

**LEGISLATIVE ASSEMBLY OF THE
NORTHWEST TERRITORIES
6TH COUNCIL, 41ST SESSION**

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TABLED ON JANUARY 22, 1970

Tabled on Jan. 22, 1970

MEETING - N.W.T. ASSOCIATION OF MUNICIPALITIES - NOVEMBER 18 - 19/69.

The Regular Meeting of the N.W.T. Association of Municipalities was held at the Townhall in Hay River on November 18th and 19th, 1969.

PRESENT: Mayor Fred Henne, Cr. W. Walton, Secretary-Treasurer Bob Olszamowski of Yellowknife; Cr. Dick Hill and Secretary-Manager Dave Prowse of Inuvik; Cr. Archie Bevington and Secretary-Treasurer Bill Tordiff of Fort Smith; Cr. Bill Warren and Secretary-Manager Donna Riddell of Pine Point; Deputy Mayor E. L. Covert, Crs. Alf Mansell and Don Stewart and Secretary-Treasurer E. H. Janzen of Hay River; Territorial Government representative Mr. Norm Macleod and Assistant Chief Municipal Inspector for the Province of Alberta Mr. W. D. Isbister.

The meeting was called to order at 10:00 a.m., Association President Dr. Covert presiding.

Voting Delegates

Dr. Covert advised that the following were the voting delegates from the various municipalities:

Yellowknife - Mayor Fred Henne and Councillor W. Walton
Inuvik - Councillor Dick Hill and Secretary-Manager D. Prowse
Fort Smith - Councillor Archie Bevington and Secretary-Treasurer Bill Tordiff
Hay River - Councillor Alf Mansell and Councillor Don Stewart
Pine Point - Councillor Bill Warren

Welcoming address

Mayor Godwin of Hay River welcomed the delegates - he said he felt sure the Association is doing a great deal of good and noted there were many items of interest on the agenda and that he was looking forward to hearing the discussions.

President's address

Dr. Covert addressed the meeting and particularly welcomed the Pine Point delegation - he said it was regrettable the Fort Simpson delegation was unable to attend. He expressed the hope that as the various communities are organized they will take an active part in the deliberations and work of the Association.

Minutes - Feb. 1969

Minutes:

Moved by Mr. Henne
 Seconded by Mr. Prowse

that the minutes of the February 28 - March 1, 1969 meeting of the Association be adopted as presented.

CARRIED.

Agenda

Agenda: - The agenda was reviewed and the following items added thereto for consideration and discussion -

1. Public Housing and Indian Housing
2. Land Acquisition by municipalities
3. Bylaw enforcement
4. Tax Structure; school tax
5. Ratepayer - definition
6. Census

The President also requested that Mayor Henne speak briefly on what becoming a city would mean to Yellowknife. As well he asked the Pine Point delegation to speak on any problems being encountered in the administration of their hamlet.

The agenda was accepted as amended.

Borrowing
power

In reply to a query from Mr. Walton, Mr. Macleod advised that it is the intention of the Department of Local Government to submit for consideration of the Territorial Council that the borrowings for public housing projects as well as those debts classed as definitely self-liquidating be not included when calculating the borrowing power of a municipality.

Address -
N. Macleod

An address was given by Mr. Macleod on 'Municipal Capital Budgeting' and copy of said address is attached hereto as Appendix "A".

Sinking
funds

A lengthy discussion ensued regarding the pros and cons of amending the Municipal Ordinance to permit municipalities to create a sinking fund and the consensus of opinion of the delegates was that it was not desirable to recommend that such an amendment be proposed. Mayor Henne agreed that it was desirable for municipalities to plan for capital expenditures for more than one year, noting that eventually some pattern would result, however he remarked that taxpayers presently are taxed to the limit and that an increase in millrates to create a reserve fund could not be justified.

Water
sheds

Water Sheds:

Mr. Walton expressed concern that no action had been taken by the Territorial Government as a result of the resolution passed at the February 28th meeting.

Moved by Mr. Walton
Seconded by Mr. Henne

that this Association reaffirm its motion of Feb. 28, 1969 concerning the protection of water sheds - and that the Territorial Government again be approached and advised of the growing concern of the municipalities regarding pollution of water sheds and urge the Government to enact legislation to establish and regulate the use of water shed zones.

CARRIED
UNANIMOUSLY

Hamlet of
Fort Simpson

Mr. Janzen read a telegram from the Hamlet of Fort Simpson expressing their disappointment at being unable to send a delegation to this meeting, and requesting that a copy of the minutes of the meeting be forwarded to them.

Plebiscites

Mr. Janzen read a letter from Mr. S. W. Hancock regarding the resolution passed by the association concerning the dispensing of a public plebiscite on money bylaws if a certain number of objections were not received within a stipulated period of time. He said he felt it would be unwise to introduce such legislation noting that it would perhaps deny the rights of the individual.

Moved by Mr. Henne
Seconded by Mr. Walton

that the Association withdraws its request for an amendment to the Municipal Ordinance regarding the holding of plebiscites.

CARRIED.

Portable
Pension
Plans

Dr. Covert reported that in talking to agents of the possibility of a portable pension plan for the municipalities there would be a considerable number of problems related to setting up such a plan. He said the Town of Hay River had proceeded to enter into a pension plan for their own municipality.

In view of Dr. Covert's remarks it was agreed to leave this matter tabled.

Ratepayer

Definition of the term 'Ratepayer' was questioned by Mr. Stewart and Mr. Macleod confirmed that the definition as stated in the Municipal Ordinance is still valid.

The meeting adjourned for lunch and reconvened at 2:00 p.m.

Recreation costs

Recreation Costs: - Yellowknife, Fort Smith and Hay River presented some figures regarding recreation costs. It was felt that no accurate comparisons could be made as some figures were net and some gross, however indications are that the municipalities are paying 6 to 8% of their total revenue for recreation, not including the capital expenses in this regard.

Mr. Prowse advised the meeting that in Alberta 15% is considered the maximum amount to be spent on recreation - this is a gross figure. When costs reach this percentage the recreational program is reviewed. The matter was further discussed and it was agreed that comparative figures, not only in recreation, but other aspects of municipal operations would prove meaningful over a period of time.

Membership Dues

Association Membership Dues - After considering a graduating scale based on population as a basis for calculating Association dues, it was agreed that a flat rate per capita would be the best basis for assessing membership dues for the current year.

Moved by Mr. Henne
Seconded by Mr. Mansell

that Association Membership Dues for the year 1969 be calculated and assessed at the rate of ten cents per capita.

CARRIED UNANIMOUSLY.

Terr. Govt. Financial Assistance

Territorial Government Financial Assistance - There was some discussion as to the advisability and necessity of requesting financial assistance from the Territorial Government. It was agreed that newly formed hamlets and organized communities should be encouraged to become members of the Association and it was recognized that assistance would possibly be required to defray some of the expenses of delegates from those communities in remote areas travelling to the Association meetings. Mr. Walton, who had not been in favor of requesting a grant from the Territorial Govt., said he could agree on the basis outlined but felt the money should not be earmarked by the Govt. but rather controlled by the Association.

Moved by Mr. Walton
Seconded by Mr. Stewart

that the Territorial Government be approached and requested to consider a grant to the N.W.T. Association of Municipalities on the basis of six cents per capita of member municipalities; population figures used for calculations to be those used by the members in establishing their dues.

CARRIED UNANIMOUSLY.

GUEST SPEAKER

Mr. Janzen introduced guest speaker Mr. W. D. (Bill) Isbister, Asst. Chief Municipal Inspector for the Province of Alberta.

Mr. Isbister noted his pleasure at being in attendance at the meeting. He spoke on "New Town Administration and Municipal Financing." A copy of his address is attached hereto as Appendix "B".

Dr. Covert thanked Mr. Isbister and invited delegates to question him on any points they wished clarified.

Public Housing Projects

Public Housing Projects:— In reply to a query from Mr. Stewart, Mr. Isbister said municipalities as a partner have a good deal of say in the planning, siting of houses, setbacks, exterior finish and general appearance of houses proposed for a public housing project.

Assessment Grant

Assessment Grant:— A lengthy discussion was held on whether it would be more equitable to base the 10 mill grant paid on total assessment on a per capita basis. Mr. Macleod said the Territorial Government is willing to consider a policy change if the municipalities make a recommendation in this regard. It was generally agreed that the current basis is not entirely fair - a municipality with a comparatively small population could have a very high assessment. Another point of concern was that the Federal Government grant-in-lieu of taxes is paid in many cases on an "accepted value" established by the Federal Govt., which is considerably less than the value established by the assessors. Other areas of taxation were briefly reviewed and it was the opinion of the delegates that these issues were important ones which warranted careful study before a decision could be reached.

Moved by Mr. Stewart
Seconded by Mr. Walton

that Mr. E. H. Janzen, Mr. Bob Olszawowski and Mr. Bill Tordiff be appointed as a Committee to study the matter of the assessment grant and the basis on which it is calculated and report to the next meeting of the Association.

CARRIED UNANIMOUSLY.

The meeting adjourned at 5:10 p.m. and reconvened at 9:10 a.m., November 19, 1969.

School Millrate

School Millrate - Section 250(b) of the Municipal Ordinance authorizes the Commissioner to set a millrate for school tax, not in excess of 20 mills on the dollar.

Dr. Covert said this item had been placed on the agenda at the request of Hay River in view of the increase in assessment as a result of the general assessment carried out this year based on the new Alberta Assessment Manual. Land is assessed at 100% and the Municipal Ordinance also states improvements shall be assessed at 100%. It was felt that the municipal millrate could be reduced to compensate to some degree for the increase in assessment, but the fixed millrate for schools would add a burden to the taxpayers. This reasoning was relayed to the Territorial Government officials and permission was granted to use a percentage factor in assessing the improvements. However although the Territorial Govt. discussed the school millrate with Federal officials the matter was not resolved.

Moved by Mr. Prowse
Seconded by Mr. Warren

that the Association attempt to acquire a speaker from 'outside' and one from the Territorial Government, both well versed in the matter of educational budgets to address the next meeting of the Association.

CARRIED UNANIMOUSLY.

Substandard Housing & Rentals

Substandard Housing and Rentals:— Mr. Stewart noted Hay River had a good deal of substandard housing and asked the other delegates how they dealt with this problem.

Mr. Henne asked if this couldn't be controlled by enforcement of the zoning bylaws and provision of public housing units. Mr. Stewart noted that Hay River has only twenty public housing units and there is a need

for possibly one hundred and twenty.

Mr. Hill said Inuvik are behind in their housing requirements but will not permit substandard housing. He said they have a frontier area which creates a problem; however Mr. Bevington said this was working out quite satisfactorily in Fort Smith. There was considerable discussion on this problem and Mr. Isbister was asked to comment. He said a Housing Corporation had been set up in Alberta; this Corporation makes home improvement loans repayable over a period of time. He said Alberta is in public housing to some extent but tries to stay away from it as much as possible. The Housing Corporation is currently experimenting with a mobile home - not on wheels, 16' x 40' - completely furnished units placed on suitable foundations and costing approximately \$7,500. He said he felt this was a good solution to the problem.

It was noted there would be no more Indian Housing as such for Northern communities; the Territorial Government have advised that these people must be housed under public housing projects. Delegates expressed concern that the rent structure for public housing would be out of reach of the low income bracket. Dr. Covert mentioned the health problems which arise from substandard housing and the difficulty of educating children with poor attendance at school directly attributable to their living conditions.

The delegates were all agreed that the Territorial Government should establish a Housing Authority. It was noted that public housing projects and government staff housing costs are much in excess of private housing.

Moved by Mr. Walton
Seconded by Mr. Henne

Housing
Authority

Whereas the housing problem as it relates to the indigenous and lower income people of the North is of immediate concern, and

Whereas, there appears to be no known solution to providing reasonable housing for these people, and

Whereas the Housing Authority as is known and under the control of C.M.H.C. sets standards beyond the reach or capability of this problem,

Therefore be it resolved that the Territorial Government in conjunction with the Association of Municipalities of the N.W.T. immediately establish a Housing Authority and Corporation for the prime purpose of setting minimum standards, financing, and construction of housing for those people who require same. And be it further resolved that the Territorial Government will provide land and services on which to build such housing in conjunction with the Councils of organized municipalities where they exist, as well as any other community that may be under the authority of the Territorial Government.

CARRIED UNANIMOUSLY.

Land
Acquisition

Land Acquisition:- The matter of land acquisition by municipalities was discussed at considerable length. The delegates noted the lengthy and costly process required to be followed in attempting to acquire property from the senior governments.

Mr. Isbister was asked to outline the policy in Alberta - he said there is absolutely no problem. The municipalities make application for an area of land and need submit no plans of development whatsoever. The land is sold at a nominal cost to the municipalities. He said the government maintains a sizeable area surrounding some of the developed communities in order to ensure adequate protection.

The delegates all agreed that the municipalities should be allowed to purchase parcels of land without the expense of presenting any plans, or the necessity of proving a need.

Moved by Mr. Walton
Seconded by Mr. Henne

Land
Acquisition

that this Association requests that those lands within municipal boundaries be made available to the municipalities on a first refusal basis and further be it resolved that the requirement of the municipalities to demonstrate a need and to submit a development plan before transfer can be effected, be abolished.

CARRIED UNANIMOUSLY.

Bylaw
enforcement

Bylaw Enforcement: - Difficulties encountered in the enforcement of bylaws was discussed. Mr. Henne cited some of the problems being experienced by Yellowknife's Bylaw Enforcement Officer. He felt the Municipal Ordinance did not make adequate provision for such an officer to be empowered to exercise his duties in a satisfactory manner.

Moved by Mr. Mansell
Seconded by Mr. Henne

that this Association urge the Territorial Government to establish a Territorial Police Ordinance which will provide authority for a municipality to appoint Peace Officers for the enforcement of bylaws and which will provide authority for the Commissioner or the appropriate person to appoint Peace Officers in and for the Northwest Territories.

CARRIED UNANIMOUSLY.

Tax Structure

Tax Structure: - The inequality of assessments between the various municipalities was discussed. With the Alberta Assessment Manual being the basis of assessment for the N.W.T. it was felt there should be consistency, whereas now a house which might be assessed at say \$20,000 in Hay River for instance, would be assessed much higher in Inuvik. Mr. Macleod confirmed there were wide variances in assessed values. He said some people measure rate of taxation strictly by mill-rate and that to do so is a lack of complete understanding of assessments. He said to attain equalization of assessment is a complex and lengthy task requiring introduction of local factors and this is usually done by economists.

Mr. Stewart remarked that with the present tax structure the municipalities are defeating what they are attempting to encourage - there is no relief for the homeowners in the Territories he said.

Mr. Isbister said that in Alberta land values vary, but the same assessment on improvements certainly prevails. He stressed the importance of equity - he said the method of rolling back the assessment on single residential was a better method of giving a measure of relief to the taxpayers than was the home owner's grant.

Many more of the problem areas all directly related to assessments and taxation were reviewed and it was agreed that considerable study should be given to the entire tax structure.

Moved by Mr. Stewart
Seconded by Mr. Prowse

that the Committee of three set up to study the matter of assessment grants, also study the effects of the fixed school millrate in relation to increased assessed values, and report to the next meeting of the Association.

CARRIED UNANIMOUSLY.

Territorial
Roads

Territorial Roads:

Moved by Mr. Stewart
Seconded by Mr. Prowse

that the Territorial Government be requested to pave all the roads that are presently the prime responsibility of the Territorial Government within the municipalities.

CARRIED UNANIMOUSLY.

Section
146 (2)

Copy of letter dated November 4, 1969 from Mr. S. W. Hancock to Mr. Brian Purdy advising that if the municipalities are in favour of an amendment to Section 146 (2) of the Municipal Ordinance the Department of Local Govt. would support it, was read. The subject was discussed and it was agreed that forty-eight hours was not sufficient time to submit a claim for damages arising from failure to repair a highway.

Moved by Mr. Stewart
Seconded by Mr. Walten

that the Territorial Government be requested to amend Section 146(2) of the Municipal Ordinance to extend the period for registration of complaints from forty-eight hours to seven days.

CARRIED UNANIMOUSLY.

Census:

Census:- Mr. Mansell noted that Hay River wished to conduct a census. Yellowknife agreed to send the questionnaire they use for this purpose and Mr. Macleod has also agreed to obtain the form used in Ontario and distribute same to the municipalities.

Hamlet of
Pine Point

Pine Point - Mrs. Riddell briefly reviewed some of the problems being encountered by the Hamlet Council at Pine Point -

Drafting of Bylaws,
Recording of Minutes,
Procedures of Meetings.

All municipalities agreed they would cooperate in any way possible to assist the newly organized communities. Copies of bylaws will be made available on request.

The delegates agreed that the minutes of council meetings need only record the resolutions and in some cases a brief preamble and the main points of a discussion.

Chairman
leaves

Dr. Covert excused himself from the balance of the meeting noting that he was leaving for Yellowknife by R.C.M.P. plane - he asked Mr. Mansell to take the chair for the remainder of the meeting.

Continuity
of office -
Mayor

Mr. Henne noted that the Municipal Ordinance does not provide for continuity of Mayor, Reeve or Chairman as the case may be. The term of office expires on December 31st and the newly elected official does not officially take office until the first meeting in the New Year. Mr. Macleod agreed this made an awkward situation for the municipalities.

Moved by Mr. Henne
Seconded by Mr. Stewart

that the Municipal Ordinance be amended to give the Mayor, Reeve or Chairman as the case may be, authority to assume administrative duties as of the first of any year for which he is elected and that he would then subsequently be sworn in at no later than the first regular meeting.

CARRIED UNANIMOUSLY.

Aldermen

Moved by Mr. Henne
Seconded by Mr. Stewart

that the Municipal Ordinance be amended to provide that when a municipality becomes a city the Councillors be referred to as Aldermen.

CARRIED UNANIMOUSLY.

Traffic control

Moved by Mr. Walton
Seconded by Mr. Henne

that the Association request that the Municipal Ordinance be amended to grant the authority to municipalities to install parking meters and traffic control devices and that the governing bylaw make provision for penalties for violations.

CARRIED UNANIMOUSLY.

Rates of remuneration

Moved by Mr. Henne
Seconded by Mr. Prowse

that the Municipal Ordinance be amended to allow Councils to establish their own rate of remuneration.

CARRIED UNANIMOUSLY.

Interest rate

Moved by Mr. Henne
Seconded by Mr. Stewart

that Section 168(c) of the Municipal Ordinance re six (6%) per cent interest be amended to allow municipalities to charge interest equal to the rate of interest charged on the debenture loan for that particular project.

CARRIED UNANIMOUSLY.

Use of D.D.T.

The Yellowknife delegates recommended that the Association support a motion requesting that D.D.T. be banned in the N.W.T. Mr. Walton advised that Yellowknife have passed a bylaw prohibiting the use of D.D.T. in the Town.

Moved by Mr. Henne
Seconded by Mr. Walton

that the Association recommend to the Territorial Government that the use of D.D.T. be completely banned in the N.W.T. for all but medicinal purposes.

CARRIED UNANIMOUSLY.

Court of Revision

Mr. Henne pointed out that the section of the Municipal Ordinance regarding Court of Revision was amended in June, 1969 and that there is no time specified for holding of the Court of Revision. He also noted that Section 204(c) reads that Council will sit as a Court of Revision, etc. and that Section 207 provides that Council shall establish a Court of Revision.

Moved by Mr. Henne
Seconded by Mr. Stewart

that the Territorial Government be asked to check and revise the Sections of the Ordinance pertaining to Courts of Revision, and specify the time the Court shall sit.

CARRIED UNANIMOUSLY.

Radar units

Radar Speed Control - Mr. Bevington introduced the matter of radar speed units in use by the R.C.M.P. It was noted there is only one such unit in the Territories which is used intermittently in the various communities. Mr. Henne advised that Yellowknife was purchasing a radar unit and Mr. Janzen said that Sgt. Warner had recommended that Hay River do likewise.

Skidoos

Skidoos - The need for legislation governing the operation of skidoos was discussed.

Moved by Mr. Bevington
Seconded by Mr. Stewart

that the Territorial Government be requested to set up within the Municipal Ordinance the necessary machinery for municipalities to regulate vehicles normally referred to as skidoos, within the municipalities.

CARRIED UNANIMOUSLY.

Elections

Candidates For Election - The matter of the eligibility of a person serving on Council and whose term of office does not expire for a further year, to be nominated for another office, was discussed. A legal interpretation had ruled that under the provisions of the Municipal Ordinance it was not necessary for a person to resign his seat on Council in order to run for office in an election. It was agreed that an amendment should be requested, providing that such a person must resign his seat prior to Nomination Day and that the vacancy be filled by election.

Moved by Mr. Stewart
Seconded by Mr. Henne

that the Municipal Ordinance be amended to provide that a person whose term has not expired, but wishes to run for another office, be required to resign prior to Nomination Day in order that the vacancy may be filled by election.

CARRIED UNANIMOUSLY.

Tenure of office

Tenure of Office - Mayor and Councillors: - The advisability of requesting legislation to be enacted to provide for the term of office of all members of Council to expire at the same time was discussed. Mr. Isbister said the Alberta Act was being revised to allow for the election of a full Council who would serve for a three year period. He felt a three year term would give any Council a better opportunity to function as a unit.

Tabled

It was agreed that the subject of Tenure of Office for Council Members be tabled until the next meeting.

Next Meeting

Place and Date of Next Meeting:

Moved by Mr. Walton
Seconded by Mr. Prowse

that the next meeting of the N.W.T. Association of Municipalities be held in Yellowknife in mid-April, 1970 - the exact dates to be determined later.

CARRIED
Messrs. Bevington and
Tordiff abstained.

City
Status

Yellowknife - City Status: Mr. Henne said that initially 'city' status for Yellowknife would only mean a more dignified name. As the capital of the N.W.T. he felt it was fitting that Yellowknife be designated as a city. As such there would be no more powers vested in Council than they presently have as a Town. He said it would be necessary to work out what they will require and request legislation to be enacted accordingly. Mr. Henne said he devotes approximately 40% of his time to Town affairs and that the Councillors likewise spend a goodly amount of time on Town matters. This, he said, is one reason Yellowknife requested the amendment to allow Councils to establish their own remuneration. With population growth, he said, the demands are becoming greater, and Council feels they are presently carrying out the function of a city.

Inuvik
delegates
leave

The Inuvik delegation expressed regret that they must leave at this time to return home.

Computer

Use of Computer - Mr. Bob Olszamowski addressed the meeting on the use of computers. Yellowknife, he said, uses the computer for assessment, taxation and general accounting. Good programming is the key to the success of the computer system - once programmed a good deal of time is saved and a greater degree of accuracy is achieved. The system is expensive in the initial stages, but the cost is justified where the volume of work is heavy. Mr. Olszamowski agreed to prepare copies of his address for circulation to the municipalities.

Mr. Mansell thanked Mr. Olszamowski for his interesting and informative talk.

Community
Programs

Mr. Bevington remarked that the government had dispensed with the winter works program and had not substituted it with any like program. He requested the Associations support in asking that Community Development Programs similar to the winter works programs be implemented.

Moved by Mr. Bevington
Seconded by Mr. Walton

that the Territorial Government be requested to consider the implementation of programs for Northern Communities similar to the winter works program.

CARRIED UNANIMOUSLY.

Press
coverage

Press Coverage - Mr. Walton recommended that with the next meeting scheduled to be held in Yellowknife and in view of the fact the press would be encouraged to cover the meetings, the executive request each municipality to prepare in advance proposed resolutions, etc. Mr. Janzen advised that both local newspapers had been invited to attend his meeting.

Moved by Mr. Walton
Seconded by Mr. Stewart

that all news media be invited to send a representative to the next meeting of the Association.

CARRIED UNANIMOUSLY.

Mr. Mansell, on behalf of the Association, thanked Mr. Isbister and Mr. Macleod for attending the meeting and for their informative and interesting addresses.

Moved by Mr. Henne

that the meeting adjourn. Time 4:45p.m.

Earle R. Covert

President

W. J. Janzen

Secretary

MUNICIPAL CAPITAL BUDGETING

Section 230 (1)(a) of the Municipal Ordinance states that in the preparation of the annual estimates every municipality shall include "the sum or sums necessary to meet debenture instalments and interest payments falling due during the year."

The debt charges which fall due to any one year are the product of obligations taken on by the councils of former years together with any charges applicable to the current years' borrowings. The total may include commitments that will date back five, ten, fifteen or even as much as twenty years.

Current debt charges are often described as "uncontrollable expenditures". Such a description is not strictly accurate. When debt charges come due, there is no alternative, but to pay them. The point in time when they are controllable is when the decision is taken to go into debt in the first place. How much control there is of debt charges depends upon the extent of foresight exercised in incurring each new borrowing obligation. This, of course, applies to borrowing calling for repayment of all or part of the debt in a succeeding fiscal year or years.

The importance of recognizing beforehand the effect of proposed borrowing upon current financing in future years cannot be emphasized too strongly.

What Should be Included in Capital Budgeting

The basic purpose of capital budgeting is to bring together all proposals to spend money on capital assets in order to ensure that proper priorities are established in obtaining what the municipality needs or wants and that all expenditures may be kept within its financial capacity.

One approach would be to list everything which it is suggested might be spent and paid for by borrowing beyond the current year. This type of listing frequently reveals expenditures which are really non-capital in nature.

Another approach would be to consider all assets of lasting value which a municipality proposed to build or buy. Within the limits of the Ordinances and prudent practice, such assets could properly be capitalized and financed through long-term borrowing. In actual practice many municipalities pay for at least a part of such assets without resorting to borrowing beyond the current year. These expenditures should nevertheless form part of the capital budget story. A municipality which is able to pay cash for some of its capital assets creates more elbow room for itself to obtain other capital assets through borrowing.

Restrictions on Capital Borrowing

Any extensive discussion of the restrictions on capital borrowing which apply to municipalities in the Northwest Territories lies beyond the scope of this address. It is sufficient at this time to give a brief reminder of the present general position.

In general, a council may borrow money for the purposes of the corporation and may issue debentures therefore. The Municipal Ordinance Sections 173-181 provide the procedure for enacting capital borrowing by way of debenture. Approval of all borrowings, the repayment of which is to be made beyond the current year, must be given by the Commissioner. Similarly all borrowings must be approved by a majority of the ratepayers voting thereon at a public plebiscite. In the case of local improvements which are assessed to certain property owners and the municipality in general bears no part of the cost, the vote is confined solely to those ratepayers whose properties are affected.

No Council of a town may contract debts in excess of 20 per cent of its' total taxable assessment and no council of a village may contract debts in excess of 10 per cent of its' total taxable assessment.

The length of time over which money may be borrowed is also controlled by Ordinance.

As mentioned previously it is not intended to deliberate on these restrictions at this time, but merely to remind everyone that they are in effect and must be observed.

The Choice Between Paying Now or Later

To the members of a municipal council who are faced with strong public pressures to hold the current tax rate down it may seem only reasonable to finance all undertakings of a capital nature through borrowing in order to spread the cost over as many years as possible. If a municipality plans to build a new town hall for instance which is expected to last for many years it would appear fair to distribute the expense throughout those years up to the maximum term permitted by Ordinance.

These are in reality a number of serious objections to this approach, especially where it is pushed to extreme limits.

In the first place, the cost in total is rendered much greater by financing through borrowing especially in a period of high interest rates. In order to pay for a capital asset through a long term debenture calling for equal debt charges combining required interest and principal installments a municipality has to lay out, in the long run, more than double the amount of taxation which would be required to meet the entire cost in the beginning.

A most important concern is that each decision to finance through borrowing creates a built-in tax commitment in future years. If the policy is repeated each time a capital expenditure is contemplated, the long run effect can be to add greatly to the cost of local government and to reduce flexibility of local government in spending its money.

Most of the taxpayers of this year expect to be taxpayers next year and for many years to come. If they themselves are not taxpayers twenty years hence, their children may be. In addition, business taxpayers in the municipality certainly expect to continue in business and if the situation is properly explained to them they surely do not want to be party to a steadily increasing burden of fixed debt charges. Also when an undertaking is financed entirely through debenture borrowing, present taxpayers may reap some benefit before being asked to pay anything because the first principal and interest charges in repayment may not fall due until perhaps one year after the money is spent.

Municipalities are heavily dependent upon a form of taxation which provides a far from buoyant or flexible revenue source. They are not permitted to engage in deficit financing on current account and must therefore meet each year's financial commitments as they come, including the scheduled debt charges. The more financing which is carried out by long term borrowing, the greater are the potential difficulties facing municipalities in periods of recession.

Capital Assets Can Create Operating Costs

In considering each proposed capital expenditure care should be exercised to take stock of the effect which it will have on operating expenditures. It is one thing to recognize how much it will cost to build a new arena, for example, and to determine how the capital cost is to be met through borrowing, pay-as-you-go financing or some combination of the two, together with the available Territorial grant assistance. A second and equally important responsibility is to calculate the changes in operating and maintenance costs which will result from year to year.

Frequently it is found that new expenditures on plant, equipment or other facilities are designed to support some improvement or extension in a service the effect of which will be to add to the annual operating outlay. In such cases consideration should be given to paying as much as possible on a pay-as-you-go basis.

Pay-as-You-Go Financing of Capital Undertakings

Few, if any, municipalities could afford to shift completely from their existing practice of financing through long-term borrowings to complete pay-as-you-go financing of all new capital undertakings. During the years when the outstanding debt was being paid off, the taxpayers would be meeting the full cost of each new capital project and carrying a large, but gradually decreasing burden of debt charges which were contracted in earlier years. In the first few years, the load would be altogether too heavy.

But some municipalities could, if they wished, finance a gradually increased proportion of their capital requirements on a pay-as-you-go basis until debenture borrowing was reduced from its present levels, or eliminated altogether.

These are a variety of ways in which partial pay-as-you-go financing can be instituted. The most likely methods which can be employed separately or in combination would include the following:

1. Capital assets with a short life could be excluded from the municipality's capital borrowing program. For instance, all motor vehicles including fire trucks, dump trucks, garbage trucks, etc., might be paid for from current funds.
2. A council could establish a policy whereby any windfall surpluses accruing at the year end would be spent in the succeeding year to pay for capital items out of current funds. The amount of the surplus would be so designated in the next years' estimates and approved in the customary manner.
3. The practice could be adopted of setting up a round sum in the annual estimates each year to be spent on capital items out of current funds.
4. A municipality might plan to proceed with a particular capital project over a period of three years and to appropriate one-third of the cost each year from the current budget. Projects financed in this way do, to a degree, bind a future council and as such could be cancelled out at any time, but the merit of the proposal is usually carefully considered by the incumbent council in order that the municipality's objectives may be achieved in the most economical manner.

A variation of this scheme might be to purchase the land for a required building out of current funds and then to debenture the cost of constructing the building.

Some municipalities make a practice of introducing a special capital levy as part of each annual mill rate in an effort to reduce capital borrowing.

5. Except in such instances as provided in Section 178 (1)(b) of the Municipal Ordinance it is not permissible for a municipality to create a sinking fund, but a minor amendment to the Ordinance could be instituted to permit same. Instead of borrowing money for a capital project and thereby greatly increasing the total cost to the taxpayers, funds could be set aside for a specific purpose in a reserve fund where interest is earned and the amount raised from taxation is thereby less by the amount which is eventually accumulated in the fund for the particular capital purpose.

Perhaps, with approval, the sums set up in the reserve fund need not be held there until used for particular designated purposes. The revenue produced by the inclusion in the estimates of such reserves could be utilized to offset late payment of taxes, or reduce temporary borrowings, etc. From time to time, the maintenance of such reserves through annual allocations in the estimates may enable certain capital expenditures to be undertaken without debenturing and without depleting the reserves too seriously.

6. Once having decided to debenture the cost of a capital project, the equivalent to partial pay-as-you-go financing can be achieved by shortening the term of the debt below the maximum number of years allowed by the Ordinance and which are reasonable in relation to the life of the asset. Some municipalities make a regular practice of keeping to short term debentures for all but the most long-lasting and expensive capital works.

It is financial folly to commit present and future taxpayers to paying off a debenture debt on an asset which will depreciate quicker than the debt. An extreme example would be to debenture the cost of a truck over a period of 15 or 20 years.

7. Section 179 of the Municipal Ordinance provides that, with the approval of the Commissioner, a municipality may redeem all or any of its' debentures. The use of funds from a sinking fund or reserve for this purpose could provide substantial financial savings for a municipality especially if the municipality elected to reduce those debentures carrying the highest rate of interest.

The Municipal Ordinance would appear to encourage the creation of sinking or reserve funds as Section 179 (2) states that if a municipality does redeem debentures prior to maturity this does not affect the validity of any by-law which imposed the original levy and the council may continue to levy and collect the taxes in respect thereof.

Secretary-Treasurer' Advice to Council

Under our system of local government, members of councils and school boards are elected to office for relatively short periods of time. It is not surprising therefore that they should be inclined to adopt a short-term outlook on financial matters and especially so when deciding upon the financing of capital undertakings. At the same time the Secretary-Treasurers have a technical knowledge of the law and practices of municipal financing which it is their duty to impart to elected representatives in order to assist the latter in reaching informed decisions.

The appointed official usually expects to serve municipal government for a long time. It is quite natural that he should lean to the long view on capital financing and that he should wish to impart such an attitude to successive councils and members of local boards. This is quite proper. If local governments are to maintain themselves in a sound position, a cautious and prudent outlook must be fostered from somewhere and the permanent official is the appropriate source. What is suggested is that these officials should familiarize themselves with all the alternative ways of reducing the heavy pressure in favour of long-term borrowing. The several alternatives each have their preferences for particular situations. The redemption feature, for example, depends upon current interest rates. The astute treasurer should match up these possibilities with the actual capital undertakings that are being proposed in order to be ready to offer constructive suggestions and to advance the arguments that exist in their favour.

The Capital Budget

No single municipality is in a position to move immediately to 100 per cent pay-as-you-go financing and it is debatable whether it would be desirable for certain municipalities to attempt such a plan. Debenture borrowing will likely remain as the usual method of paying for public works which are authorized as local improvements.

A capital budget is designed to bring together in one place all the important information and opinions as to the repayment of existing capital obligations and the best method of financing authorized and contemplated obligations. The accepted view is that it should include as complete a forecast as possible for a period of five or more years. It would not be unreasonable to aim at a ten year detailed forecast. In addition, the capital budget should include a statement of future actual debt charge commitments covering the full number of years over which such commitments extend.

A proper capital budget should combine with the basic data a clear and logical explanation of the figures in narrative form and simple charts or graphs to enliven and illuminate the story further.

The first objective is to assemble all the elements which belong in the capital budget. The following points are important:

1. A descriptive listing of all existing borrowing setting out the term of the indebtedness and the purpose or combined purposes for which each debenture obligation was incurred.
2. As complete a listing as possible of all significant capital undertakings which might conceivably be financed through borrowing, including a description of the works in question, an estimate of their cost and a statement as to the method or methods by which it is proposed to pay for them.
3. A brief statement of the need or desirability of all proposed capital undertakings together with an explanation of the anticipated effect of the new facilities upon the operating budget.
4. The cataloging of other capital projects which will have to be contemplated at some future time together with an approximate idea of their overall cost.

The next step should be to subject the information to some analysis. First, the capital expenditures could be divided between those which are to be met from taxation, those which are to be paid as the owners' share under local improvements and those which are to be repaid from the income of revenue-earning enterprises, if any.

The second breakdown would be to separate out capital projects where the work is approved and in progress from other projects which have been approved without the work as yet being commenced and still others requiring final approval before commencement.

The next step might be to determine graphically, year by year, the level of existing debt charges both in total and proportional between dead weight debt and debt to be repaid from the income of revenue-earning enterprises. Three charts could be produced, one showing dead weight debt, another, debt to be serviced from revenue-earning enterprises and the third presenting the combined debt total. Next, for each of these charts a line could be plotted to show the maximum safe limit of debt charges throughout the whole period based upon a conservative estimate of the municipality's growth in taxable assessment and the present and predicted volume of business of its utilities and other revenue-earning enterprises. A distinction should be made between debt which it is confidently expected can be repaid from earnings of utilities and similar enterprises and debt which must be met through taxation and local improvement levies or area charges.

With this information plotted it should be possible to advise the council upon the amount and terms of future debenturing which can be undertaken consistent with the triple objective of 1) maintaining total debt charges at a fairly constant or reducing level from year to year, 2) keeping the total at all times within a safe limit and 3) leaving adequate elbow room for the new borrowing requirements of future years.

Working with the council, the treasurer can then develop for each new issue a proposal under which the money can be borrowed in a way which is most in line with the policy on long-term borrowing. Going further, tentative plans can be drawn which will best express the desired priorities for all anticipated future borrowing which is being tentatively scheduled.

Running Forecast

When a five or ten year capital budget is prepared for the first time it is not likely to be a very exact forecast. Some obvious capital requirements will probably have been overlooked. The priorities assigned to the various projects will prove to be out of line in some respects. Estimated interest rates may have changed. The information available on certain contemplated projects will be meagre to say the least. Nevertheless such a capital budget can become the framework for all local government planning in its broadest sense and it can help greatly to direct thinking along rational lines.

A new capital budget should be prepared each year in conjunction with the annual estimates. As part of the process of financial planning, the old budget should be thoroughly studied and carefully revised. In 1970, the capital budget could cover the period from 1970 to 1980. The following year the 1970 information will of course be dropped out and the forecast will run to 1981. Such a running forecast can serve to chart the municipality's course continuously for ten years ahead. The estimates it contains will eventually become fairly precise for the immediate future and only gradually less so for succeeding years. With conscientious effort, it should become possible in time to set the trend throughout the whole ten year span.

A capital budget is not of much use if it serves merely to record what is happening today and what is being discussed for tomorrow. Inevitably, however, a well-developed and clearly presented capital budget becomes in itself a forceful instrument of social policy. It shows not only the council, but also the citizens at large what is being accomplished through borrowing today and what it is hoped to achieve by further judicious borrowing in the future. In addition, it enables the council to schedule new borrowing activities realistically in the light of existing commitments and it helps them to enlist broad public support for such a course of action. When the burden is properly levelled out, a given amount of debt will prove less onerous for the taxpayers. When the selection of new projects is carefully considered and planned ahead, the taxpayers get more for their money.

The capital budget is not intended to make the decisions of one council binding upon succeeding councils. It should, however, ensure that each council in office gives at least some consideration to the question of capital requirements for a stated future period, including the development of realistic priorities, and it can form a safe base for municipal planning in all its broad aspects.

ADDRESS BY MR. W. D. (Bill) ISBISTER

Association of Municipalities Meeting - November 18 and 19, 1969

Municipal Capital Financing

In Alberta prior to the 2nd war only the cities and a few of the larger towns had water and sewer systems. Most towns and villages had electric power although some of those were local units subject to frequent breakdown and consequent blackouts. Telephone service was present in most of the larger towns but was not the modern dependable service we know today being in many cases a party-line-turn-the-crank kind which gave you a chance to find out how your neighbor was doing but did not provide the ultimate in quick and dependable communication. Up to 1947 when the Leduc oil discovery ushered Alberta into a new era, municipal capital improvements were financed by conventional debenture borrowings made on the open market by cities and towns large enough to attract private capital.

When the growth of the urban centres started to accelerate, stimulated in some cases by the new oil industry, but in general because of the booming post-war economy, the Government established capital funds from which debentures of municipalities were purchased. In 1950 the Self-Liquidating Projects Act was passed which authorized the setting up of a municipal loan fund. This fund was subsequently increased from time to time, til it was finalized out at a total of \$22,000,000. It is interesting to note that the interest rate on debentures purchased by the Government through this fund was 2 per cent. It almost makes one wish for the good old days. To qualify for a loan from Self-Liquidating Projects Act a capital project had to be revenue producing or in other words self-liquidating. Water and sewer systems were the main projects financed from this fund although sidewalks and other projects financed on a "user" or local improvement basis also qualified.

In 1953 a new fund was established, this time under an Act called the Municipal Capital Expenditure Loans Act. Again very favorable interest rates characterized the fund with 3½ per cent being the authorized rate. This fund provided \$125,000,000 for a wide variety of municipal projects.

In 1956 the Government established a lending corporation -- called the Alberta Municipal Financing Corporation. To date the Corporation has provided \$731,517,000 in loans to Municipalities, School and Hospitals at virtually the same interest rates that the Corporation has to pay to borrow the money. Currently the lending rate of the Corporation is 8 per cent.

It is likely that the Corporation will be providing a further substantial sum perhaps in the order of \$100,000,000 in 1970 and because of its strong borrowing position, should be able to secure and lend this money at very favourable rates for this day and age.

New Towns

Going back to the period of the Leduc oil discovery, we had the beginnings of what was to be a period during which "natural resource towns" began to appear. As a direct result of the Leduc oil field, the town of Devon developed. This town was basically built by an oil company although the businesses in the town were built and operated by individuals. The City of Edmonton which was strategically located within easy driving distance of the field developed dramatically with a heavy emphasis on oil based industry.

In 1953, the now famous Pembina field was discovered. This field was to bring the Provinces first formal participation in the development of new towns, a development it is still in today.

Drayton Valley Townsite Act

Our first experience - specifically related to Drayton Valley was accomplished by the passage of a special Act of the Legislature called "The Drayton Valley Townsite Act". This Act was passed in 1954 and gave the Minister of Municipal Affairs among other things the authority to require developers of residential subdivision to sell lots at a fixed price. It also allowed him to require pre-payment of utility costs by prospective home builders. Administration of the townsite was directly under the Department of Municipal Affairs with a "Development Officer" located in the

townsite. Development in a large area around the town was controlled by the Province. Planning of the townsite was done by the Planning Branch of the Department and enforcement of zoning and building regulations was the task of the development officer. This arm's length type of municipal government in a booming town was not particularly satisfactory.

New Towns Act

In 1956 the Province enacted the "New Towns Act" and Drayton Valley at that time still in the throes of rapid growth was officially made the first New Town. A one-man Board of Administrators was appointed who directed the new town's affairs for the next two years, setting up during that period, administrative, public works and utility staffs, a volunteer fire department and police department. During that period municipal equipment for public works, utilities and fire departments was purchased. As well, additional water supply and sewage treatment facilities were provided. Financing of the larger capital expenditures was done from debentures purchased by the Province and from utility profits. Concurrently with the development of Drayton Valley two small "new town" oil communities were started, one with private capital - but these on a much smaller scale and with a different purpose in mind. These were to be shorter term and not designed as continuing service centres such as Drayton was to be.

Following the oil field towns of 1953 to 1956, the new Town of Hinton came into being. Hinton unlike the previous new towns which were oil-oriented, was related to a large pulp mill development. A change in the makeup of the Board of Administrators to involve local citizens saw a board consisting of six local residents and one government representative. The planning of the town was done by government planners and financing of Hinton was accomplished through government loans. Much of the utility installation in Hinton was accomplished with private capital, controlled however by development agreements made between the developer and the new town. Again the government had control of development in the surrounding area.

After Hinton, new town status was extended to St. Albert which was not a town that faced rapid growth because of natural resource development and was certainly not new - in fact it was one of Alberta's oldest towns, but boomed because it was close to Edmonton and had and still has a desirable residential environment. Granting of new town status to St. Albert enabled it to finance large scale projects of water supply and urban development not possible under conventional municipal financing conditions. In addition to those new towns I have mentioned - that is Drayton Valley, Hinton, and St. Albert and the shorter term new towns of Lodgepole and Cynthia - New Towns have been established at Swan Hills - oil development, Whitecourt - oil, gas and forestry, Ft. McMurray - oil sands development, High Level - transportation, farm service and oil development, Rainbow Lake - oil development and Grande Cache - coal mining.

We believe our approach to new towns has worked quite well. I believe we have to examine any future new towns that are very isolated and perhaps relatively short term say ten to twenty years, with a view to reducing the public investment necessary to provide utilities and other amenities on a conventional basis. Perhaps a different system of utility servicing on an individual basis to get away from very expensive deep trenching operations may be partly the answer. Removable housing also seems a practical approach, particularly since good quality and comfortable units that can be moved are available.

Industrial Improvement Districts

We have established in Alberta what we call "Industrial Improvement Districts". Improvement districts are municipal units located in the more remote and thinly settled parts of the province. They are governed directly by the Department of Municipal Affairs with participation by other Departments of the Government. An Industrial Improvement District is an improvement district in which industrial development such as oil production, coal mining or other major natural resource development is taking place. Under our legislation the Minister of Municipal Affairs can designate an Improvement District in which such an industrial development is taking place as an Industrial Improvement District. He may transfer to new towns, regular towns and villages that are providing municipal and school services to persons working in the industry, taxes raised by the taxation of industries in the Improvement District. We believe this to be a fair and equitable approach to the question of the sharing of industrial tax revenues between the site municipality and those towns that are providing services to industrial employees.

Some Conclusions

In the last 15 years we have seen 12 new towns organizations undertaken for the purposes mentioned earlier but certainly mainly because of resource development. From our experience there are several dominant policies that we suggest should govern the decisions made in new town development. Some of these are outlined below:

- (1) Immediately impose control of development on the area wherein the industrial development is to take place. This action can be taken with relatively little red tape and its effect can be greatly enhanced if the Province, Territory or State is the owner of at least the surface of the land. Any development that is proposed other than the actual resource development itself, i.e., the drilling of oil wells, etc., then is subject to being done only by means of a permit to which conditions of performance, time limits and other requirements may be imposed. This gives the administration some real control over shack towns, strip development and other undesirable development.
- (2) Bearing in mind geographic necessities, the selection of an actual townsite is of paramount importance. Initial surveys by air are useful to make tentative locations but detailed on-the-ground studies should be most thorough to determine the suitability of the townsite, taking into consideration water supply, drainage, soil suitability, access, etc.
- (3) Encourage private enterprise to develop facilities but do so with safe-guards. Discourage if possible the "company town" approach and try to encourage private business interests and future residents of the town into becoming individual owners. We have tried the idea of having one company develop an integrated retail shopping centre with the expectation that a better quality and better looking commercial core of a new town would be the result. While this is good theory we have had some practical problems with it and we would suggest that this approach be taken only if the administration is satisfied that the proposed developer is competent and well financed. Our problem has been that after having obtained a virtual monopoly on retail space, the developer may attempt to water down his commitment, and/or to impose conditions on prospective tenants that are unacceptable. The result can be that the development does not measure up to original plans and expectations or that prospective merchants complain that the developers rental rates or lease terms are so harsh as to be impossible and so on. It is suggested that if any overall shopping centre concept is used, then certainly very definite conditions be embodied in an agreement with the developer that can be enforced by legal action or monetary penalties or both, if indeed such drastic steps eventually become necessary in order to make the developer perform. It is also suggested there also be provision to accommodate the retail business man who is ready and prefers to build his own premises to the standards set by the administration.

Residential subdivisions can in our experience be very well done by private enterprise, however again we suggest comprehensive development agreements that include land pricing, to ensure that satisfactory residential development occurs at a price that is reasonable and fair, without ignoring the important fact that a profit to the developer is necessary.

Developers Agreements and Stabilization of Land Prices

In our new towns that have been created by reason of natural resource development, by and large the Crown has been the owner of the land upon which the new town is to develop. The policy has been to sell to the new town the land it requires to accommodate industrial, commercial, residential and institutional development. The prices charged by the Crown have been nominal - being in the order of \$30 - \$45 per acre. This places the new town in the position of owning all land slated for development and of course thereby ensures that land pricing will be equitable and free from speculation. As a general rule industrial and commercial land is priced to pay all its development costs including such things as public parking lots and perhaps hopefully even return a profit to the town. Sale of industrial and commercial sites can be very well done by public auction. Residential land on the other hand is priced basically at or near cost so that the prospective home owner gets the best possible price. This encourages private individual ownership of homes and the highest investment possible in the houses.

The sale of all land should be on a conditional basis, that is the buyer should not receive title until he has undertaken and proceeded the development of his building. Title could be transferred when his building is perhaps 25 to 30 per cent completed. A further condition of sale should be that the buyer cannot resell a vacant lot without written consent of the town. This eliminates speculation in land with its resultant inflation of land prices. It also prevents gaps in the orderly development of the town.

We have had representations from buyers that they need a title to their lot to arrange mortgaging. However we have found that mortgage companies will advance money if the transfer of title is placed in trust with the buyers or mortgage company solicitor who undertakes not to register the transfer and thereby acquire title for the buyer, until the building commitment specified in the conditional sales agreement has been met.