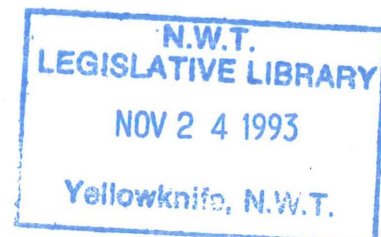




# **CHRONOLOGY OF EVENTS LEADING TO THE APPOINTMENT OF A MUNICIPAL ADMINISTRATOR FOR THE TOWN OF IQALUIT**

**November 22, 1993**



**CHRONOLOGY OF EVENTS  
LEADING TO THE APPOINTMENT OF A  
MUNICIPAL ADMINISTRATOR  
FOR THE TOWN OF IQALUIT**

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**March 26, 1987** - Mayor Theriault writes Deputy Minister, MACA outlining the critical need for housing lots and suggesting the Apex Hill Subdivision.

**May 21, 1987** - Assistant Deputy Minister, MACA answers the Mayor's March 26, 1987 letter and proposes that Town consider 3 different options to proceed with development of Apex Hill Subdivision.

**March 21 - 25, 1988** - Annual evaluation by MACA discovers Town operational practices include 13 violations of GNWT Acts (10 under Cities, Towns and Villages Act), 2 under Local Authorities Elections Act, 1 under Property Assessment and Taxation Act). (Examples: 1987 budget not passed until September 1987, financial reports not being done monthly). Makes 29 recommendations for improvement.

**July 1988** - Iqaluit council refuses to give third reading to By-law No. 172 to seek 3.5 million dollars in debenture financing.

**September 7, 1988** - Assistant Deputy Minister, MACA meets with Iqaluit council and discusses several options for proceeding with development of the Apex Hill Subdivision.

**October 18, 1988** - Iqaluit council gives first and second reading to By-law No. 191 to borrow 3.5 million dollars to construct a booster station and a truck main extending the water and sewer utilidor system along the Apex Road, needed to develop the subdivision.

**November 22, 1988** - By-law No. 191 is signed by Hon. Gordon Wray, Minister of MACA.

**December, 1988** - Town council gives third reading to By-law No. 191. The debenture is to be repaid by the eventual sale of lots in the Apex Road Subdivision and by grants from the GNWT.

**January 24, 1989** - By-law No. 193 is given first and second reading. The by-law is a debenture by-law for 2.7 million dollars for the completion of the Apex Road Subdivision.

**January 30 - February 3, 1989** - Annual evaluation discovers 9 violations of GNWT Acts (6 under Cities, Towns and Villages Act, 2 under Local Authorities Elections Act, 1 under Property Assessment and Taxation Act). Monthly financial statements are not being prepared consistently. Department makes 19 recommendations for improvement.

**March 21, 1989** - By-law No. 193 is signed by The Hon. Nellie Cournoyea, in the absence of the Minister of MACA (Hon. Gordon Wray).

**April 18, 1989** - Town Council gives third reading to By-law No. 193 for debenture funding to be repaid by the sale of developed lots and by grants from the GNWT.

**April 1989 to January 1993 (Debenture Activities)**

Iqaluit receives a total of 6.2 million dollars in debenture funds for the Apex Hill Subdivision and an additional \$3,323,534 in grants from MACA for a total of \$9,523,534.

The Town does not use the \$3,323,534 of MACA grants to pay down the debentures as required nor does it use all of the revenues from lot sales to apply to the debentures. The Town makes only the minimum annual payments on the debentures. Those minimum annual payments are amortized over a 20 year period.

Municipal inspections over the Apex Hill Subdivision years of construction indicate that the Town's financial administration is in a poor condition and that the Town may not be able to repay the debentures.

**March 6 - 9, 1990** - Annual evaluation discovers 5 violations of Cities, Towns and Villages Act. Of the 19 recommendations from 1989 evaluation only 8 have been implemented. (Examples: 1989 budget did not meet the requirements of Cities, Towns and Villages Act as it did not include all revenue/expenditures for capital projects; no monthly financial statements produced for 1989; Town unable to issue monthly municipal service invoices, water/sewer subsidy claim invoices and slow in submitting capital project progress claims to GNWT; serious cash flow problems; Town using O&M funds for capital projects; and debenture funds being used for O&M).

**December 1990** - Town Council passes a motion requesting a special evaluation from MACA in view of "a growing public perception within the community of Iqaluit that flagrant errors of procedure in violation of the Cities, Towns and Villages Act are occurring".

**December 7 - 11, 1990** - Special Evaluation conducted and 17 issues are presented to the inspection team by council.

**Highlights of Special Evaluation:**

- Lack of council confidence in the Town administration.
- Inability of Town administration to provide debenture drawdown schedule. Debenture funds being used for O&M purposes. "The administration stated that there was no cause for concern because

temporary use of debenture funds would be resolved as soon as the larger accounts receivable were paid."

- Cash flow impaired by irregular invoicing of municipal services, progress claims, and water/sewage subsidies and poor collection procedures.
- Administration has not generated timely or accurate financial statements for the last 2 years.
- An October 30, 1990, financial report prepared by administration is not in an appropriate format, is misleading and is the first prepared in 2 years.
- The 1990 budget lacks an appropriate degree of disclosure.
- No formal mechanism in place to ensure budget over-expenditures are properly approved.
- The Special Evaluation first mentions council ineffectiveness- failure to exercise their duties, ad-hoc decision-making, no goals, no priorities, no tracking system.

**February 15, 1991** - Deputy Minister, MACA writes to Mayor Blanchette and states concern on "the lack of progress in implementing the recommendations of previous evaluations and reports."

**May 6 - 13, 1991** - Annual Evaluation discovers 10 violations of GNWT legislation (9 of Cities, Towns and Villages Act, 1 of Property Assessment and Taxation Act). Of the 6 recommendations from the 1990 special evaluation only 2 have been implemented. Of 21 recommendations from the 1990 annual evaluation only 11 have been implemented.

(Examples: Lack of progress in developing policies and procedures; Town has failed to provide audited financial statements consistent with the Cities, Towns and Villages Act for the last 2 years; no bank reconciliations performed at the time of the inspection (first 5 months of 1991); 1991 budget did not meet the requirements of the Cities, Towns and Villages Act; Cities, Towns and Villages Act does not include all revenues and expenditures related to capital projects; no monthly financial statements produced in 1991).

**September 5, 1991** - Deputy Minister, MACA writes to Mayor Blanchette to restate the Department's concerns with the debenture handling activities by the Town and their violation of the Cities, Towns, and Villages Act.

**November 9, 1992** - MACA municipal inspectors are on-site for the Town's annual inspection. The Town's Senior Administration Officer (SAO) is asked to explain how the Town is going to proceed to repay the debentures. The Town's Mayor and SAO

are given time to consult with their auditor and their Director of Finance to prepare a plan to resolve the problem.

**November 9 - 13, 1992 Annual Evaluation** discovers 20 violations of GNWT legislation (12 under Cities, Towns and Villages Act, 1 of Local Authorities Elections Act, 1 of Motor Vehicles Act, 6 of Property Assessment and Taxation Act). Of the 30 recommendations from the 1991 evaluation only 21 have been implemented. (Examples: Town Director of Finance, although still on full salary, has relocated and is working full-time for a large city in Ontario; policy and procedure deficiencies noted again; a lack of cash management policies and procedures noted; audited financial statements inconsistent with the Cities, Towns and Villages Act for the third year in a row; Auditor's management letter mentions poor internal controls).

**December 29, 1992** - Deputy Minister, MACA writes to Mayor Ruttan outlining serious concerns with outstanding debentures which could have serious financial and legal implications.

**January 18 and 21, 1993** - The Town's SAO meets in Yellowknife with municipal inspectors and an independent auditor to confirm the municipal inspectors' findings. The meeting resolves concerns on another capital project the Town had undertaken but there is clearly no progress on the Apex Hill Subdivision debenture funding.

**January 26, 1993** - Deputy Minister, MACA writes to Mayor Ruttan to request the Town's cooperation in resolving the debenture problem. Indicates that further analysis would be required upon completion of the Town's audited financial statements for the year ended December 31, 1992.

**February 11, 1993** - Deputy Minister, MACA writes to Baffin Region Superintendent providing him with copies of the operational report prepared pursuant to the November, 1992 evaluation for the purposes of translation and distribution to the Mayor, council and SAO. The mayor subsequently refuses to release the report to council or the public.

**February 19, 1993** - President of Iqaluit Ratepayers Association writes to Deputy Minister, MACA requesting a copy of the Town's operational evaluation. (Sends a copy to Member to Iqaluit).

**February 23, 1993** - The Town's Auditor gives an oral report to council which contradicts and challenges information provided by the Department. The auditor subsequently withdraws those comments and provides a written apology to the Deputy Minister, MACA.

**February 26, 1993** - A Nunatsiaq News Editorial makes a reference to appointing an administrator and "firing" the Town administration.

**March 3, 1993** - Deputy Minister, MACA replies in writing to Iqaluit Ratepayers Association letter of February 19, 1993. Advises that a request to see report on operational evaluation of the Town should be directed to the Mayor. (Sends a copy to Member of Iqaluit).

**March 4 - 5, 1993** - Senior MACA personnel meet with the council and the SAO of the Town. The operational evaluation is reviewed in detail. The tone of the meetings is set by the Town and is defensive and adversarial. The debenture problem is also discussed in detail at that meeting.

**March 29, 1993** - President, Iqaluit Chamber of Commerce writes to Minister of MACA (Hon. Titus Allooloo) requesting a copy of the 1992 annual municipal inspection report. Asserts that Mayor Ruttan has refused to release the report to Town Council. (Sends copy of his letter to MLA for Iqaluit).

**April 8, 1993** - Hon. Titus Allooloo writes to respond to March 29, 1993 letter from President, Iqaluit Chamber of Commerce. Outlines his reluctance to intervene between the Town Council and community residents and organizations. Encourages Chamber to approach the Mayor and Council. (Sends a copy of his letter to MLA for Iqaluit).

**July 15 - 16, 1993** - MACA officials and the Town's senior staff meet in Iqaluit and agree to prepare a debenture re-financing proposal for the consideration of the FMB.

**July 22, 1993** - officials from the Departments of Finance, MACA and the Town meet in Yellowknife and reach consensus on the details of the debenture re-financing proposal for the Apex Hill Subdivision.

**September 22, 1993** - A submission is made to Financial Management Board to re-finance Iqaluit land development debentures.

**Early to mid-October 1993** - Minister of Municipal and Community Affairs reviews Iqaluit's financial situation. It becomes clear that even with Financial Management Board approval for debenture re-financing the Town will still face severe financial problems -- at least a \$1 million deficit, much of it due for repayment December 31, 1993.

**Friday, November 5, 1993** - Minister of Municipal and Community Affairs decides to invoke Section 192 of the Cities, Towns and Villages Act to appoint a Municipal Administrator, with the full knowledge of Cabinet.

**Monday, November 8, 1993** - Minister of Municipal and Community Affairs takes a period of leave.

**Tuesday, November 9, 1993** - Ministerial Order to appoint Municipal Administrator for Town of Iqaluit drafted by Department of Justice.

**Wednesday, November 10, 1993** - Honourable Stephen Kakfwi, Minister of Justice, at the Minister's request signs the Order.

**Wednesday, November 10, 1993** - Honourable Titus Allooloo attempts to contact the Member for Iqaluit but is unsuccessful. Late in the afternoon the Member for Iqaluit telephones the Deputy Minister of Municipal and Community Affairs' office to inquire about the outcome of the Iqaluit debenture re-financing proposal and who has been appointed the new MACA Recreation Development Officer for the Baffin Region. The Deputy Minister is not available to receive the call because of meetings. The Deputy Minister tries to return call after 5:00 p.m.; no answer at number left by the Member. Letter of appointment from Minister of Municipal and Community Affairs is delivered to Mr. Robin Beaumont, Municipal Administrator.

**Thursday, November 11, 1993** - Remembrance Day holiday. Mr. Beaumont commences travel to Iqaluit at 8:00 a.m.

**Friday, November 12, 1993** - At 9:30 am, the Deputy Minister of MACA attempts to meet with the Member of Iqaluit but the Member is in Committee meetings. The Deputy Minister waits and is able at 10:30 am to meet with the Member and give him a copy of the Ministerial Order and an advance copy of the Press Release. The President of the Iqaluit Ratepayers' Association, Ms. Anne Crawford, happens to be in Yellowknife and joins the meeting at the Member's request.

Press release is issued early Friday afternoon, November 12.

**Friday, November 12, 1993** - Municipal Administrator for Iqaluit arrives in Town of Iqaluit at approximately 10:00 a.m. Letters advising Mayor and Councillors of the appointment of the Administrator and the dissolution of the present Council are translated and then are delivered to all Councillors Friday afternoon.

Mayor Ruttan is out of town.

**Sunday, November 14, 1993** - Municipal Administrator telephones former Mayor Ruttan's home - is advised by Mayor's spouse that Mr. Ruttan is still out of town but is aware of what has happened.

**Tuesday, November 16, 1993** - The Honourable Titus Allooloo returns to his office. Municipal Administrator telephones former Mayor Ruttan at home, requests him to come to Town Office to receive his letter from the Minister and pick up his personal items. Mr. Ruttan advises he will not come to Town Office unless specifically invited.

**Wednesday, November 17, 1993** - Town Finance Manager delivers letter from Minister of Municipal and Community Affairs to former Mayor Ruttan on dissolution of Council to Mr. Ruttan's home - requests Mr. Ruttan to come to Town Office and pick up his personal items.

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**NOTES ON THE ROLES OF THE MUNICIPAL ADMINISTRATOR AND  
THE MUNICIPAL CORPORATION OF IQALUIT**

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- 1) The Order appointing the Municipal Administrator expires December 31, 1994.
- 2) Under Section 192 of the Cities, Towns and Villages Act the Minister of Municipal and Community Affairs may appoint a municipal administrator where:
  - i) the municipal corporation cannot meet its financial obligations;
  - ii) the Council has failed to perform a duty required of it by the Cities, Towns and Villages Act or any other Act;
  - iii) the Minister believes that for other reasons it is in the best interests of the municipal corporation that it should be under the control of a municipal administrator.
- 3) Section 194 allows the municipal administrator to exercise all the powers and requires him to perform all the duties of the council.
- 4) **The Municipal Corporation of Iqaluit continues to function.** The present Councillors are deemed, under Section 193 of the Act, to have resigned - but the Municipal Corporation is intact.
- 5) The Mayor and Councillors were not "fired".
- 6) The Act allows the Minister to appoint an advisory committee of local residents to assist the Municipal Administrator in his duties. The Minister has advised the Member for Iqaluit that he would request the Member's advice on appropriate members for the advisory committee.

# Avery, Cooper & Co.

Certified General Accountants  
Management Consultants

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W. Brent Hinchey, B. Comm., C.G.A.  
Kent D. Ferguson, B. Comm., C.G.A.

November 21, 1993

Mr. A.A. Menard  
Deputy Minister  
Department of Municipal & Community Affairs  
Government of the Northwest Territories  
Box 1320  
Yellowknife, N.W.T.  
X1A 2L9

Dear Mr. Menard:

Re: Town of Iqaluit

At the request of your Department we provide herewith a Summary of Consolidated Financial Position for the above for the years ended December 31, 1988 to 1992 inclusive. This information has been compiled from the audited financial statements of the Town for that period.

We also enclose a Chronology of Financial Evaluations covering the work we performed under contract with your Department to further review the findings of the MACA inspectors in relation to the Apex Subdivision debenture transactions.

If we can be can provide further assistance in this matter please contact our office.

Yours truly,

EVERY, COOPER & CO.



D. E. Cooper, C.G.A.

DEC/kpc

**May 6, 1993**

**Report cont'd**

proceeds and unremitted lot sale proceeds had not been applied to debenture debt in accordance with the terms of by-laws 191 & 193. It also indicated that accountable grants totalling \$3,323,543 had not been applied in the same required manner, but had apparently been used to finance other operations of the Town.

These points were included in 6 items relating specifically to suggested disclosure within the financial statements. One of these points strongly suggested that the Town administration seriously consider re-issuing the 1991 financial statements in amended format in order to clarify the financial position for that year as well.

**May 7, 1993**

**Fax**

Received from MACA a copy of the Town's 1992 financial statements approved by council on April 20, 1993. Their disclosure did not fully meet the requirements recommended in the above communications with the auditor.

**June 3, 1993**

**Letter**

Letter to Town auditor (cc to Deputy Minister) advising of amendment to May 6, 1993 report in view of additional information provided by auditor.

**July 13, 1993**

**Meeting, Fax**

Met with MACA officials to discuss incomplete disclosure situation prior to meeting with Town officials in Iqaluit.

Received from MACA (Baffin Region) copy of letter by Town auditor to council re: problems and suggested solutions to debenture situation.

**July 15 & 16, 1993**

**Meetings**

Met with MACA, Town's senior staff and Town auditor to review suggested notes to financial statements re: debenture situation and possible repayment plans for consideration of the FMB.

Town and auditor agreed to amendment to 1992 financial statement relative to recommended note disclosure; however, did not agree to amend 1991 financial statements other than in comparative column on 1992 statements.

**July 17-19, 1993**

**Fax, Telephone**

Ongoing discussion with Town administration and auditor relative to finalization of 1992 note disclosure.

**July 22, 1993**

**Meetings**

Attended meeting with officials from the Department of Finance, MACA and the Town to review contents of the submission relative to debenture repayment plan.

**March 4 & 5, 1993**

**Meetings**

Attended meetings in Iqaluit with senior MACA personnel, administrative officers of the Town and the Town auditor. Full implications of the debenture problem were reviewed in detail and were also explained to representatives of council during a luncheon meeting. Response by Town was more defensive than co-operative towards finding solution to problem. It was difficult to assess whether or not the full potential financial impact of the situation was recognized by Town personnel.

A private meeting was held with the Town auditor to address the problem further and the necessity for proper disclosure of the potential financial impact on the financial statements.

As a result of the meeting it was agreed that the Town auditor and Avery, Cooper & Co. would communicate directly so that the problems could be addressed in the 1992 financial statements.

**March 9, 1993**

**Report**

Report addressed to Deputy Minister summarizing results of above meetings.

**April 16, 1993**

**Letter**

Received draft copy of letter from Town auditor to council outlining status of Land Development debentures as at December 31, 1992.

**April 21-22, 1993**

**Draft financial statements**

Analysis of draft Town financial statements for year ended December 31, 1992.

**April 29, 1993**

**Letter**

Report relating to above sent to Town auditor in draft format for his review and input prior to final release. This report addressed 3 matters relating to his letter to council and 5 matters relating to financial statement adjustments and disclosure.

**April 30, 1993**

**Fax**

Received response from Town auditor acknowledging receipt of above and certain pages of his final financial statement and management letter.

**May 4-5, 1993**

**Analysis**

Response from Town auditor re: April 29 report; additional analysis and clarifications relating to same.

**May 6, 1993**

**Report**

Report released in final format to Town auditor with copy and explanation of same to Deputy Minister. This report indicated that \$2,260,139 of unapplied funds from excess debenture

Chronology of Financial Evaluations  
(performed by Avery, Cooper & Co., Certified General Accountants)

**January 14, 1993**

**Documentation**

Avery, Cooper & Co. provided with Town of Iqaluit financial statements for the years 1987-91 inclusive, copies of by-laws 191 & 193 plus other pertinent documentation to analyze financial position of Town in relation to debenture proceeds.

**January 15-17, 1993**

**Analysis**

Detailed analysis of Land Development and Capital Funds indicates potential \$2,300,689 of unexpended debenture proceeds not fully accounted for on financial statements. Additional \$368,450 of excess lot sale proceeds available but not applied to debenture debt as required by terms of by-laws 191 & 193.

**January 18, 1993**

**Meetings**

Reviewed above findings with MACA officials and with Town's SAO to further discuss problem and clarify certain details.

**January 19, 1993**

**Letter**

Assisted in drafting MACA letter to Town Council questioning disposition of apparent unexpended debenture proceeds of \$2,427,448 (revised as result of above discussions with SAO), excess lot sale proceeds and details of lot costs. A sample format for full analysis of these areas was provided.

**January 21, 1993**

**Meeting**

Meeting with MACA official and Town's SAO to review points in letter drafted above. Further amendments were made to the draft letter on the following day as a result of this meeting.

**February 22, 1993**

**Telephone call**

Call by Town auditor to Avery, Cooper & Co. to discuss certain aspects of situation.

**February 24, 1993**

**Fax and Letter**

Received fax copy of oral report to council on February 23 by Town auditor which contradicted and challenged information provided by MACA and indicated support of this contention by Avery, Cooper & Co. Letter was written to Deputy Minister advising that report was given out of context with what was actually discussed.

**February 26, 1993**

**Report**

Prepared "Summary of Capital Financing" to reflect details of debenture transactions and effect on financial position of Town.

...cont'd

## **NOTES TO SUMMARY OF CONSOLIDATED FINANCIAL POSITION**

- 1. The Net Surplus (Deficit) amounts do not include any provision for accrued debenture interest in accordance with the Significant Accounting Policies stated on the financial statements.**
- 2. The auditors rendered a clear opinion on each of the financial statements from which this consolidated summary was compiled.**
- 3. The 1991 financial statement made no specific reference to the non-compliance with the terms of by-laws 191 & 193 as interpreted by the MACA inspectors. Nor was any reference made to the unexpended portion of debenture proceeds and net lot sale proceeds totalling approximately \$2.6 million or the fact that accountable grants totalling about \$3.5 had not been applied to the debenture debt as required by the by-laws.**
- 4. The 1992 financial statement included note references to the above situations as at December 31, 1992 and also included amendments to the comparative figures shown for 1991.**

**TOWN OF IQALUIT**  
**SUMMARY OF CONSOLIDATED FINANCIAL POSITION**  
**FROM AUDITED FINANCIAL STATEMENTS**

As at December 31

	<u>1988*</u>	<u>1989*</u>	<u>1990</u>	<u>1991*</u>	<u>1992</u>
<b>ASSETS</b>					
General Revenue Fund	\$ 2,090,654	\$ 4,574,756	\$ 2,106,552	\$ 3,015,360	\$ 2,914,207
Land Development Fund	2,547	2,168,465	5,355,562	4,834,117	4,244,708
Capital Fund	722,731	8,922,924	29,212,169	25,881,807	25,488,068
Gravel Fund Reserve	<u>11,789</u>	<u>54,554</u>	<u>92,493</u>	<u>87,924</u>	<u>95,014</u>
Total (1)	<u>2,827,721</u>	<u>15,720,699</u>	<u>36,766,776</u>	<u>33,819,208</u>	<u>32,741,997</u>
<b>LIABILITIES RESERVES AND EQUITY</b>					
Trade/Deferred Liabilities	1,273,404	3,293,142	3,659,872	3,256,008	1,691,093
Debentures					
- Subdivision	-	4,500,000	6,127,041	6,314,577	6,286,756
- Other	59,167	46,133	31,990	16,648	-
Capital Lease	663,564	514,338	365,112	215,886	52,907
Reserves	316,215	612,588	1,083,041	1,416,390	1,360,626
Capital Equity	<u>18,887</u>	<u>6,576,920</u>	<u>26,131,600</u>	<u>24,223,490</u>	<u>24,600,064</u>
Total (2)	<u>2,331,237</u>	<u>15,543,121</u>	<u>37,398,656</u>	<u>35,442,999</u>	<u>33,991,446</u>
<b>NET SURPLUS (DEFICIT)</b> (1 - 2)	<u>\$ 496,484</u>	<u>\$ 177,578</u>	<u>(\$ 631,880)</u>	<u>(\$ 1,623,791)</u>	<u>(\$ 1,249,449)</u>
<b>COMPRISED OF:</b>					
General Operating	\$ 496,484	\$ 354,671	\$ 427,524	\$ 101,600	\$ 154,330
Water/Sewer Program	-	( 158,557)	( 975,398)	( 1,401,803)	( 396,495)
Sanitation Program	-	( 18,536)	11,411	( 12,913)	( 50,566)
Land Development Fund	<u>-</u>	<u>-</u>	<u>( 95,417)</u>	<u>( 310,675)</u>	<u>( 956,718)</u>
<b>NET SURPLUS (DEFICIT)</b>	<u>\$ 496,484</u>	<u>\$ 177,578</u>	<u>(\$ 631,880)</u>	<u>(\$ 1,623,791)</u>	<u>(\$ 1,249,449)</u>

\* Balances as restated on subsequent year's financial statement comparative figures.

See the attached notes.