

LEGISLATIVE ASSEMBLY OF THE
NORTHWEST TERRITORIES
10TH ASSEMBLY, 5TH SESSION

TABLED DOCUMENT NO. 16-85(2)

TABLED ON JUNE 12, 1985

STANDING COMMITTEE ON FINANCE


**REPORT ON CONSIDERATION OF
BILL 11-85(2)**

1985/86 SUPPLEMENTARY APPROPRIATION #1

**RANKIN INLET
JUNE, 1985**

TO THE LEGISLATIVE ASSEMBLY OF THE NORTHWEST TERRITORIES

In accordance with its Terms of Reference conferred by the Legislative Assembly, the Standing Committee on Finance herewith submits its Report on Consideration of Bill 11-85(2), 1985/86 Supplementary Appropriation #1.



Michael Ballantyne,
Chairman,
Standing Committee on Finance.

STANDING COMMITTEE ON FINANCE

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Michael Ballantyne, M.L.A.

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Researcher
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WITNESSES

Commissioner John Parker

The Honourable Tom Butters, Minister of Finance

The Honourable Tagak Curley, Minister of Economic
Development and Tourism

The Honourable Nick Sibbeston, Minister of Local
Government

The Honourable Gordon Wray, Minister of Public Works
and Highways

The Honourable Bruce McLaughlin, Minister of Social
Services -

Mr. Eric Nielsen, Deputy Minister of Finance

The Committee wishes to thank the witnesses for appearing before the Committee and for their advice and assistance in our review of the Supplementary Appropriation Bill.

On Friday, June 7, 1985, The Standing Committee on Finance met to consider the matter of Bill 11-85(2), Supplementary Appropriation #1. The purpose of the bill is to provide for additional expenditures for the public service for the 1985-86 fiscal year.

SPECIAL WARRANTS

The Committee noted that this Bill contained four Special Warrants totalling \$669,300. These items were clearly identified in the Supplementary Appropriation. The purpose of each Special Warrant was specified and the reasons for the urgency were explained.

We feel that Supplementary Appropriation #1 illustrates prompt action by the government in limiting the use of Special Warrants. In particular, we wish to acknowledge the efforts of the Minister of Finance to respond to our concerns on this issue.

NORTHWEST TERRITORIES HOUSING CORPORATION

The Committee reviewed the transfer of funding for the Home Assist Interim Financing and Supplementary Financing Programs from Capital to Operations and Maintenance.

We were advised by the Minister that the funds had originally been allocated to Capital and were being moved to Operations and Maintenance to more properly reflect the conditions of the program.

The Committee also considered an item of \$2.8 million to upgrade the maintenance standard of housing inventories and to provide for improved support to Housing Associations and their staff. It was indicated to the Committee that the Corporation had made a submission to the Federal Treasury Board for a \$7.9 million base adjustment to bring the public housing maintenance base up to standard and that this submission was still outstanding. The Supplementary Appropriation which was before the Assembly was designed to provide critically needed funding which represented the Government of the Northwest Territories share of the cost of upgrading. This funding, if approved would permit the Corporation to access further CMHC funding such that the total funding available for upgrading maintenance would be \$4.75 million in 1985/86.

The Government of the Northwest Territories would move immediately to bring Housing Association and Authority staff up to parity with Government of the Northwest Territories employees; to employ an additional 96.5 person years for maintenance, administration and technical support staff and to purchase additional O & M materials.

The Committee supports this Supplementary Appropriation and urges the Minister to continue to pursue the \$7.9 million base funding adjustment from the Federal Treasury Board to ensure a continuing adequate standard of maintenance and support to Housing Associations.

PERSONNEL

The Committee queried the \$300,000 Capital appropriation to the Department of Personnel to establish an Employee House Purchase Fund. At this time, we also noted a similar capital fund of \$650,000 under the Department of Government Services for the acquisition of micro computers.

We recognize the practicality of establishing funds as a means by which to avoid continuing small Supplementary Appropriations and/or Special Warrants for this type of purchase, however we do have some technical concerns with the practice in general.

Firstly, the authority conferred by the Appropriations Act in respect of expenditures is for one fiscal year only. Thus, by conferring authority to establish a fund under this Act and to make specific expenditures for this purpose, the Legislature is, in effect, conferring authority for one fiscal year. If a subsisting need for a fund is recognized, it should be established in an appropriate policy or legislation and the funding for annual operations appropriated through the Main Estimates under the authority of the annual Appropriation Act.

Secondly, we have some difficulty in determining the extent of the controls on the moneys voted for these funds. We realize that Employee House Purchases are covered by a policy but we are not as certain as to how this policy relates to the specific financial operations of the fund, the accountability for the fund, the mechanics of draw downs of capital from the funds or the audit of the fund.

In respect of the Employee House purchase fund, the Committee also asked the Commissioner why a revolving fund was not established which would incorporate proceeds from the sale of staff housing. The Committee was informed by the Commissioner that the idea had been explored and that the fund was not seen as a proper revolving fund in audit circles but it could be established. At this time the mechanics of operating the fund and the need for arm's length control made this type of fund impractical to pursue.

DEPARTMENT OF PUBLIC WORKS AND HIGHWAYS

The Committee questioned the Minister in respect of \$1,010,000 in supplementary funding to Accommodation Services for the leasing of staff housing, office space and exclusive use of the Legislative Assembly facilities. The Minister indicated to the Committee that the policy of the department was to lease space wherever possible. The leases in question were mostly private and proposals had been invited. With respect to the Legislative Assembly Offices, it was determined that the Assembly had an ongoing requirement for these facilities which necessitated a full year lease. The Committee was advised that the annual cost would be approximately \$360,000 in total.

The Committee also noted that under this department and the Department of Personnel, there was an aggregate of \$725,000 in transfers to the Department of Local Government for responsibility transfers associated with the incorporation of new hamlets. These transfers were not reflected in the Supplementary Appropriation for the Department of Local Government. It was explained that the increased funding to the Department of Local Government associated with these transfers had been incorporated in the Main Estimates Document but the transfer out of the Department Public Works had not been shown. The Supplementary Appropriation had been brought in to reflect the decrease in the budget of the Department of Public Works. The committee was also advised that a further transfer of \$25,000 would be shown under Supplementary Appropriation #2.

The Committee recommends that an explanatory note be added to all transfers of funds between departments where there is no offsetting increase or decrease shown in the same supplementary estimate to avoid confusion.

LOCAL GOVERNMENT

The Committee queried the \$1,444,000 in Capital for residential land development in the Baffin and Keewatin Regions. In particular, the Committee wished further information on the number of lots to be developed, the number of communities, the time frame for implementation and why funds had been earmarked for the Baffin and Keewatin Regions only. The Minister responded that there was a clear case for increased funding for residential land development and that with this Supplementary Appropriation the funding for this program had been doubled in the 1985/86 fiscal year. The cost estimates done by the department in conjunction with DPW indicated that funding of just over \$1 million would produce 56 lots in Rankin Inlet with underground sewer and water, considerably less than an earlier estimate. The Minister tabled a written response in reply to the question which is appended to this Report as Appendix "A".

The Committee also requested further information on the design and structure of the new community hall in Grise Fiord for which the department was requesting a capital appropriation of \$685,000. The Ministers response is appended as Appendix "B".

SOCIAL SERVICES

The Committee noted that there had been a number of Supplementary Appropriations which identified additional funding for implementation costs associated with the Young Offender's Act and queried the status of the submission to the Federal Government regarding federal funding for this initiative. The Minister replied to the Committee that the federal department of the Solicitor General was assuming certain costs of the program and in the case of provincial governments these governments were responsible for the remainder. The rationale for only partial cost recovery was that the provinces would incur no greater cost under the new program than those which attached to the previous programs dealing with juveniles. The Government of the Northwest Territories had argued however, that these costs could not be assumed by the Government of the Northwest Territories and an exception should be made for full capital and O & M cost recovery. The matter is presently resting with the Office of the Solicitor General. The Minister further indicated that some \$700,000 to \$800,000 was recoverable on this item.

It is the Committee's position that under the terms of the formula funding agreement, there is a case to be made for full cost recovery for the Young Offenders Act and we urge the Minister to pursue this matter with the federal government.

ECONOMIC DEVELOPMENT AND TOURISM

The Committee expressed concern over the escalating cost of Expo '86. The present Supplementary Appropriation requests an additional \$960,000 in Operations and Maintenance funding and a further \$1,030,000 in Capital funding. This request represents an increase of 75% over the budgeted figures in the 1985/86 Main Estimates.

The Minister indicated to the Committee that the cost increase of \$960,000 in O & M resulted primarily from changes with private contractors for which the Government of the Northwest Territories had to assume responsibility. While some of the increase in Other O & M related to salaries, benefits, etc., the main reason for the increase was the need to purchase inventory. In respect of the Capital increase, the Minister advised us that a substantial capital increase had resulted from the Galaxy Marketing Services Ltd. pull out from the contract. Approximately \$620,000 related to the assumption of certain costs by the Government of the Northwest Territories which had been previously assumed by Galaxy. The remaining increase was attributable to an inflationary cost factor of \$300,000 which had not been incorporated into previous budget projections. The Minister indicated that details of the project costs and arrangements with the present contractor would be provided to the Committee.

The Committee sought the assurance of the Minister that the project was still within a reasonable range of the net cost of 3 million dollars identified in the Main Estimates. The Minister replied that present projections set the cost at 3.65 million dollars.

While the Committee recognizes the direct and indirect benefits accruing to the North as a result of our participation in Expo '86, we cautioned the Minister that potential benefits should not be used as a means to justify an open ended approach to the financial management of this project. The Minister concurred and advised the Committee that he shared our concern regarding cost increases.

Following discussion of the procedure for consideration of the outstanding items, Committee members agreed to review these items as they were considered in Committee of the Whole.

APPENDIX A



Northwest
Territories Minister of Local Government

11.06.85

Mr. Mike Ballantyne
Chairman
Standing Committee on Finance

Dear Sir; *Mike*

During your review of Local Government at the Committee meeting last week, I was asked to provide a detailed description of land development work to be carried out by my Department to the Baffin and Keewatin regions. The following is a community by community summary of planned projects for each region. The attached table shows numbers of lots to be constructed and the cost of each project. The final workplan for land development differs from the original FMB submission due to changes in the NWTHC capital plan and a detailed review of road and drainage requirements in each community.

KEEWATIN REGION

- Baker Lake - No lots will be constructed in Baker Lake this year but \$82k will be spent on road and drainage improvements to provide better access to existing lots. The community has sufficient land for the next years. ?
- Chesterfield Inlet - Four (4) lots will be developed at a cost of \$83k.
- Coral Harbour - Three (3) lots will be developed at a cost of \$60k. As well \$110, will be spent on road and bridge installation.
- Eskimo Point - Thirty three (33) lots will be developed at a cost of \$250k with an additional \$70k for road and drainage improvements.
- Rankin Inlet - This year is the first year of a planned three year development of area 5. A total of \$279k will be spent this year on the planning, design and engineering of the project and on road drainage improvements. Next year there is \$922k in the capital plan for this project. When completed 56 fully serviced lots will be provided to the community. Previously it had been intended to develop area 4 instead of area 5. This proposal was much more expensive and Council decided to develop area 5.

... /2

- Repulse Bay - Nine (9) lots will be developed for \$30k with an additional \$120k to be spent on road and drainage work.
- Whale Cove - No lots are planned for this year as the community has sufficient land for the next few years. However \$52k will be spent on road and drainage improvements to existing lots.

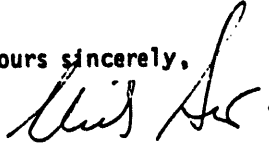
BAFFIN ISLAND

- Arctic Bay - No lots will be developed this year but \$47k will be spent on planning and engineering with construction of a 15-17 lot subdivision scheduled for next year. Further land development is planned for future years.
- Broughton Island - Seven (7) lots will be constructed at a cost of \$123k. This amount includes planning and design of a major sub-division to be constructed in future years.
- Cape Dorset - Planning and design work on a major subdivision will be carried out at a cost of \$63k. Land requirements for next year will be met with infill lots.
- Clyde River - Five (5) lots will be developed at a cost of \$50k.
- Hall Beach - Seven (7) lots will be developed at a cost of \$122k. This will include planning and design for future residential development.
- Lake Harbour - Three (3) lots will be developed at a cost of \$31k. An additional \$302k will be spent on the first phase of a three year project which will accommodate up to 30 housing units when completed.
- Pond Inlet - Twenty eight (28) lots will be developed at a cost of \$165k.
- Sanikiluaq - Five (5) lots will be constructed at a cost of \$49k. This amount will also include the design of a new 17 lot subdivision.

In addition, \$165k will be spent in the Baffin region for geotechnical and other related work. The work carried out this year will meet the immediate need for developed lots in both regions. In addition, the new subdivision being designed will meet the long term need (5-10 years) for lots in a number of communities.

I hope this additional information fully answers your questions on land development.

Yours sincerely,

A handwritten signature in cursive script, appearing to read "Nick Sibbeston".

Nick Sibbeston,
Minister

Attachment

**Summary of Land Development 1985/86
Baffin and Keewatin**

Community	# of lots *	Future lots ** (if known)	\$ X000 ***
Arctic Bay	0	15-17	47
Broughton Island	7		123
Cape Dorset	0	5	63
Clyde River	5		50
Hall Beach	7		122
Lake Harbour	3	30	333
Pangnirtung	20		267
Pond Inlet	28		165
Sanikiluaq	5	17	49
Geotechnical & other work			165
	<hr/> 76	Total Baffin	<hr/> 1,384
Baker Lake	0		82
Chesterfield Inlet	4		83
Coral Harbour	3		170
Eskimo Point	33		320
Rankin Inlet	0	56	279
Repulse Bay	9		150
Whale Cove	0		52
	<hr/> 49	Total Keewatin	<hr/> 1,136

* This is the number of new lots to be completed this year. It does not include infill lots.

** This reflects two types of future development: multi-year developments as in Rankin Inlet and Lake Harbour and design of new subdivisions of known size. This column does not show subdivisions whose final size has not yet been determined such as Cape Dorset, Hall Beach and so on.

*** These figures include both lot development and associated road and drainage improvements.

APPENDIX B



Northwest
Territories Minister of Local Government

Mr. Mike Ballantyne, Chairman
Standing Committee on Finance
Legislative Assembly of the N.W.T.
Yellowknife, N.W.T.

Dear Mike,

During your review of my Department at the Committee meeting last week, I was asked to provide an explanation of the cost difference between the multi-purpose halls in Whale Cove and Grise Fiord. As you know these buildings used the same design and in most respects are identical.

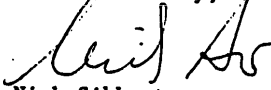
Originally the Whale Cove hall was budgetted at \$450,000 but tenders came in somewhat higher. The hall is now expected to cost \$602,000 with the community contributing \$52,000. My Department has found additional funds within its budget through the first outlook process to make up the difference. The contract for the multi-purpose hall in Grise Fiord has now been awarded and the total cost of the project will be just under \$680,000 including pad construction, consultant fees and DPW & H's overhead. In addition, about \$10,000 to \$15,000 will be required for both facilities for sports equipment, appliances and other fixtures. The cost of the Grise Fiord hall is roughly 12.7% higher than that of the one in Whale Cove.

This cost differential results from a number of factors. Transportation costs to Grise Fiord are considerably higher than to Whale Cove. This affects the cost of shipping construction material by sealift, as well as the cost of bringing in a construction crew. For example, airfare to a southern point of departure is almost twice as much for Grise Fiord as for Whale Cove. Another factor is the shorter building season in Grise Fiord. Contractors generally bid extra costs when they have to work in poorer weather.

Generally I would say that the cost difference between these two halls is reasonable. The construction cost factors used by DPW & H and by the NWTFC are between 14.6% and 19.6% higher in Grise Fiord than in Whale Cove, so the price differential of 12.7% seems quite good. It is interesting to note that the bid on the Grise Fiord hall made by Can Pro, who are building the hall in Whale Cove, was about \$30,000 higher than the successful bid.

I hope you find this explanation satisfactory.

Yours sincerely,



Nick Sibbeston
Minister