

Office of Infrastructure of Canada

Quarterly Financial Report for the quarter ended September 30, 2020

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 2020*.

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 2020-21 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 2020-21 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).

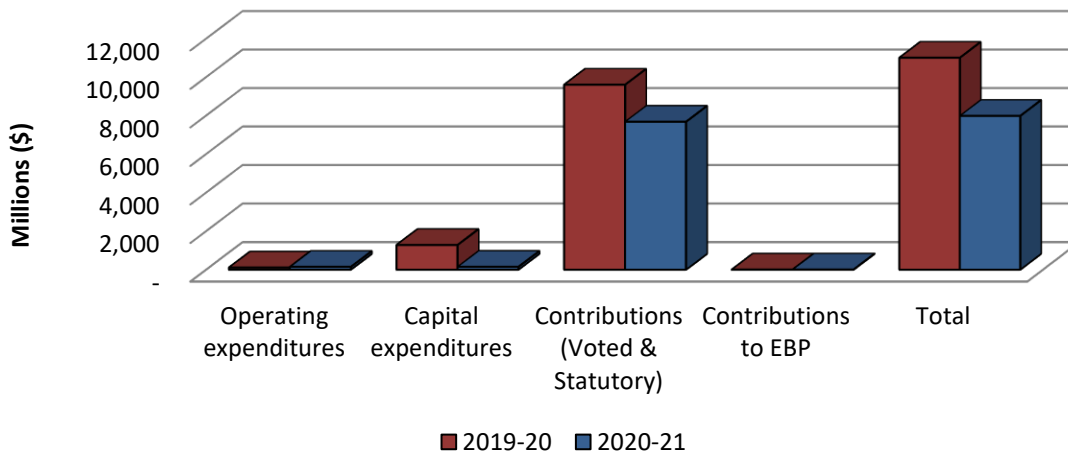
It should be noted that this quarterly report has not been subject to an external audit or review.

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 2019-20 to 2020-21 and in actual expenditures as of September 30, 2019 and September 30, 2020.

Authorities

Graph 1: Comparison of Authorities Available as of September 30, 2019 and September 30, 2020



As shown in the Statement of Authorities, INFC’s total authorities available for 2020-21 are \$7.982 billion as of the end of Quarter 2 (Q2) and represent a \$3.025 billion decrease compared to the same quarter in the prior year.

This decrease is summarized in the table below:

Table 1: Year-to-date change in total authorities as of September 30, 2020		
Authorities	Increase/(Decrease) vs. Prior Year-to-date (000’s)	% Change vs. prior year
Operating Expenditures	33,110	29.3%
Capital Expenditures	(1,134,015)	(88.4%)
Contributions (Voted and Statutory)	(1,925,098)	(20.0%)
Contributions to Employee Benefit Plans	870	12.6 %

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

- **Operating Expenditures** – This increase is mainly due to funding received to sustain departmental operations, a new branch was created to better support Canadian communities under the Rural Economic Development portfolio, and the transition from construction of the Samuel de Champlain Bridge Corridor project to the Operating, Maintenance and Rehabilitation (OMR) phase.
- **Capital Expenditures** – This decrease is attributable to the substantive completion of the construction for the Samuel De Champlain Bridge Corridor project in fiscal year 2019-20.
- **Contributions (Voted and Statutory)** – This decrease is mainly 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** – This increase is reflective of the growth in full time equivalents (FTEs).

Expenditure Analysis

Expenditures at the end of Q2 were \$2.66 billion, compared to \$4.61 billion reported in the same period of 2019-20, representing a decrease of 42.2% between Q2 of the two years. The source of the relative decrease is demonstrated in the tables, graphs and analysis below.

Graph 2: Comparison of Total Expenditures as of September 30, 2019 and September 30, 2020

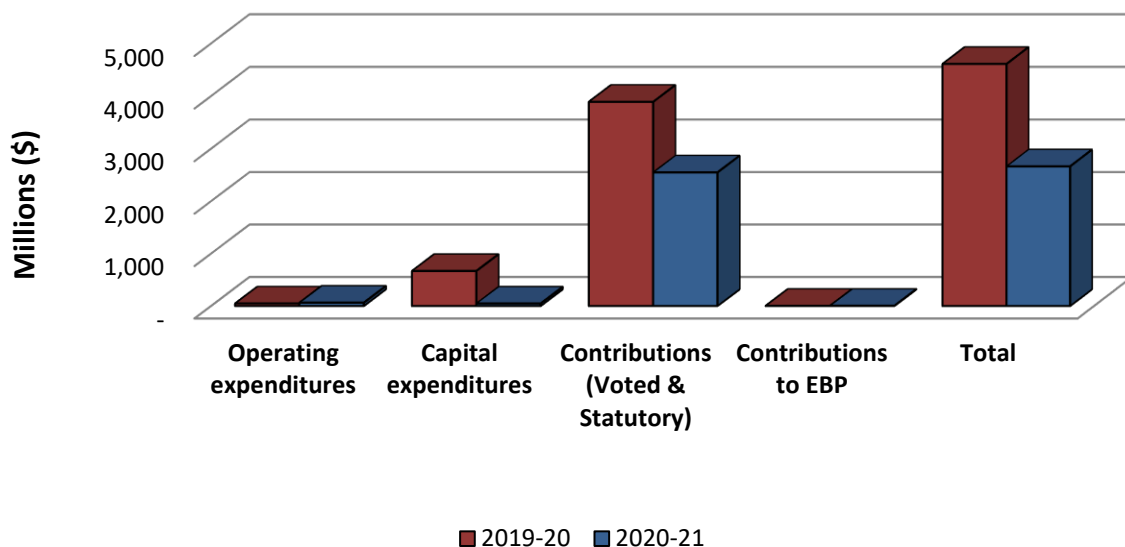
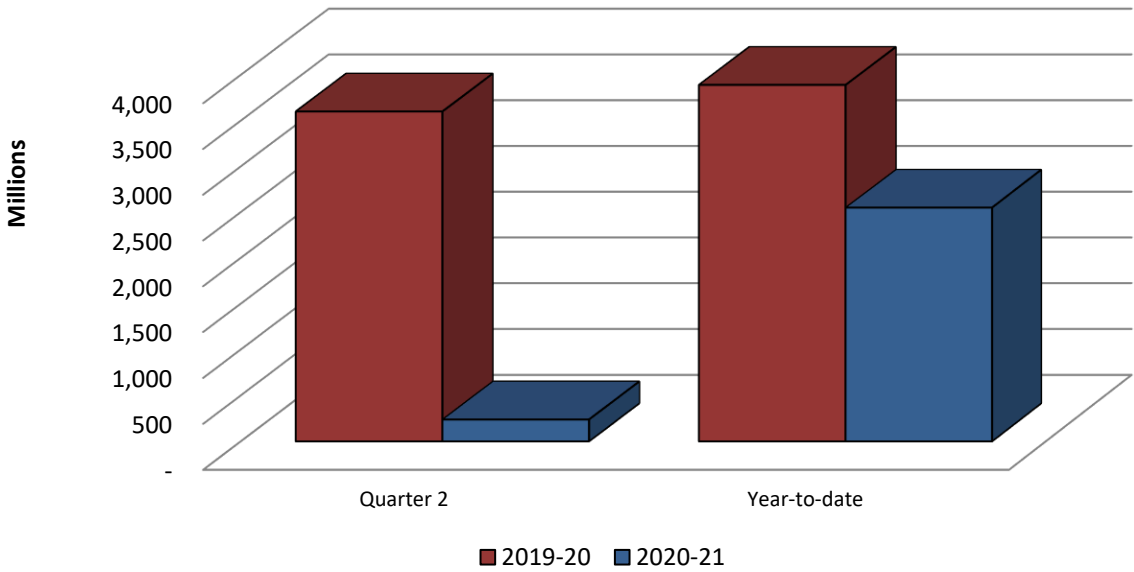


Table 2: Change in year-to-date expenditures as of September 30, 2020		
Year-to-date expenditures	Increase/(Decrease) vs. Prior Year-to-date (000's)	% Change vs. prior year
Operating Expenditures	15,026	31.2%
Capital Expenditures	(620,657)	(92.9%)
Contributions (Voted and Statutory)	(1,341,312)	(34.5%)
Contributions to Employee Benefit Plans	435	12.6%

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

- **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** – The increase is due to the growth in full time equivalents (FTEs).

Graph 3: Comparison of Authorities used for Contributions (Voted and Statutory) as of September 30, 2019 and September 30, 2020



Significant changes in year-to-date contribution expenditures between September 2019 and September 2020 were as follows:

Program Fund	Increase/(Decrease) vs. Prior Year-to-date (000's)	% Change vs. prior year
New Building Canada Fund-Provincial-Territorial Infrastructure Component-National and Regional Projects (NBCF-PTIC-NRP)	30,783	23%
Disaster Mitigation and Adaptation Fund (DMAF)*	16,474	N/A
New Building Canada Fund-National Infrastructure Component (NBCF-NIC)	12,941	650%
Public Transit Infrastructure Fund (PTIF)	(29,506)	(47%)
P3 Canada Fund (P3CF)	(35,179)	(72%)
Asset Management Fund (AMF)	(60,000)	(100%)
Clean Water Wastewater Fund (CWWF)	(66,351)	(71%)
Building Canada Fund-Major Infrastructure Component (BCF-MIC)	(121,537)	(94%)
Gas Tax Fund (GTF)	(1,084,438)	(33%)

* No expenditures were made as of Q2 2019-20

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

- **NBCF-PTIC-NRP** – With significant projects underway in this program, there is an increase in claims being submitted in 2020-21.
- **DMAF** – Several contribution agreements were signed in the latter part of 2019-20. Those contribution agreements are now incurring costs and claims are being submitted to INFC.
- **NBCF-NIC** – With all contribution agreements in this programs now signed, many of the contribution agreements are claiming more compared to last year and causing an increase.
- **PTIF** – Forecasts in these contribution agreements are decreasing and therefore fewer expenses are being made in 2020-21.
- **P3CF** – Some contribution agreements reached completion in 2019-20, there are fewer claims being made and this explains the decrease compared to last year.
- **AMF** – A claim for \$60M was processed during Q2 of 2019-20. In 2020-21, there were no claims processed so far explaining the decreased compared to last year.
- **CWWF** – Forecasts in these contribution agreements are decreasing and therefore fewer expenses are being made in 2020-21.
- **BCF-MIC** – There have been fewer claims compared to last fiscal year, however they are expected to increase in the coming quarters.
- **GTF** – On June 1, 2020, the Government of Canada announced that the allocation of \$2.2 billion under the federal Gas Tax Fund would be accelerated this year and provided in a single payment in June to help Canadian communities recover from the COVID-19 pandemic as

quickly as possible while respecting public health guidelines. In FY 2019-20, claims for a total of \$3.3B, including the one-time statutory funding announced as part of Budget 2019, were processed in Q2 explaining the decrease compared to last year.

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 2020-21 decreased by \$1.95 billion, compared with the same quarter last year. The most important factors were a decrease in transfer payments as explained above and also a decrease in acquisition of land, buildings and works expenditures.

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

Changes to Expenditures by Standard Object	Increase/(Decrease) vs. Prior Year-to-date (000's)	% Change vs. prior year
Professional and special services	20,308	62.9%
Other subsidies and payments	9,220	71,261.3%
Repair and maintenance	3,946	324.6%
Personnel	3,944	12.8%
Rentals	280	47.6%
Acquisition of machinery and equipment	199	137.5%
Utilities, materials and supplies	(50)	(72.4%)
Information	(56)	(18.0%)
Transportation and communications	(559)	(93.4%)
Acquisition of land, buildings and works	(642,429)	(98.2%)
Transfer payments	(1,341,312)	(34.5%)

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

- **Professional and special services** – The increase is mainly due to an increase in engineering costs related to payments for the Réseau Express Métropolitain (REM) project which will be reimbursed based on an agreement between REM Inc. and Infrastructure Canada.
- **Other subsidies and payments** – The increase is mostly explained by interest expenses

payments made for the Samuel De Champlain Bridge corridor project.

- **Repair and maintenance** – The increase is mostly due to an increase in operating, maintenance and rehabilitation costs related to the Samuel De Champlain Bridge corridor project.
- **Personnel** – Increase in number of employees.
- **Acquisition of land, buildings and works** – The decrease is attributable to the substantive completion of the construction for the Samuel De Champlain Bridge Corridor project in fiscal year 2019-20.
- **Transfer payments** – Details were previously discussed.

Overall, INFC has spent 33.4% of its current Total Authorities as of September 30, 2020, compared to 41.9% 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 is working with provinces and territories on exploring new approaches and tools to better align federal investments with construction activity taking place and ensure better predictability in the flow of funding.

Over the last four 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.

The COVID-19 pandemic has created a significant level of uncertainty in terms of economy and operational effectiveness in both private and public organizations. INFC has adapted its operations to a sustaining remote work environment where it can continue to deliver its mandate. The Government of Canada also adapted the Investing in Canada Infrastructure Program to respond to the impacts of COVID-19. The Program, delivered through bilateral agreements with provinces and territories, is being adjusted to add some flexibilities, expand project eligibility and accelerate approvals. A new temporary COVID-19 Resilience stream, with over \$3 billion available in existing funding, has been created to provide provinces and

territories with added flexibility to fund quick-start, short-term projects that might not otherwise be eligible under the existing funding streams

Significant Changes in Relation to Operations, Personnel and Programs

Infrastructure Canada continues to grow and evolve. Since the last Quarterly Financial Report, no significant changes have taken place within the department.

Approval by Senior Officials

Approved by:

Kelly Gillis
Deputy Head

Nathalie Bertrand
Chief Financial Officer

Signed at Ottawa, Canada