

CANADA – BRITISH COLUMBIA AMENDMENTS TO THE COMMUNITIES COMPONENT
AMENDED AGREEMENT

CANADA – BRITISH COLUMBIA
BUILDING CANADA FUND
AMENDMENTS TO THE COMMUNITIES COMPONENT AMENDED AGREEMENT
2007-2017

Amendment no. 2

This Amendment is made as of _____, 2011

BETWEEN: HER MAJESTY THE QUEEN IN RIGHT OF CANADA
("Canada"), represented by the Minister of Transport,
Infrastructure and Communities ("Federal Minister")

AND HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF
BRITISH COLUMBIA ("Province" or "British Columbia")
represented by the Minister of Transportation and Infrastructure,
by the Minister of Community, Sport and Cultural Development,
and by the Minister of Public Safety and Solicitor General
(Provincial Minister(s)).

BACKGROUND

WHEREAS Canada provided \$33 billion in the 2007 Budget for infrastructure investments in Canada of which \$8.8 billion was allocated to go towards the Building Canada Fund ("BCF"), the Government of Canada's new flagship infrastructure program that emphasizes partnerships with any combination of municipal, provincial, territorial governments, as well as the private sector.

AND WHEREAS contributions under the Communities Component ("CC") of the BCF focuses on Projects in smaller communities to bring forward small to medium scale priorities to support national or regional objectives.

AND WHEREAS Canada and British Columbia entered into an Agreement dated the 20th day of March, 2008, setting out the rights, obligations and requirements with respect to contributions under the CC of the BCF (the "Initial CC Agreement").

AND WHEREAS in Budget 2009, Canada announced an increase of \$500 million in funding under the CC of the BCF, to be allocated to the Provinces, together with specific terms and conditions with respect to this increased funding (the "CC Top-Up").

AND WHEREAS Canada and British Columbia entered into an Amended Agreement dated the 26th day of October, 2009, as contemplated under the Framework Agreement and to reflect the changes in terms and conditions in the CC under the BCF including those that relate specifically to the CC Top-Up.

AND WHEREAS on December 2, 2010, the Prime Minister of Canada announced an extension from the March 31, 2011 deadline for the completion of CC Top-Up Projects to October 31, 2011.

AND WHEREAS Canada wishes to amend the Agreement to reflect the changes to the Amended Terms and Conditions of the Building Canada Fund

NOW THEREFORE, in accordance with the principles set out above, Canada and British Columbia hereby agree as follows:

1. Under Section 1.1 the Definition of "Solemn Declaration of Substantial Completion" is repealed and replaced by the following:
Means the attestation provided by a registered and duly licensed engineer, architect or other Registered Professional, in good standing in the Province, certifying the amount of work on a Project, overall, that is substantially completed in the form provided for in Schedule "E".
2. Under Section 1.1 the Definitions of "Registered Professional" and "Substantial Completion" are added:
"Registered Professional" other than in exceptional circumstances and as authorized by in advance Canada in writing, means a duly licensed person in British Columbia retained and paid for by the Recipient for the purposes of attesting Substantial Completion.
"Substantial Completion" means the approved Project or a substantial part thereof is ready for use or is being used for the purposes intended.

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3. In Section 3.3 the allocation table is deleted and replaced with the following:

Communities Component			CC Top-Up		
	Canada	British Columbia		Canada	British Columbia
2007-2008	\$0	\$0			
2008-2009	\$0	\$0			
2009-2010	\$1,635,749	\$1,635,749	2009-2010	\$493,148	\$467,819
2010-2011	\$50,148,575	\$50,148,575	2010-2011	\$56,144,370	\$54,013,173
2011-2012	\$46,746,702	\$46,746,702	2011-2012	\$8,003,739	\$10,160,265
2012-2013	\$17,923,045	\$17,923,045			
2013-2014	\$10,766,343	\$10,766,343			
2014-2015	\$5,000,000	\$5,000,000			
2015-2016	\$3,799,586	\$3,799,586			
TOTAL	\$136,000,000	\$136,000,000	TOTAL	\$64,641,257	\$64,641,257

4. Section 3.8 is repealed and replaced by the following:

Eligible Costs Coverage

For Projects where Eligible Costs are funded from the CC Top-Up as referred to in Subsection 3.1 a), and where Eligible Costs have been incurred, Canada will not be responsible for, nor contribute to, any Eligible Costs incurred beyond March 31, 2011.

For Projects which satisfy the conditions for an extension, as referred to in Section 3.10 below, Canada will not be responsible for, nor contribute to, any Eligible Costs incurred beyond October 31, 2011.

5. Section 3.9 is repealed and replaced by the following:

Withdrawal of Project Funding Allocation

For Projects where Eligible Costs are funded from the CC Top-Up as referred to in Subsection 3.1 a), the Federal Minister may withdraw approval for any Project that has not started construction on its scheduled start date or for which Eligible Costs have not been incurred by March 31, 2011, following consultation with the Province, and consequently may reduce by a corresponding amount, the funding allocated to that Project.

6. The following clause is added to the Agreement as Section 3.10:

Extension to CC Top-Up Projects

In order for Canada to reimburse Eligible Costs incurred between April 1, 2011 and October 31, 2011 for Projects funded from the CC Top-Up as referred to in paragraph 3.1 a) above, British Columbia will have:

- a) certified that Projects requesting such reimbursement will have incurred Eligible Costs prior to March 31, 2011;
- b) ensured that for all Projects requesting such reimbursement, all claims for Eligible Costs invoiced by March 31, 2011 must be submitted by Recipients via British Columbia by April 30, 2011. For Projects that require an extension for the Eligible Costs of an Audit Report, British Columbia must submit to Canada the Solemn Declaration of Substantial Completion as per Schedule

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E, by April 30, 2011.

- c) submitted the following to Canada by January 31, 2011:
 - i. a list of Projects that require an extension beyond March 31, 2011;
 - ii. a list of Projects that require an extension for the Eligible Costs of an Audit Report, along with the estimated cost of the Audit Report to be claimed in fiscal year 2011-2012;
 - iii. a forecast of Eligible Costs incurred by March 31, 2011, and a forecast of expenditures to be incurred between April 1, 2011 and October 31, 2011;
 - iv. a detailed construction schedule for each Project, signed by a professional engineer or an architect;
 - v. a Council resolution for municipal Projects or a resolution from the Board of Directors for Projects by non-profit/private organizations, committing to finishing the Project and accepting responsibility for any costs incurred beyond October 31, 2011.
- d) amended Contribution Agreements with the Recipient of a Project requesting such reimbursement, by February 28, 2011.

7. Section 4.2 of the Agreement is repealed and replaced by the following:

Co-Chairs

The Oversight Committee will be headed by two Co-chairs chosen from its members: one senior official from Canada appointed by the Federal Co-Chair of the Infrastructure Framework Committee ("Federal Co-chair"), and one appointed by the Provincial Minister ("Provincial Co-chair"). If one Co-chair is absent or unable to act, he or she will be replaced by the other federally-appointed member or the other provincially-appointed member, as the case may be.

8. Section 4.12 c) of the Agreement is repealed and replaced by the following:

Contribution Agreements for CC Top-Up funding will also include a provision to the effect that Canada and British Columbia will not be responsible for any Eligible Costs incurred after March 31, 2011, except for those Projects satisfying the conditions as per Section 3.10, where Canada and British Columbia will not be responsible for any Eligible Costs incurred after October 31, 2011 and the recipient will be required to complete the project as soon as possible.

9. Section 7.2 of the Agreement is repealed and replaced by the following:

Substantial Completion

With respect to contributions under the CC Top-Up, prior to the final payment of funds, British Columbia will require that the Recipient provide a Solemn Declaration of Substantial Completion by September 30, 2011, except for those Projects satisfying the conditions as per Section 3.10, where British Columbia will require that the Recipient provides a Solemn Declaration of Substantial Completion by January 31, 2012 or a date agreed to in writing by Canada. The Declaration of Substantial Completion will be in accordance with Schedule E and will be signed by a registered and duly licensed engineer, architect or other Registered Professional, in good standing in the Province, certifying the amount of work on a Project, overall, that is substantially completed subject however to the provision in Subsection 3.8.

10. Section 7.3 b) of the Agreement is repealed and replaced by the following:

With respect to the CC Top-Up and in the absence of a final claim by March 31, 2011, British Columbia agrees to ensure that the Recipient indicates, pursuant to section 7.2, the dollar amount of the Project work that has been substantially completed by March 31, 2011 and additionally, provides a reasonable estimate by April 30, 2011 of the remaining Eligible Costs to be submitted in the final claim(s) to Canada.

11. Section 7.4a) of the Agreement is repealed and replaced by the following:

Contribution Imbalance

With respect to the CC Top-Up, the Parties will ensure that the contribution of

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each is equal, for the period of the Project up to and including October 31, 2011. Should there be an imbalance, the Parties will agree on the amount and correct any imbalance by March 31, 2012.

12. Section 9.3 of the Agreement is repealed and replaced by the following:

Audits

- a) The Oversight Committee will require that recipient and program audits are undertaken in accordance with Schedule C – Reporting, Audit and Evaluation.
- b) In addition, any Party, at its own expense, may audit all accounts, records, and claims for reimbursement relating to this Agreement and may undertake reviews of British Columbia's administrative, financial and claim certification processes and procedures to ensure compliance with this Agreement.
- c) If British Columbia decides to undertake its own program audit which is sufficient for its purposes, then this audit may be substituted and tabled by the Communities Component Oversight Committee in the place of the program level audit, provided it meets the requirements of this Agreement.
- d) British Columbia agrees that the Auditor General of Canada may, at the Auditor General's cost, after consultation with British Columbia conduct an inquiry under the authority of Subsection 7.1 (1) of the *Auditor General Act* in relation to the use of funds. For the purposes of any such inquiry undertaken by the Auditor General, British Columbia shall, upon request and in a timely manner:
 - i. demand from the Recipient its records and those of its agents or contractors relating to this Agreement and the use of the funds and shall deliver such records to the Auditor General or anyone acting on behalf of the Auditor General; and
 - ii. provide to the Auditor General or anyone acting on behalf of the Auditor General such further information and explanations as the Auditor General, or anyone acting on behalf of the Auditor General, may request relating to any of this Agreement or the use of the funds.

By June 30, 2012, British Columbia will deliver to Canada a program audit report, pursuant to Schedule C, prepared by the Province's auditor general or another provincially licensed auditor with respect to the contributions made with funding from the CC Top-Up.

13. Section 11.15 of the Agreement is repealed and replaced by the following:

Any notice, information or document provided for under this Agreement will be effectively given if delivered or sent by letter, postage or other charges prepaid. Any notice that is delivered will have been received on delivery; and any notice mailed will be deemed to have been received eight (8) calendar days after being mailed.

Any notice to Canada must be sent to:

Assistant Deputy Minister
Program Operations Branch
Infrastructure Canada
1100-180 Kent Street
Ottawa, Ontario
K1P 5B4

Any Notice to British Columbia will be addressed to:

Assistant Deputy Minister
Infrastructure Department
Ministry of Transportation and Infrastructure
P.O. Box 9850, Stn Prov Govt
Victoria, British Columbia
V8W 9T5

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And

Assistant Deputy Minister
Local Government
Ministry of Community, Sport and Cultural Development
P.O. Box 9490 Stn Prov Govt
Victoria, British Columbia
V8W 9N7

And

Assistant Deputy Minister
Emergency Management BC
Ministry of Public Safety and Solicitor General
P.O. Box 9223 Stn Prov Govt
Victoria, British Columbia
V8W 9J1

Each Party may change the address that it has stipulated by notifying the other Party in writing of the new address.

14. Section A.1.1 h) of Schedule A is repealed and replaced by the following:

to be eligible for CC Top-Up funding, Projects must be substantially constructed or completed by March 31, 2011, except for those Projects satisfying the conditions as per Section 3.10, which must be substantially constructed or completed by October 31, 2011, subject however to the provision in subsection 3.8.

15. Section B.1 m) of Schedule B is repealed and replaced by the following:

for contributions made under the CC Top-Up, costs, as described above, that are incurred in the period up to and including March 31, 2011, subject however to the provision in Subsection 3.10.

16. Section B.2 b) of Schedule B is repealed and replaced by the following:

for contributions made under the CC Top-Up, costs incurred after March 31, 2011, subject however to the provision in Subsection 3.10, and, in all other cases, costs incurred after the Project completion date.

17. Section C.2 of Schedule C is repealed and replaced by the following:

C.2 Audits

Two types of audits will be carried out by British Columbia;

- Recipient Audits; and
- Program Audits.

Both the recipient audits and the program audits will be carried out by accredited auditors in accordance with Generally Accepted Auditing Standards (GAAS). If British Columbia decides to undertake its own program audit which is sufficient for its purposes, then this audit may be substituted in the place of the program audit, provided it meets the requirements of this Agreement as determined by Canada.

C.2.1 RECIPIENT AUDITS

C.2.1.1 OBJECTIVES

Financial and/or compliance recipient audits will be conducted for Projects funded under the CC and CC Top-Up. The key objectives of the financial recipient audits could include:

- determine whether financial information has been coded correctly and presented fairly in the Project/Recipient financial statements, in accordance with Generally Accepted Accounting Principles (GAAP), using GAAS.

The key objectives of the compliance recipient audits could include:

- test the control, financial systems and transactions of the Recipient, to determine compliance with the terms and conditions set out in the Contribution Agreement.
- determining overall compliance with the Agreement or compliance with specific clauses of the agreements between the province and the Recipient ;
- determining whether funds were expended for the purposes intended;
- ensuring that Project and financial information is complete, accurate and timely, in accordance with the terms and conditions of the Agreement;
- ensuring that information and monitoring processes and systems are sufficient for the identification, capture, validation and monitoring of the achievement of intended benefits;
- assessing the overall management and administration of the Project;
- determine whether funds were expended for the purposes intended and with due regard to economy, efficiency and effectiveness;
- provide recommendations for improvement or redress; and
- ensure that prompt and timely corrective action is taken on audit findings.

The costs of carrying out these audits, will be equally shared by the Parties, and are recognized as Eligible Costs in accordance with Schedule B – Eligible and Ineligible Costs, of this Agreement.

C.2.1.2 RECIPIENT AUDIT PLAN

Each Oversight Committee is responsible for ensuring the development of an audit plan and approving a Recipient audit plan. A risk-based assessment approach, agreed upon by the Communities Component Oversight Committee, will be used to determine the list of Recipients to be audited each year and to determine the type of audit required (i.e. financial and /or compliance) for these recipients. The Communities Component Oversight Committee will approve the list of Recipients to be audited. British Columbia will be responsible for managing and implementing the recipient audit plan, including any required corrective action. Each year, British Columbia will submit to the Communities Component Oversight Committee a sample of Recipient audit reports in accordance with the Recipient audit plan.

C.2.1.3 RECIPIENT AUDIT DELIVERABLES AND TIMELINES

The frequency of deliverables and timelines of the Recipient audits will be agreed to by the Oversight Committee and set forth in individual Contribution Agreements. All audits will be carried out by the Province's auditor general or another accredited and independent auditor in accordance with GAAS.

C.2.2 PROGRAM AUDITS

C.2.2.1 OBJECTIVES

Program audit scope will include financial/non-financial data. It will be conducted to test the control, financial systems and transactions of British Columbia, to determine compliance with the terms and conditions of the program and the Contribution Agreement. The latter is the governing document and is considered to supersede the terms of conditions of the program, if the two are in conflict. Program audit will be conducted using GAAS.

The key objectives of the program audit could include:

- determining whether funds were expended for the purposes intended;
- assessing the overall management and administration of the program;
- determining whether funds were expended for the purposes intended and with due regard to economy, efficiency and effectiveness, by examining payment approval processes, including the nature and extent of supporting documentation, accuracy of claim information and evidence of proper authorizations and such other due diligence reviews as appropriate;
- determining program compliance with the Contribution Agreement and the appropriate legislation and follow-up processes;
- ensuring the program information and monitoring processes and systems are

sufficient for the identification, capture, validation and monitoring of contributions to intended benefits; and

- ensuring that prompt and timely corrective action is taken on audit findings and/or recommendations.

The costs of carrying out these audits will be equally shared by the Parties.

C.2.2.2 PROGRAM AUDIT PLAN

The Oversight Committee is responsible for ensuring the development of a program audit plan.

Audit plans are to be developed based on a risk management approach and must specify:

- the audit deliverables and timelines;
- the audit objectives to be achieved;
- the audit methodology;
- the level of resources (financial and human) to be allocated to provide assurance in the soundness of the management accountability framework;
- a clear understanding with respect to access to working papers by Canada and British Columbia; and
- the time frames for audits and public access to audit reports.

Following a program audit, British Columbia will develop and submit a Management Response Action Plan to the Oversight Committee. The Oversight Committee will be responsible to oversee and monitor the implementation of the Management Response Action Plan by British Columbia.

In some cases, there may be a requirement for a separate environmental audit to be undertaken. Audits may be posted on relevant websites of the departments/agencies and available under *Access to Information Legislation*.

C.2.2.3 PROGRAM AUDIT DELIVERABLES AND TIMELINES

- By March 31, 2012 British Columbia will deliver to Canada a program audit report, prepared by British Columbia's auditor general or another provincially licensed auditor with respect to the contributions made under CC Top-Up. The scope of this audit may be extended to the regular CC program. Findings of this audit may guide the Oversight Committee in establishing future audit requirements.
- At a minimum, British Columbia will deliver a second program audit report at the end of the regular CC program and prior to the expiration of this Contribution Agreement.
- The program audit is to be submitted by British Columbia to the Oversight Committee in accordance with the plan. Canada will rely on the audit reports submitted at the Oversight Committee to provide a national overview of the program and/or support a National Program Audit to be conducted by Canada.

18. Schedule E is repealed and replaced by the following:

SCHEDULE E – SOLEMN DECLARATION OF SUBSTANTIAL COMPLETION

In the matter of the Agreement entered into between Her Majesty the Queen in Right of Canada, represented by the Minister of Transport, Infrastructure and Communities, and Her Majesty the Queen in Right of British Columbia, represented by the Minister of Transportation and Infrastructure, by the Minister of Community, Sport and Cultural Development and by the Minister of Public Safety and Solicitor General, on _____

I _____, do solemnly declare as follows:

2. That I am the _____ (title, organization, province), and as such have knowledge of the matters set forth in this affidavit;
3. That the work identified as Project _____ in the above-

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mentioned Agreement _____ has been substantially
completed as described in Schedule A, dated _____ on the
_____ day of _____ 20____.

4. That the work:

- a) was carried out by _____ (the prime contractor),
between _____ (start date) and
_____ (completion date);
- b) was supervised and inspected by qualified staff;
- c) conforms with the plans, specifications and other documentation for the
work; and conforms with applicable environmental legislation, and
appropriate mitigation measures have been implemented.

Declared at _____ (city), in the Province of

this _____ day of _____, 20____.

(name, title)

(Witness name, title)

19. All other terms and conditions of the Agreement remain in full force and in effect.

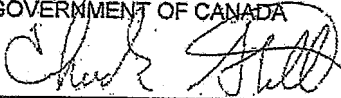
20. This Amendment No.2 may be signed in counterpart, and the signed copies will,
when attached, constitute an original Amending Agreement and form part of the
Agreement.

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This Amendment No.2 has been executed on behalf of Her Majesty the Queen in Right of Canada by the Minister of Transport, Infrastructure and Communities and on behalf of British Columbia, by the Minister of Transportation and Infrastructure, the Minister of Community, Sport, and Cultural Development, and the Minister of Public Safety and Solicitor General.

Each party hereby confirms that upon execution, this document will be fully enforceable.

GOVERNMENT OF CANADA

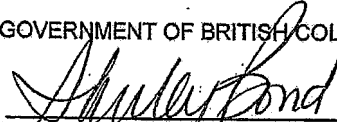


The Honourable Chuck Strahl
Minister of Transport, Infrastructure
and Communities

FEB 21 2011

Date

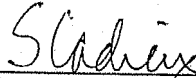
GOVERNMENT OF BRITISH COLUMBIA



The Honourable Shirley Bond
Minister of Transportation and
Infrastructure

FEB 25, 2011

Date



The Honourable Stephanie Cadieux
Minister of Community, Sport and Cultural
Development

FEB 25 / 11

Date



The Honourable Rich Coleman
Minister of Public Safety and Solicitor
General

FEB 25 / 2011

Date