

# Office of Infrastructure of Canada

## Quarterly Financial Report for the quarter ended December 31, 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 21<sup>st</sup> 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).

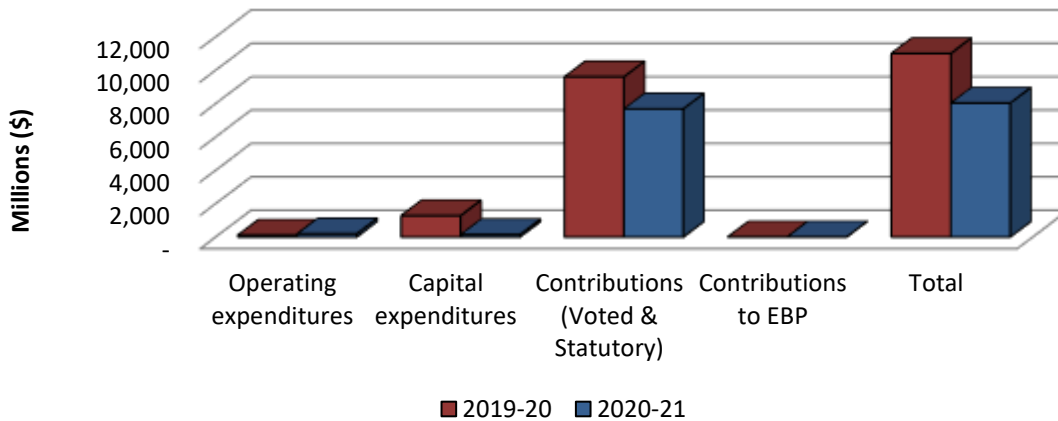
It should be noted that this quarterly report has not been subject to an external audit or review.

## 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 December 31, 2019 and December 31, 2020.

### Authorities

**Graph 1: Comparison of Authorities Available as of December 31, 2019 and December 31, 2020**



As shown in the Statement of Authorities, INFC’s total authorities available for 2020-21 are \$8.035 billion as of the end of Quarter 3 (Q3) and represent a \$2.973 billion decrease compared to the same quarter in the prior year.

This decrease is summarized in the table below:

<b>Authorities</b>	<b>Increase/(Decrease) vs. Prior Year-to-date (000’s)</b>	<b>% Change vs. prior year</b>
Operating Expenditures	80,081	70.3%
Capital Expenditures	(1,134,015)	(88.4%)
Contributions (Voted and Statutory)	(1,920,188)	(20.0%)
Contributions to Employee Benefit Plans	870	12.6 %

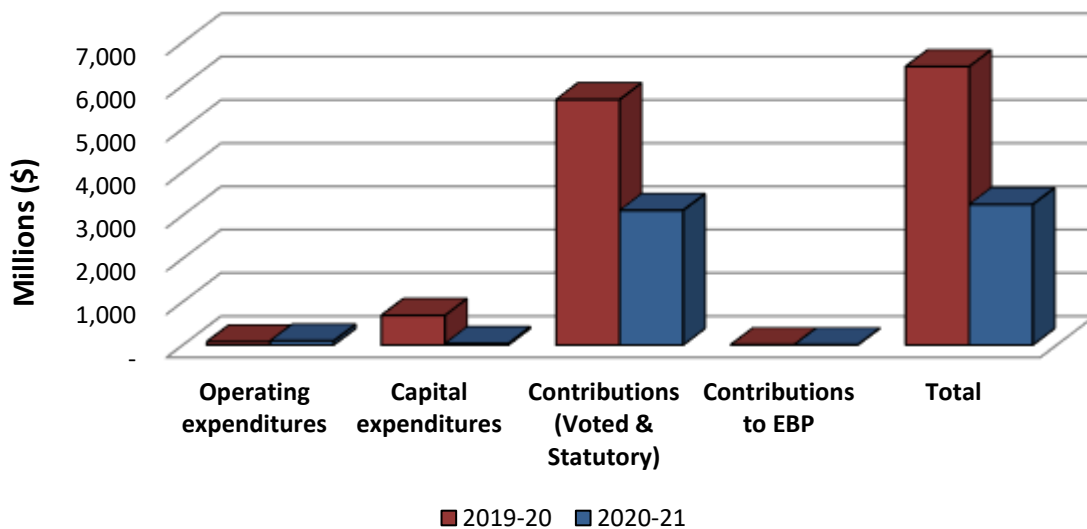
The sources of significant year-over-year changes are summarized as follows:

- **Operating Expenditures** – This increase is mainly due to unused funds being moved to future years for the Samuel de Champlain Corridor project, in an effort to meet existing contractual obligations as well as ensure a contingency is available to address any unforeseen events or changes.
- **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 Q3 were \$3.25 billion, compared to \$6.44 billion reported in the same period of 2019-20, representing a decrease of 49.5% between Q3 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 December 31, 2019 and December 31, 2020**

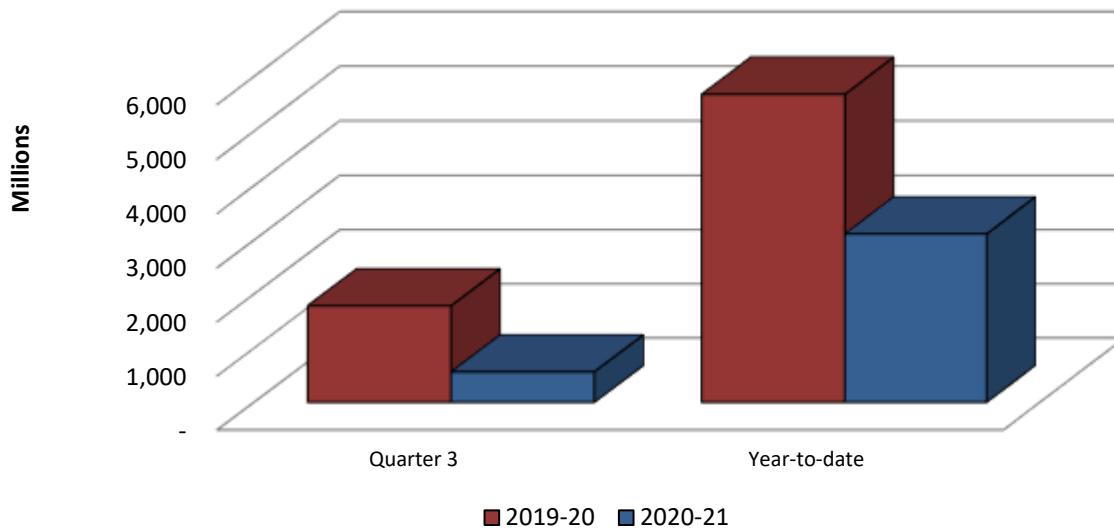


<b>Table 2: Change in year-to-date expenditures as of December 31, 2020</b>		
<b>Year-to-date expenditures</b>	<b>Increase/(Decrease) vs. Prior Year-to-date (000's)</b>	<b>% Change vs. prior year</b>
Operating Expenditures	22,808	31.3%
Capital Expenditures	(649,196)	(94.8%)
Contributions (Voted and Statutory)	(2,561,760)	(45.1%)
Contributions to Employee Benefit Plans	652	12.6%

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

- **Operating and Capital Expenditures** – The change is comprised of a variety of shifts in spending such as an increase in number of employees and payments made for the Samuel De Champlain Bridge corridor project. Further details are provided later in this report, by standard object.
- **Contributions (Voted and Statutory)** – The change is comprised of a variety of shifts in spending such as a decrease associated with the one-time additional statutory funding announced as part of Budget 2019 for the Gas Tax Fund. Further details by program are provided below.
- **Contributions to Employee Benefit Plans** – The increase in INFC’s contribution to the Employee Benefit Plan is directly attributable to an increase in the number of full-time equivalents (FTEs) currently employed at INFC.

### Graph 3: Comparison of Authorities used for Contributions (Voted and Statutory) as of December 31, 2019 and December 31, 2020



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

<b>Program Fund</b>	<b>Increase/(Decrease) vs. Prior Year-to-date (000's)</b>	<b>% Change vs. prior year</b>
New Building Canada Fund-Provincial-Territorial Infrastructure Component-National and Regional Projects (NBCF-PTIC-NRP)	70,398	26%
New Building Canada Fund-National Infrastructure Component (NBCF-NIC)	36,369	1,478%
Disaster Mitigation and Adaptation Fund (DMAF)	28,053	2,445%
Asset Management Fund (AMF)	(60,000)	(100%)
Building Canada Fund-Major Infrastructure Component (BCF-MIC)	(65,103)	(39%)
Public Transit Infrastructure Fund (PTIF)	(89,106)	(44%)
Clean Water Wastewater Fund (CWWF)	(93,040)	(53%)
P3 Canada Fund (P3CF)	(281,640)	(95%)
Gas Tax Fund (GTF)	(2,093,890)	(49%)

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.
- **NBCF-NIC** – With all contribution agreements in this program now signed, many of the contribution agreements are claiming more compared to last year and causing an increase.
- **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.
- **AMF** – A claim for \$60M was processed during Q2 of 2019-20. It was related to the one-time top-up payment approved in Budget 2019.
- **BCF-MIC** – There have been fewer claims compared to last fiscal year, however they are expected to increase in the last quarter.
- **PTIF** – This program is in its final year of funding and projects are being completed. There are therefore fewer claims being submitted in 2020-21..
- **CWWF** – This program is in its final year of funding and projects are being completed. There are therefore fewer claims being submitted 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.
- **GTF** – The decrease is associated with the one-time additional statutory funding announced as part of Budget 2019 for the Gas Tax Fund and paid in fiscal year 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 2020-21 decreased by \$3.187 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:

<b>Changes to Expenditures by Standard Object</b>	<b>Increase/(Decrease) vs. Prior Year-to-date (000's)</b>	<b>% Change vs. prior year</b>
Other subsidies and payments	11,504	352.5%
Personnel	6,602	13.6%
Repair and maintenance	4,366	104.4%
Acquisition of machinery and equipment	449	195.8%
Rentals	145	14.1%
Utilities, materials and supplies	(77)	(74.9%)

Information	(77)	(20.5%)
Transportation and communications	(848)	(87.2%)
Professional and special services	(11,823)	(23.6%)
Acquisition of land, buildings and works	(635,976)	(97.3%)
Transfer payments	(2,561,760)	(45.1%)

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

- **Other subsidies and payments** – The increase is mostly explained by interest expenses payments made for the Samuel De Champlain Bridge corridor project.
- **Personnel** – The increase is reflective of the growth in full time equivalents (FTEs).
- **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.
- **Professional and special services** – The decrease is mainly due to a decrease in engineering costs attributable to the substantive completion of the construction for the Samuel De Champlain Bridge Corridor project in fiscal year 2019-20.
- **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** – The decrease is mainly due to the one-time additional statutory funding announced as part of Budget 2019 for the Gas Tax Fund.

Overall, INFC has spent 40.4% of its current Total Authorities as of December 31, 2020, compared to 58.5% at the end of Q3 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 five 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, the following significant changes have taken place within the department:

- A newly established Departmental Results Framework will be in effect for 2021-22.
- Ongoing operating funding was secured by INFC to continue delivering on its programs while strengthening the department's capacity in policy development, financial management, information technology and data management

### **Approval by Senior Officials**



Approved by:

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Kelly Gillis  
Deputy Head

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Nathalie Bertrand  
Chief Financial Officer

Signed at Ottawa, Canada