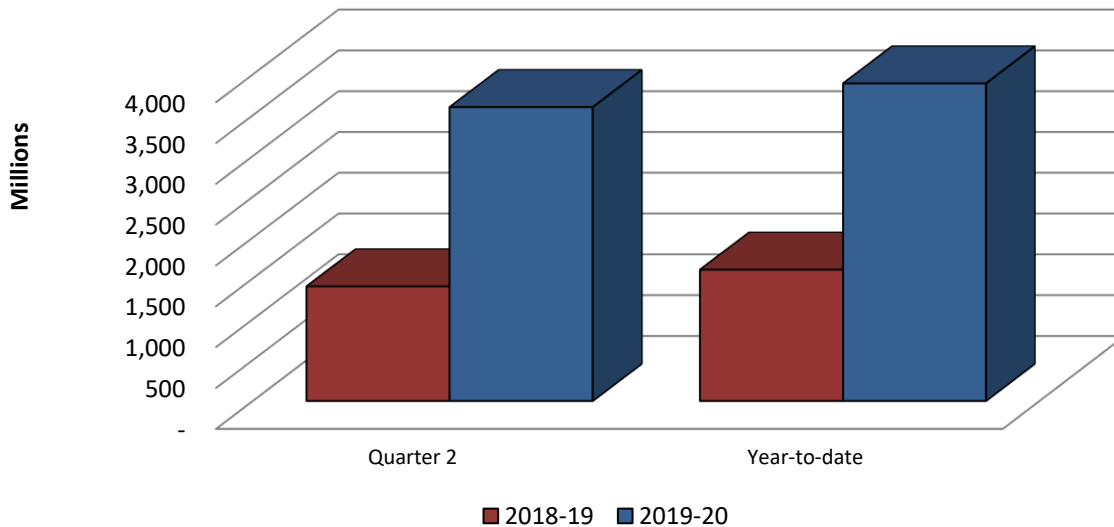


The sources of significant year-over-year changes are summarized as follows:

Table 2: Change in year-to-date expenditures as of September 30, 2019		
Authorities	Increase/(Decrease) vs. Prior Year-to-date (000's)	% Change vs. prior year
Operating Expenditures	7,137	17.4%
Capital Expenditures	606,800	985.9%
Contributions (Voted and Statutory)	2,283,068	142.0%
Contributions to Employee Benefit Plans	(447)	(11.5%)

- **Operating and Capital Expenditures** – details provided later in report, by standard object.
- **Contributions (Voted and Statutory)** – details by program below.
- **Contributions to Employee Benefit Plans** – For 2019-20, anticipated personnel costs in the Main Estimates were lower than in the previous year resulting in a lower contribution. However, through the Supplementary Estimates, INFC anticipates receiving additional funding which will align personnel expenditures with authorities. As a result, Employee Benefit Plans contributions will be adjusted accordingly.

Graph 3: Comparison of Authorities used for Contributions (Voted and Statutory) as of September 30, 2018 and September 30, 2019



Significant changes in year-to-date contribution expenditures between September 2018 and September 2019 were as follows:

Table 3: Change in year-to-date expenditures by contribution program as of September 30, 2019		
Program Fund	Increase/(Decrease) vs. Prior year-to-date (000's)	% Change vs. Prior year-to-date
Gas Tax Fund (GTF)	2,169,456	200.0%
Building Canada Fund-Major Infrastructure Component (BCF-MIC)	67,521	108.0%
Asset Management Fund (AMF)	42,365	240.0%
P3 Canada Fund (P3CF)	35,109	261.0%
Toronto Waterfront Revitalization Initiative (TWRI)*	14,564	N/A
Green Infrastructure Fund (GIF)	(9,589)	(34.0%)
Clean Water Wastewater Fund (CWWF)	(12,743)	(12.0%)
Capacity Building for Climate Change Challenges Fund (CBCCCF)	(13,768)	(64.0%)
Public Transit Infrastructure Fund (PTIF)	(18,807)	(23.0%)

* No expenditures were made as of Q2 2018-19

The sources of significant year-over-year changes are summarized as follows:

- **GTF** – The increase is due to the payment of the one-time additional statutory funding announced as part of Budget 2019.
- **BCF-MIC** – With significant projects underway in this program, there is an increase in claims being submitted in 2019-20.
- **AMF** – This program received \$60 million to renew its commitment which has since been completely expensed in 2019-20.
- **P3CF** – INFC has received more claims in Q2 of this fiscal year compared to last fiscal year.
- **TWRI** – No payments were made by Q2 in 2018-19.
- **GIF** – The forecast is significantly less this fiscal year and expenses are also lower as a result.
- **CWWF** – The forecast is less than last year and expenses are slightly less.
- **CBCCCF** – INFC has received significantly less expenses so far. It is expected that expenses will increase in the latter half of 2019-20.
- **PTIF** – INFC has received slightly less expenses so far. It is expected that expenses will increase in the latter half of 2019-20.

Departmental Budgetary Expenditures by Standard Object

The planned Departmental Budgetary Expenditures by Standard Object are set out in the table at the end of this report. Aggregate year-to-date expenditures in 2019-20 increased by \$2.896 billion, compared with the same quarter last year. The largest single factor was an increase in transfer payments as explained above.

A breakdown of variances in year-to-date spending by standard object is below:

Table 4: Change in year-to-date expenditures by standard object as of September 30, 2019		
Changes to Expenditures by Standard Object	Increase/(Decrease) vs. Prior year-to-date (000's)	% Change vs. Prior year
Transfer payments	2,283,068	142.0%
Acquisition of land, buildings and works	597,259	1,053.8%
Professional and special services	11,189	53.1%
Personnel	4,685	17.9%
Repair and maintenance	407	50.4%
Rentals	93	18.7%
Transportation and communications	86	16.8%
Acquisition of machinery and equipment	76	110.6%
Information	38	13.7%
Utilities, materials and supplies	25	57.0%
Other subsidies and payments	(369)	(96.6%)

The sources of significant year-over-year changes are summarized as follows:

- **Transfer payments** – details were previously discussed.
- **Acquisition of land, buildings and works** – increase is due to payments to Signature on the St. Lawrence Group for the construction of the Samuel De Champlain bridge corridor.
- **Professional and special services** – increase is mostly explained by a \$5.2 million increase in engineering costs and \$3.4 million increase in realty services related to the Samuel De Champlain bridge corridor project, a \$1.2 million increase in prepaid legal services and a \$600K increase for shared human resources services through an MOU with PSPC.
- **Personnel** – increase in number of employees.
- **Repair and maintenance** – increase is mostly due to the increase in operating maintenance and rehabilitation costs for the Samuel De Champlain bridge corridor.

Overall, INFC has spent 41.9% of its current Total Authorities as of September 30, 2019, compared to 27.8% at the end of Q2 of the previous fiscal year.

Risks and Uncertainties

In most cases, INFC funds projects via a Contribution Agreement or Integrated Bilateral Agreement between Canada and a Provincial/Territorial (PT) government. PT governments then enter into their own agreements with municipalities, who are ultimately responsible for project management and construction of the infrastructure.

Most of INFC's programs are structured in such a way that funding flows from the Department based on requests for reimbursements. It is important to note that federal spending is not an accurate measure of when the economic activity created by infrastructure spending occurs. When projects are approved, work begins and economic activity is generated by provinces, territories (PT) and municipalities, which are responsible for implementing projects and incurring costs. Infrastructure Canada makes the federal contribution only when requested by partners.

There are a variety of reasons that can affect the timing of requests for reimbursements, which can contribute to a variance between planned spending and actual spending. Some projects, once approved, move quickly into the construction phase while others have longer lead times for planning, and local approval processes (e.g. zoning and permitting). Regardless of how long planning takes or how soon ground can break, eligible costs can be submitted for reimbursement throughout the life of the project.

INFC encourages PTs to submit claims in a timely manner to ensure the flow of funding as planned. Parliamentary authority to spend typically expires at the end of the fiscal year; however, in response to the needs of its project partners, INFC reprofiles its authorities as needed so that the funding committed to specific projects continues to be available in future years when needed.

INFC has been working with provinces and territories on a new approach to transfer payments to better align federal investments with construction activity taking place. A pilot project is currently concluding with three provinces under the Investing in Canada Infrastructure Program to test the effectiveness of this new approach in advance of broader implementation.

Over the last three and a half years, the Department has been in a state of transformation. The introduction of new programs and responsibilities has resulted in structural changes to better support the delivery of new business lines, as well as required the department to move to more specialized skills and experience necessary for key positions. INFC is working to ensure it attracts and retains employees with the skill sets and experience necessary to fulfil the department's evolving mandate.

Significant Changes in Relation to Operations, Personnel and Programs

Infrastructure Canada continues to grow and evolve. Since the last Quarterly Financial Report, the following significant change has taken place within the department:

- The payment of the one-time additional statutory funding announced as part of Budget 2019 for the Gas Tax Fund and the Municipal Asset Management Program.

Approval by Senior Officials

Approved by:

Kelly Gillis
Deputy Head

Nathalie Bertrand
Chief Financial Officer

Signed at Ottawa, Canada