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Standing Committee on Finance
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12th Assembly

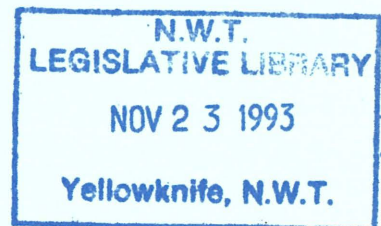


STANDING COMMITTEE ON FINANCE

Report on the

**Review of the
1994/95 Capital Estimates**

**Jim Antoine, M.L.A.,
Chairperson**



STANDING COMMITTEE ON FINANCE

MISSION STATEMENT

The Mission of the Standing Committee on Finance is to advise the Legislative Assembly, on behalf of the Public, in all areas related to financial management and the proposed expenditure of funds -- and to hold government accountable for its spending.

GUIDING PRINCIPLES

The Standing Committee on Finance will be guided by the following principles in carrying out this Mission.

1. Government spending and financial management must respond first to fundamental human needs.
2. It must be guided by a strategic framework and be based upon sound fiscal policies.
3. It must ensure equity, fairness and universality of benefit to all residents of the Northwest Territories.
4. And it must be effective, efficient, and economical.

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Standing Committee on Finance
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November 22, 1993

**THE HONOURABLE MICHAEL BALLANTYNE, M.L.A.
SPEAKER, LEGISLATIVE ASSEMBLY
NORTHWEST TERRITORIES**

In accordance with its Terms of Reference, the Standing Committee on Finance is pleased to submit its report on the review of the 1994/95 Capital Estimates of the Government of the Northwest Territories.

**JIM ANTOINE, M.L.A.
CHAIRPERSON**

STANDING COMMITTEE ON FINANCE

**REPORT ON THE
REVIEW OF THE 1994/95 CAPITAL ESTIMATES
NOVEMBER, 1993**

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INTRODUCTION

The "accumulated surplus" position of the Government of the Northwest Territories has declined in recent years. If the current level of operations and capital spending continues, the government will soon find itself in a situation of accumulated deficit. Borrowing money to finance a deficit is an option that is simply not available to the Government of the Northwest Territories. The current level of revenues raised through taxes and otherwise, adds up to a small fraction of the funding required to meet the real needs of our citizens.

Members of the Standing Committee on Finance strongly believe that this government must pursue the objective of maintaining an accumulated surplus position. The review of Capital Forecasts impressed upon Committee members the growing difficulty the government faces in attempting to respond, in a fiscally responsible way, to the fundamental needs of all of our citizens.

We must all work toward solutions, but clearly, the Minister of Finance and Cabinet must provide the leadership to achieve a consensus on the strategies that are required to limit spending and maintain a strong financial position.

CAPITAL PLANNING PROCESS

CAPITAL PLANNING STRATEGY

In its Report on the 1993/94 Capital Estimates, the Committee made the following recommendation.

The Committee recommends that Cabinet develop, and report in the 1994/95 Capital estimates, a strategic approach to the Capital Program identifying, among other things:

- i) the purpose and goals;**
- ii) rationale for the allocation of budget resources between capital and operations;**
- iii) rationale for the allocation of budget resources between programs and communities;**
- iv) rationale for the specification, construction, acquisition and disposal of capital assets; and**
- v) information requirements of departments and agencies to ensure that the capital program is being allocated fairly and equitably, and is being currently operated with due regard to efficiency, economy and effectiveness.**

The Financial Management Board responded to this recommendation in its presentation to the Standing Committee. The government's capital planning strategy was presented under the following headings.

- capital planning objectives;
- allocation of capital to meet capital needs assessment;
- additional factors in determining capital requirements;
- balancing needs within the funds allocated;
- meeting government's priorities through allocations;

- multi year planning targets; and
- capital planning consultation process.

With respect to addressing the information requirements, the Financial Management Board noted that the development of a comprehensive government wide "Informatics Strategy" has been initiated.

CAPITAL SPENDING PRIORITIES

The Chairman of the Financial Management Board, in his opening remarks to the Committee, identified the following capital spending priorities;

- 1) Housing Programs,
- 2) Education Programs,
- 3) Health, Social and Cultural Programs,
- 4) Municipal and Recreational Programs,
- 5) Transportation and Tourism Programs, and
- 6) Other Government Programs.

He noted that these capital priorities have been established based on Legislative Assembly and community consultation. Generally, the Committee is supportive of the government's focus, however, some qualifying comments are in order.

- Committee members feel that the number one priority assigned to capital spending on housing is due more to the withdrawal of federal funding than a balanced assessment of real need.
- The federal government should live up to its fiduciary responsibility to provide housing to aboriginal people. The Government of the Northwest Territories could, then, shift its priorities for capital spending.
- The Standing Committee feels that, if housing programs were supported by the federal government, education programs could

and should become the number one priority for capital expenditures of the Government of the Northwest Territories.

The Committee recognizes that the funding cuts to social housing programs are an immediate crisis. However, members believe that education should be established as the number one priority over the long term. The Committee's rationale for this suggestion is based on a number of considerations.

- The Committee believes that it is through an investment in education that we may become more independent of the federal government.
- By educating young people, we will be able to build a stronger economic base.
- With an educated population, there should be less reliance on other programs such as housing and social services.

Further, the Committee feels that the allocation of capital resources for 1994/95 and the plans for future years do not reflect the priorities established by the government. For example, while social programs are ranked as a number three priority, the capital budget for the Department of Social Services is \$4.6 million out of a total capital budget of approximately \$180 million.

CONSULTATION PROCESS

The Committee notes that there have been improvements to the capital planning process over the last few years. A consultation process has been initiated. The government consults with communities through their local governments and Members of the Legislative Assembly. These enhancements are designed to ensure that this government's capital budget is reflective of the real capital needs of the citizens and their communities.

There is still room for improvement in the consultation process. The Committee noted, during its review, several examples where there were problems with community input in the capital planning process. In some instances, capital projects were not scheduled in accordance with community priorities. In other cases, consultations with communities did not result in changes to the capital plans to reflect identified community needs.

FIVE YEAR CAPITAL PLANS

In its Report on the 1992/93 Capital Estimates, the Standing Committee on Finance recommended that the government present the 1993/94 Capital Estimates, to the Legislative Assembly, in the form of a five year Capital Plan. The government provided the 1993/94 capital forecasts, to the Standing Committee on Finance, in the form of a five year plan. However, the five year plan format was not carried forward to the Capital Estimates document provided to the Legislative Assembly.

The 1994/95 capital forecast documents provide a second opportunity for the Committee to review the capital estimates in the context of a five year plan. As a result, the Committee was able, this year, to compare current year plans with those put forward for the fiscal year 1994/95.

COMMITTEE REVIEW PROCESS

The primary focus of the Committee's review of the 1994/95 capital forecast was projects planned for that fiscal year. However, consideration was also given to the following:

- prior and current year expenditures, particularly where these departed significantly from what was reported in the 1993/94 capital forecast;
- major new projects planned for the five year period following 1994/95 and beyond; and
- any significant changes to Department's and community's capital plans.

A comprehensive review was conducted by using the Committee's guiding principles while at the same time focusing on maintaining a balanced budget.

CAPITAL OVERVIEW

CAPITAL SPENDING BY CONSTITUENCY

Committee members are guided by the principle that their job is to ensure equity, fairness and universality of benefit to all residents of the Northwest Territories. In assessing adherence to that principle, the Committee reviewed planned capital spending in each constituency in the Northwest Territories for 1993/94 and 1994/95. This information is displayed in Appendix B. Expenditures by constituency have been adjusted from those reported in the Capital Forecasts. Expenditures reported by region and headquarters have been divided among the communities in all constituencies.

IMPLICATIONS OF THE CAPITAL FORECAST FOR OPERATIONS AND MAINTENANCE SPENDING

In its Report on the Review of the 1993/94 Capital Estimates, the Committee recommended that the five year Capital Plan identify the total impact of capital projects on the ongoing operations and maintenance costs of government by project and in total. The government responded by saying that -- "the O & M costs resulting from the projects that Government Services and Public Works are responsible for, represent between 5% and 30% of the total O & M. These are provided in the OPPLAN. The major portion of the impact on the O & M budget would be program costs and these would be identified by the Department involved in the use of the project."

The Financial Management Board provided the Standing Committee with two tables regarding the O & M implications of 1994/95 Capital Projects. These tables are attached to this report as Appendix C. One table presents a summary of the direct O & M implications, while the second

table shows a summary of indirect O & M incremental costs for maintenance & utilities.

REPORTING CHANGES IN CAPITAL PLANS AND EXPENDITURES

Committee Members raised concerns about the presentation and accuracy of the information provided in the **Five Year Capital Forecast 1994/95 - 1998/99** document. In particular, the Committee noted that, in many instances:

- the reporting of prior and current year capital expenditures vary considerably over those reported a year earlier; and
- the "Total" amount reported does not appear to represent the total expenditures for a particular project;

Further, the Committee noted that the documents do not distinguish between situations where previous years funds have lapsed, been transferred between capital projects, or carried forward to the following year. Therefore, the Committee recommends the following:

RECOMMENDATION # 1

THE COMMITTEE RECOMMENDS THAT THE **FINANCIAL MANAGEMENT BOARD** CLARIFY AND ENSURE CONSISTENCY IN THE REPORTING OF PRIOR YEAR, CURRENT YEAR AND "TOTAL" EXPENDITURES IN THE FIVE YEAR CAPITAL FORECAST DOCUMENTS. THE COMMITTEE FURTHER RECOMMENDS THAT THE MODIFICATIONS, WHICH ADDRESS THE DIFFICULTIES IDENTIFIED, BE CONTAINED IN THE FIVE YEAR CAPITAL FORECAST 1995/96 - 1999/2000 DOCUMENT.

While recognizing that capital forecasts are a planning tool and by definition subject to change, the Committee was concerned by the many projects where there was a significant change in proposed expenditures from fiscal year to fiscal year. These changes were not always accompanied by an explanation. Substantiation is provided only for projects incurring costs in the target fiscal year -- which in this case is 1994/95. Therefore, the Committee recommends the following;

RECOMMENDATION # 2

THE COMMITTEE RECOMMENDS THAT THE **FINANCIAL MANAGEMENT BOARD** PROVIDE SUBSTANTIATION FOR ANY CHANGES OVER \$100,000 IN PLANNED EXPENDITURES. THE COMMITTEE FURTHER RECOMMENDS THAT THESE SUBSTANTIATIONS BE CONTAINED IN THE FIVE YEAR CAPITAL FORECAST 1995/96 - 1999/2000 DOCUMENT.

DEPARTMENTAL REVIEWS

TRANSPORTATION

HIGHWAY PROGRAM

During the review of the 1994/95 capital forecasts, the Department of Transportation provided the Committee with a full briefing on the Highway Program. The briefing covered the maintenance, reconstruction and paving of highways in the Western Arctic and included:

- an inventory of highways in the Territories;
- maps showing type and conditions of highways;
- highway usage statistics;
- historic expenditures on highways;
- highway safety standards;
- highway program priorities; and
- the overall capital program.

The Committee wishes to acknowledge the progress achieved by the Department, for example:

- (A) Today, 55% of N.W.T. highways meet design standards that include acceptable road widths, surface conditions, curves, passing opportunities and sight distances. The comparable proportion for 1988 is 40%.
- (B) In 1988, 72% of Territorial highways were untreated gravel. Today, 22% of the highway system is paved and 47% is dust treated gravel.

The short term priorities of the Department are:

- Reconstruction and paving of Highway 3 (Fort Providence Junction to Yellowknife);
- Reconstruction of Highway 8 (the Dempster);
- Local Access Roads - Rae Edzo

In broad terms, the Committee agrees with the Department's rationale for road reconstruction and paving and understands that cost considerations may dictate the scheduling of portions of the program. However, members are concerned that the sheer scale of the undertaking on Highway 3 may in fact be removing dollars from other important projects, in particular, reconstruction of the Dempster highway. This factor may also be creating ten to fifteen year deferrals of work on less traveled portions of the highway systems.

RECOMMENDATION # 3

THE COMMITTEE RECOMMENDS THAT THE **DEPARTMENT OF TRANSPORTATION** REASSESS ITS SHORT TERM PRIORITIES. THE OBJECTIVE OF THE REASSESSMENT IS TO ENSURE THAT THE MAXIMUM NUMBER OF RESIDENTS OF THE NORTHWEST TERRITORIES BENEFIT FROM THE EXPENDITURE OF CAPITAL DOLLARS ON THE HIGHWAY PROGRAM. THE COMMITTEE FURTHER RECOMMENDS THAT THE FOUR HIGHWAYS LISTED BELOW BE RECONSIDERED IN CONJUNCTION WITH THIS OBJECTIVE. RECONSIDERATION SHOULD INVOLVE THE MOVEMENT OF CAPITAL FUNDS IN THE 1994/95 FISCAL YEAR FOR THE RECONSTRUCTION AND/OR PAVING OF THE FOLLOWING ROADS:

- HIGHWAY 5 (FORT SMITH);
- HIGHWAY 8 (DEMPSTER);
- HIGHWAY 6 (FORT RESOLUTION) AND
- HIGHWAY 1 (FORT SIMPSON).

MARINE AND AIR TRANSPORTATION

The Minister noted in his address to the Committee that the Department has entered into two capital cost sharing programs with Transport Canada for Airport and marine upgrading worth \$18 million between 1990 and 1997. Spending on Arctic Airports will more than double in 1994/95 to \$4.5 million and \$5.9 million in 1995/96. Major airport construction next year will be carried out at Coppermine, Rankin Inlet, Fort Good Hope, Pelly Bay, Snare Lake, Pangnirtung and Sanikiluaq.

The Committee is also pleased to see the Department's program for improving harbour facilities and constructing breakwaters. Various projects are planned, especially in the Baffin and Keewatin regions.

The Committee noted the inclusion, for the first time, of a marine resupply terminal for Rankin Inlet in the 1994/95 Capital Plan. Fifty thousand dollars is allocated for "pre-engineering" studies and \$1.5 million for its construction (recoveries from Transport Canada are half that amount).

Substantiation for the project identifies Rankin Inlet as the "hub for bulk fuel" in the region and refers to the *Keewatin Resupply Study* as the basis for the decisions. The Committee has since been informed that the study team (for the *Keewatin Resupply Study*) are continuing with a detailed study of resupply options selected by the Keewatin Resupply Steering Group. Further results are expected to be presented in the new year. The Committee will not approve the commitment of funding for this project until such time as all options have been fully assessed and reviewed.

RECOMMENDATION #4

THE COMMITTEE RECOMMENDS THAT THE FUNDING IDENTIFIED FOR THE RANKIN INLET MARINE RESUPPLY TERMINAL FOR 1994/95 BE DELETED, PENDING THE COMPLETION AND REVIEW OF A COMPREHENSIVE COST/BENEFIT ANALYSIS WHICH IDENTIFIES AND ASSESSES ALL OPTIONS FOR MARINE RESUPPLY IN ALL REGIONS WHICH WOULD BE AFFECTED.

HEALTH

The Minister and the Committee discussed at some length the problems associated with finalizing the role study, programming and design for the new regional health facilities in Baffin and Inuvik. Members noted a number of specific problems, including the following:

- plans continue to be delayed;
- funding included in previous budgets is lapsed or carried forward;
- amounts shown for the current and forecast years are inconsistent with those reported in the previous year's document;
- the amount of federal cost-sharing and the accrual of federal funds paid are uncertain;
- maintenance costs continue to rise (particularly in the Baffin); and
- full community consultation is not always evident.

In spite of these difficulties, Committee members are optimistic that most of the concerns will be addressed this year. Further, the Committee expects that realistic estimates for both the Baffin and the Inuvik Regional Health Centre projects will come before the Committee to review next year.

Members also supported the need for thorough planning in the development of a Keewatin Regional Health Facility. The Committee concurred with the Minister that a full and comprehensive needs assessment, involving all Keewatin communities, should now proceed. An economic analysis, comparing the cost of existing arrangements with the province of Manitoba to the expected cost of delivering health care services through a new regional facility, must also be completed.

In its previous report on the review of the capital estimates, the Committee recommended that, in order to achieve economies of scale, the Departments of Social Services and Health assess the feasibility of

integrating drug and alcohol treatment programs with health and hospital facilities. Therefore, the Committee expects to see plans for all new drug and alcohol treatment programs linked with health facilities and included in the capital budget of the Department of Health.

Finally, negotiations for federal cost-sharing of the Keewatin facility should begin now. The goal of such negotiations should be to see if arrangements, similar to those made with respect to planned regional health facilities in the Baffin and Inuvik regions, could be concluded.

Committee members noted, with interest, the pilot project that involves providing a birthing unit for low risk mothers in Rankin Inlet. The results of the pilot project will be reviewed to assess future expenditures for similar initiatives.

In at least one instance, community representation on regional health boards was called into question. It was determined that one community was without representation on a regional health board for a period of almost two years -- a period of time during which significant decisions were made. The Committee appreciates the action taken by the Minister when informed of this particular situation. The Department must monitor community participation on regional health boards to ensure the active participation of each community.

The Committee was critical of the administration of health care in the North Slave, South Slave and Deh Cho regions. Decisions governing the delivery of health care services in these areas are made at the Department level, or by MacKenzie Regional Health Services, without the opportunity for community participation.

Members noted that in two communities, now falling within the jurisdiction of the MacKenzie Regional Health Service, conditions in the health centres were very poor. Further, it was noted that the design of some health facilities compromised patient confidentiality.

The Committee is requesting that the Department reexamine the existing centralized decision-making structure in the MacKenzie area and look to replacing it with a structure that is more responsive to community needs.

RECOMMENDATION # 5

THE COMMITTEE RECOMMENDS THAT THE **DEPARTMENT OF HEALTH** UNDERTAKE THE NECESSARY CAPITAL PLANNING AND BUDGETING INITIATIVES TO DELIVER, AS A PRIORITY, THE NEW BAFFIN AND INUVIK REGIONAL HEALTH CARE FACILITIES WHICH WERE PROMISED IN THE TRANSFER OF HEALTH FROM THE FEDERAL GOVERNMENT.

RECOMMENDATION # 6

THE COMMITTEE RECOMMENDS THAT THE **DEPARTMENT OF HEALTH** COMPLETE A COMPREHENSIVE, COMMUNITY-BASED NEEDS ASSESSMENT AND ECONOMIC ANALYSIS FOR THE PROPOSED KEEWATIN REGIONAL HEALTH FACILITY. THE COMMITTEE FURTHER RECOMMENDS THAT THE RESULTS OF THIS ANALYSIS BE PROVIDED TO THE FINANCE COMMITTEE PRIOR TO THE EXPENDITURE OF ADDITIONAL CAPITAL FUNDS.

RECOMMENDATION # 7

THE COMMITTEE RECOMMENDS THAT THE **DEPARTMENT OF HEALTH** IMPLEMENT A PROCESS WHICH ENSURES THAT COMMUNITY NEEDS ARE IDENTIFIED AND ADDRESSED BY REGIONAL HEALTH BOARDS. THE COMMITTEE FURTHER RECOMMENDS THAT THE DETAILS OF THIS PROCESS BE PROVIDED TO THE FINANCE COMMITTEE DURING ITS REVIEW OF THE 1994/95 MAIN ESTIMATES.

RECOMMENDATION # 8

THE COMMITTEE RECOMMENDS THAT THE **DEPARTMENT OF HEALTH** IMMEDIATELY REPLACE MACKENZIE REGIONAL HEALTH SERVICES WITH DECENTRALIZED BOARD STRUCTURES THAT BETTER REFLECT THE INTERESTS OF THE RESIDENTS OF THE NORTH SLAVE, SOUTH SLAVE AND DEH CHO REGIONS.

SOCIAL SERVICES

The Committee is not convinced that the overall allocation of capital dollars to the Department of Social Services is in keeping with the government's stated priorities for capital spending. It appears that current levels of funding for this Department may represent an inadequate investment in the well-being of so many of our citizens.

The Committee understands that there have been several senior management changes recently and are hopeful that this signals a much needed change in direction. Committee members expect the Department to support next year's capital forecast with a long range plan that includes the following elements.

- (A) An inventory of existing facilities in each region, including:
- family violence shelters;
 - family and multi-purpose group homes;
 - handicapped adults group homes;
 - child welfare facilities;
 - alcohol and drug treatment centres
 - elders' residences; and
 - psychiatric halfway houses.
- (B) A coordinated five to ten year strategy which includes the following analyses.
- comprehensive regional needs assessment developed through extensive community consultation;
 - substantiation of projects based on the achievement of desired results;
 - cost/benefit assessments of various proposed initiatives such as the repatriation of clients treated or cared for outside of the Northwest Territories; and
 - integration wherever practical with existing and planned health care facilities.

RECOMMENDATION # 9

THE COMMITTEE RECOMMENDS THAT THE DEPARTMENT OF SOCIAL SERVICES DEVELOP A COMPREHENSIVE CAPITAL PLANNING STRATEGY TO GUIDE THE DEVELOPMENT OF CAPITAL FORECASTS FOR THE FISCAL YEAR 1994/95 AND BEYOND.

EDUCATION, CULTURE AND EMPLOYMENT

CAPITAL PLANNING FOR SCHOOL PROJECTS

School populations are soaring and with today's tough economic times, students are returning to school as never before.. This was the message the Committee received from the Minister of Education, Culture and Employment. Just maintaining the existing investment in schools (approximately \$450 million) requires massive infusions of capital. Implementing high school grade extensions in the communities requires both the addition of classrooms and a redesign of school facilities.

The Department informed the Committee that they have responded to these challenges with a new approach to capital planning. There are two aspects of this new approach. The first is that school enrollments will be projected using statistical information about the population of communities. In the past, school enrollments were forecast using school statistics, specifically, the number of students enrolled in kindergarten through grade 12.

The second aspect of the new approach to planning has to do with the standards and criteria used for the planning and design of school buildings. The standards and criteria deal with issues such as the number of square feet per student, the number of square feet per classroom, and ultimately the size of facilities in the communities. The standards also respond to changes in teaching methods and technology as they affect facility requirements.

The Department informed the Committee that they anticipate having new criteria and standards drafted by December 1993.

Committee members noted a large number of changes to the capital plan over that reported last year. The capital budget increased 28.2% to \$38.2 million in 1994/95. This overall increase is the net result of projected spending reductions of \$10 million and \$17 million of expenditures for new projects. The Committee has examined each of

these projects and their potential impact on communities. In some cases, the Committee is recommending changes to the Department's plan.

One issue that is particularly troublesome to the Committee is the recent appearance of school additions for four communities -- Fort Liard, Hall Beach, Arctic Bay and Arviat. In all four cases, the additions are required for schools recently built. The difficulty is related to the method used in planning the schools, specifically, the method used to forecast school enrollments. The Department's new approach to planning was notably absent in these cases.

The Committee noted that many new school and school addition construction projects were moved ahead or "fast-tracked" in the capital plan. These include the communities of -- Trout Lake, Fort Good Hope, Fort Norman, Norman Wells, Arctic Bay, Cape Dorset, Igloolik, Pangnirtung, Coral Harbour, Pelly Bay, and Taloyoak. The justification for "fast-tracking" these projects includes;

- existing overcrowding;
- the need for grade extensions;
- program deficiencies, or
- necessary upgrades to the physical plant.

On the other hand, several school projects were set back to later years in the capital plan. These include projects in Jean Marie River, Fort Providence, Fort Simpson, Fort Smith, Lac La Martre, Aklavik, Fort McPherson, Inuvik, and Pond Inlet.

The Committee also noted cases where overcrowding and other deficiencies are creating the need for immediate attention. An example of such a situation is the school in Chesterfield Inlet which is experiencing extreme overcrowding.

During the review of the 1993/94 Capital Estimates, the Committee recommended that the Department live up to prior commitments and fast track the renovations to J.B. Tyrell Elementary School in Fort Smith by advancing \$100,000 for design and tender document production to 1993/94, and construction to 1994/95 and 1995/96. When the Standing Committee reviewed the capital forecasts received from the Financial Management Board, members discovered that the renovations for J.B. Tyrell Elementary School had been moved even further back, to begin in the fiscal year 1997/98. The Minister, when appearing before the Committee, agreed to review this situation. Following this review and the incorporation of information recently received from the community, the funding for this project was reinstated.

The Committee had been informed, prior to its review, that the Department had deferred the building of a new school in Jean Marie River. The fact that a new school is urgently required in this community was raised when the Minister appeared before the Committee. The Minister said that the problem with this project was that the facility is "over designed" for the community and construction costs are estimated to be more than what was approved. The Minister stated that the Department would like construction to start on this project next summer, at the very latest. He said that materials could be delivered during the winter.

Previously planned expenditures in excess of \$10 million were cut from the five year plan. Members were very concerned about the magnitude of this change in plans.

The Committee does not expect to see such massive readjustments in future capital plans. Members accept that a number of factors have, in combination, made dramatic adjustments necessary in this year. These factors include:

- forced growth;
- previously unrecognized demands;
- grade extensions and other policy changes.

Members also recognize that the Department has created a new capital planner position and is implementing new procedures to guide the capital planning process. However, the Committee believes that a recommendation is required to ensure that the Department conducts effective, fair and comprehensive capital planning for schools.

RECOMMENDATION # 10

THE COMMITTEE RECOMMENDS THAT THE **DEPARTMENT OF EDUCATION, CULTURE AND EMPLOYMENT** DEVELOP AND IMPLEMENT A CAPITAL PLANNING STRATEGY WHICH IDENTIFIES AND ACCOUNTS FOR FACTORS WHICH AFFECT THE SIZE AND CONFIGURATION OF SCHOOL FACILITIES. THE COMMITTEE FURTHER RECOMMENDS THAT THIS CAPITAL PLANNING STRATEGY BE IN PLACE IN TIME TO GUIDE THE DEVELOPMENT OF CAPITAL FORECASTS, INCLUDING FIVE YEAR PLANS, BEGINNING WITH THE FISCAL YEAR 1995/96.

Further, the Committee is concerned that the capital forecasts, now being considered, are based on standards and criteria that are flawed and outdated. Therefore, the Committee makes the following recommendation.

RECOMMENDATION # 11

THE COMMITTEE RECOMMENDS THAT THE **DEPARTMENT OF EDUCATION, CULTURE AND EMPLOYMENT** REASSESS MAJOR PROJECTS WHICH REQUIRE FUNDING FOR THE CURRENT YEAR AND MAKE ADJUSTMENTS, WHERE NECESSARY, THROUGH THE CAPITAL OUTLOOK PROCESS. PROJECTS THAT REQUIRE ADJUSTMENTS INCLUDE THE FOLLOWING.

- (A) YELLOWKNIFE SCHOOL DISTRICT # 1 REQUIRES CAPITAL PLANNING FUNDS IN THE ORDER OF \$150,000. THESE FUNDS SHOULD BE USED TO MAKE AN ASSESSMENT OF THE OVERALL PICTURE FOR SCHOOL FACILITIES IN THE DISTRICT OVER THE SHORT, MEDIUM AND LONG TERM. FUNDING STRATEGIES NEED TO BE ADDRESSED, AS WELL.

- (B) A STUDY SHOULD BE UNDERTAKEN TO DETERMINE THE FEASIBILITY OF COMBINING TWO SCHOOL PROJECTS IN FORT SIMPSON. THE TWO PROJECTS ARE:
 - THE CONSTRUCTION OF A NEW ELEMENTARY SCHOOL; AND
 - RENOVATIONS TO T. SIMPSON SCHOOL.

- (C) PLANNING FUNDS ARE REQUIRED FOR CHESTERFIELD INLET. OVERCROWDING AND OTHER DEFICIENCIES NEED TO BE ADDRESSED IN THE CONTEXT OF SHORT, MEDIUM AND LONG TERM PLANS.

ARCTIC COLLEGE

The Committee is aware of a number of pressures that will increase the need for access to college programs across the Territories. These include land claims implementation, emphasis on affirmative action and preparation for Nunavut. Members noted that there are great demands for student housing, particularly, married student housing. These needs are not addressed in the capital plan. The Committee believes that people are missing opportunities to achieve higher levels of education, due to the serious shortfall of housing for students. Members recommend that the option of leasing housing and other alternative arrangements be considered by the Government to meet the identified need.

The Committee did not feel that the capital forecast and five year plans, under review, addressed the pressures and expectations regarding training for adults. Further, the Committee has not seen a long range plan for Arctic College that addresses these concerns. Therefore, the Committee makes the following recommendation to the Department.

RECOMMENDATION # 12

THE COMMITTEE RECOMMENDS THAT THE DEPARTMENT OF **EDUCATION, CULTURE AND EMPLOYMENT** PUT FORWARD A LONG RANGE PLAN FOR ARCTIC COLLEGE WHICH CLEARLY IDENTIFIES FUTURE DEMANDS FOR COLLEGE PROGRAMS. THESE DEMANDS SHOULD BE USED TO IDENTIFY FACILITY REQUIREMENTS AND INCORPORATED INTO THE DEPARTMENT'S OVERALL CAPITAL PLANNING STRATEGY.

CULTURE PROGRAMS

Following its review of the **1993/94 Capital Estimates**, the Committee recommended that -- "the Department of Education, Culture and Employment Programs develop a policy covering museums, churches and other historical buildings to ensure consistency, fairness and equity in the application of standards and criteria for such infrastructure between communities". Further, the Committee recommended that specific projects be deferred pending completion of the policy.

When the Minister appeared before the Committee for the review of **1994/95 Capital Estimates**, he said that he would provide revised copies of the policies that respond to this recommendation. Committee members understand, after much urging, that these policies have been approved by Cabinet.

MUNICIPAL AND COMMUNITY AFFAIRS (M.A.C.A.)

The Committee is pleased to note that the department has taken action to improve the basic level of infrastructure in the smaller communities. Initiatives such as building new water and sanitation infrastructure in Snare Lake, Grise Fiord and Lake Harbour are indicative of the Department's commitment toward these improvements. The Department should also be congratulated on the progress made in implementing the community consultation process and in advancing projects according to community plans. Although some changes are inevitable each year, the Department has a good record in setting priorities and keeping to their schedule.

The Committee, during the review, noted that the proposed spending on staff housing for municipal employees, appeared to be delegated as a low priority. The Committee suggests that M.A.C.A. encourage hamlets to consider leasing staff housing, where possible, rather than constructing new houses using capital dollars. This approach would provide greater flexibility while encouraging hamlets to explore less costly solutions to staff housing.

The Committee also suggests that it would be logical for the Department of Municipal and Community Affairs to assume stewardship of the dust control program in communities. The rationale for this suggestion is that the Department already has the responsibility for road maintenance within community boundaries. Further, since it is the government's intention to fund the dust control program as a community transfer initiative, the Committee feels that it is most appropriate that M.A.C.A. oversee these projects, in the interim.

RECOMMENDATION #13

THE COMMITTEE RECOMMENDS THAT THE **DEPARTMENT OF MUNICIPAL AND COMMUNITY AFFAIRS** ASSUME RESPONSIBILITY FOR THE DUST CONTROL PROGRAM IN COMMUNITIES EFFECTIVE IN THE 1994/95 FISCAL YEAR.

The Committee supports the Municipal Capital Assistance Policy and the principle that communities should contribute to building and equipment costs according to the "ability to pay" formula.

The Committee concurs with the "standardized design" approach, adopted by the Department, for the construction of firehalls, hamlet offices, and other buildings. This approach will insure equity across the Territories and the provision of comparable facilities at lower cost.

Members are concerned about an item for the City of Yellowknife which remains outside of the block funding agreement. The item is the CBD agreement, which was previously shown for three years, at \$1.2 million each year. In the capital forecast for the fiscal year 1994/95, the amount shown for this item is \$1.2 million while the funding for future years has been removed. The Committee understands that this is now the subject of a dispute between the City and the Government of the Northwest Territories. The Committee hopes that the government will be fair and reasonable in negotiating with the City. In light of prior commitments and continuing negotiations, Committee members believe that the Department of Municipal and Community Affairs should have a contingency plan.

PUBLIC WORKS AND SERVICES

The Committee supports the Department's initiative over the past year to provide new office and housing facilities, to the communities of Fort Smith, Hay River, Fort Simpson, Inuvik, Rankin Inlet and Iqaluit, as a result of the decentralization plan. The Committee noted that the Department has also decentralized ten project management positions to regional and community offices.

The Committee also supports the Department's initiative to develop comprehensive office plans for accommodating headquarters personnel in Yellowknife. Through departmental consolidation and termination of various leases, the Department projected savings in the order of one million dollars over the next five years. Based on these estimated savings, the Department obtained supplementary funding of approximately \$626,000 to complete office renovation and tenant improvement projects in Yellowknife. Members were disappointed to learn that, as of October, very little of this money has been applied to the purpose intended. In addition, forecast spending on Yellowknife renovations and improvements for the fiscal year 1994/95 have been cut by \$800,000.

The Committee is of the opinion that this development will adversely affect the efficiency of headquarters personnel. The Committee would like the department to revisit plans for headquarters office improvements and report back to the Committee.

In addition, Committee members believe that, given the current commercial real estate market in Yellowknife, by going to public tender rather than overholding leases it is likely that headquarters personnel could be accommodated more cost effectively .

RECOMMENDATION # 14

THE COMMITTEE RECOMMENDS THAT THE **DEPARTMENT OF PUBLIC WORKS AND SERVICES** REVIEW THE YELLOWKNIFE OFFICE PLAN AND RESUBMIT THEIR ESTIMATES FOR OFFICE RENOVATIONS AND TENANT IMPROVEMENTS FOR 1994-95.

Progress has been made by this Department and its client departments in the use of "standardized building" designs in facilities such as schools, hamlet offices and health centres. The Committee supports this approach and encourages further applications in facilities such as group homes, treatment centres, tourist facilities and libraries. This method will result in significant cost savings and insure consistent standards within communities.

Criticisms of architects "over-designing" facilities surfaced during our review, particularly in smaller settlements. Members requests that the Department seek simpler solutions that, while consistent with design standards, are more practical and easier to maintain in smaller communities.

In the town of Inuvik, buildings are being removed from the High Temperature Hot Water (H.T.H.W.) system, operating through the utilidor. Detached houses have already been removed and row housing units are scheduled to come off next year. Recognizing that there are substantial cost savings in this conversion from the H.T.H.W. system to boilers, the Committee would like assurance that Public Works & Services, the NWT Power Corporation and the client departments, are coordinating their construction plans.

RECOMMENDATION #15

THE COMMITTEE RECOMMENDS THAT THE DEPARTMENT OF PUBLIC WORKS AND SERVICES COORDINATE PLANS FOR EXISTING AND FUTURE CAPITAL PROJECTS FOR INUVIK WHICH REFLECT THE PHASING OUT OF THE HIGH TEMPERATURE HOT WATER SYSTEM.

JUSTICE

The Department of Justice provided the Committee with a briefing on the changes being recommended to the approach taken to Corrections programs in the Northwest Territories. Members support, in principle, the approach outlined by the Department. The basic elements of the approach are as follows.

- Devote resources to communities for the establishment of Community Justice Committees and the development of alternatives to incarceration.
- Devote resources to community based residential centres across the Northwest Territories.
- Build additional institutional facilities in Nunavut and the MacKenzie Delta to better reflect existing and projected inmate populations, and
- Continue discussions with Ottawa to repatriate federal inmates, from the Northwest Territories, now serving long sentences in southern institutions.

On the basis of the recommended approach, the Minister and his staff expect the capital costs for community based residential centres to approach \$5.1 million by the year 2006. Construction or renovations of institutions are expected to be close to \$43 million.

The Committee suggested, during the review of the 1993/94 Capital Estimates, that the Department include funding for culturally relevant corrections programs such as wilderness camps and land skills survival programs in the 1994/95 Capital Estimates. This has not happened. The Committee recommends that future budgets address this exclusion.

Given the magnitude of estimated capital costs and the exclusion of important programs from the capital forecast, the Committee is very

concerned that the Department is presenting a five year capital plan that totals only \$2.8 million. This amount represents more than \$21 million less than what was put forward last year.

The Committee appreciates that the Department's plans require adjustment and that the recommended approach must be approved. However, Committee members do not understand why the Department did not come forward with their "best estimates" for capital spending over the next five years.

A realistic estimate of the capital expenditures required for Corrections programs are not included in the 1994/95 Capital Estimates. Committee members wonder, then, where additional funds will come from, in future years, to support Corrections programs. Will other Departments be required to scale back their plans in order to accommodate the absence of these required programs in the capital plan?

RECOMMENDATION # 16

THE COMMITTEE RECOMMENDS THAT THE **DEPARTMENT OF JUSTICE** PREPARE FIVE YEAR CAPITAL FORECASTS FOR CORRECTIONS, WHICH INCLUDE:

- (A) EXPANDED CULTURALLY RELEVANT CORRECTIONS PROGRAMS WHICH REQUIRE COMMUNITY AND LAND BASED CORRECTIONS FACILITIES; AND

- (C) FUTURE INSTITUTIONAL FACILITIES.

THESE FIVE YEAR PLANS SHOULD BE INCLUDED IN THE 1995/96 CAPITAL ESTIMATES.

With respect to the Department's plans to repatriate federal inmates, the Committee suggests that the Department exercise caution in negotiating

With respect to the Department's plans to repatriate federal inmates, the Committee suggests that the Department exercise caution in negotiating with the federal government. In light of experience with other devolution arrangements, the federal government must not be allowed to "off-load" its responsibility. Any agreement must be carefully reviewed to ensure that funding is adequate for long-term needs.

The Committee noted that the Department is requesting \$100,000 for renovations to the Yellowknife Corrections Centre. Members are concerned about the relative economy of investing more money in renovations to that facility. The Committee would like to see the Department consider other options to house those inmates.

ECONOMIC DEVELOPMENT AND TOURISM

Two major issues were raised during the Committee's review of the Department of Economic Development and Tourism's capital forecasts. These issues are outlined below.

- The relative economic benefits associated with tourism projects; and
- The absence of policy to guide capital expenditures for parks development.

The Committee also expressed concern regarding the Department's response to the previous year's recommendation regarding the fisheries industry.

ECONOMIC BENEFITS

The Committee is very concerned about the absence of a strong rationale for the overall allocation of capital funding to tourism projects. It is imperative that a comprehensive economic assessment, which clearly identifies the real and potential benefits to communities, be conducted. The results of such an assessment are necessary to determine the appropriate allocation of overall capital funding to parks development and other tourism projects. In light of the \$4.5 million the government plans to commit next year, this type of information will prove invaluable.

A specific example, of the need for further information, is provided by the Katannalik Park near Lake Harbour on Baffin Island. The planned investment in this park, between 1992 and 1998 is \$1.4 million. Katannalik is a "destination" park where visitors come specifically to experience its remote location and Arctic environment. The park undoubtedly contributes directly to the community's economy, in terms of employment generation and local purchasing, but adequate measures of indirect benefit to the community and region have not been quantified.

The Committee would like to see the Department use Katannalik Park, specifically, for a detailed forecast of economic costs and benefits associated with the parks program. As well, detailed economic benefit forecasts should also be carried out for other types of parks facilities such as:

- Blackstone (a tourism support park);
- the Fort Smith Mission Historic Park (a community park); and
- the Western Arctic Regional Visitors' Centre in Inuvik (a visitors' centre).

RECOMMENDATION # 17

THE COMMITTEE RECOMMENDS THAT THE DEPARTMENT OF ECONOMIC DEVELOPMENT AND TOURISM COMPLETE A DETAILED FORECAST OF DIRECT AND INDIRECT NET ECONOMIC BENEFIT EXPECTED

- FROM ITS TOURISM AND PARKS PROGRAM, IN GENERAL; AND
- FROM SPECIFIC PROJECTS IN THE CONTEXT OF THE COMMUNITIES WHERE THE BENEFITS ARE EXPECTED.

THE COMMITTEE FURTHER RECOMMENDS THAT THIS DETAILED FORECAST BE COMPLETED IN SUFFICIENT TIME TO GUIDE THE ALLOCATION OF OVERALL CAPITAL SPENDING FOR THE FISCAL YEAR 1995/96.

PARKS DEVELOPMENT POLICY

The Committee noted, and the Minister confirmed, that the Department of Economic Development and Tourism is operating without the benefit of a policy to guide its parks development program. The Minister committed, during the review, to develop a comprehensive policy. The Department indicated that it would take about eight or nine months to develop and implement this policy.

FISHERIES INDUSTRY

In its review of the 1993/94 Capital Forecasts, the Committee recommended that the Department of Economic Development and Tourism develop a long-term plan for the fisheries industry in the Northwest Territories, including examining the feasibility of increasing the processing capacity of existing fish plants. The departmental response has been to initiate a comprehensive study of the industry prior to developing a long-range plan. The Committee is not satisfied with this response. Members would like to impress upon the Department that a long range plan is urgently required.

RENEWABLE RESOURCES

The Committee noted that the Department is planning to spend \$458,000 in the fiscal year 1994/95 for mobile equipment in all regions. The project substantiations provided to the Committee show a long inventory of snowmobiles, A.T.V.'s, boats and outboard motors. Many of these requests appear to duplicate those made in the previous year. When questioned by the Committee, the Minister advised that the Department relies on replacement standards developed by Public Works and Services to replace mobile equipment for Field Operations personnel.

Committee members feel that the Department could cut back on expenditures for mobile equipment without hampering the efficiency of the Department. One means of achieving savings is to lease locally owned equipment as necessary. The Committee also believes that the process used in disposing capital equipment can be improved. Therefore, the Committee makes the following recommendation.

RECOMMENDATION # 18

THE COMMITTEE RECOMMENDS THAT THE DEPARTMENT OF RENEWABLE RESOURCES REDUCE ITS MOBILE EQUIPMENT INVENTORY IN ALL REGIONS. THIS REDUCTION IN INVENTORY AND THE RELATED SAVINGS IN CAPITAL DOLLARS SHOULD BE DEMONSTRATED IN THE 1994/95 AND SUBSEQUENT FISCAL YEARS.

In last year's report, the Committee recommended that the Department's video equipment budget of \$10,000 be removed and that the activity be privatized. This item was removed for the fiscal year 1993/94, but the capital budget for the fiscal year 1994/95 shows a proposed expenditure of \$115,000. The activity has, obviously, not been privatized. The Committee is not convinced that it is necessary to expend government

funds to invest in video production facilities. There are private sector resources capable of providing the required services, most likely at a lower cost.

RECOMMENDATION # 19

THE COMMITTEE RECOMMENDS THAT THE FUNDING IDENTIFIED FOR VIDEO EQUIPMENT FOR THE FISCAL YEAR 1994/95 BE DELETED PENDING A COMPREHENSIVE COST BENEFIT ANALYSIS OF ALL FEASIBLE OPTIONS FOR ACQUIRING THE REQUIRED SERVICES. THE OPTIONS CONSIDERED SHOULD INCLUDE THE FOLLOWING, AS A MINIMUM,

- IN-HOUSE VIDEO PRODUCTIONS;
- DEVELOPMENT OF A GOVERNMENT WIDE VIDEO PRODUCTION FACILITY; AND
- USE OF PRIVATE SECTOR RESOURCES TO PROVIDE THE REQUIRED SERVICE.

NORTHWEST TERRITORIES POWER CORPORATION

The Committee acknowledges the improved reporting format presented by the Northwest Territories Power Corporation for this capital review. The reporting format could be further enhanced by presenting consistent five year plans that are comparable from year to year. A consistent reporting format over a five year period would illustrate changes to plans and the addition of new projects in the planning cycle.

Members are concerned about the Corporation's apparent inability to harness and market excess system capacity. This was noted, specifically, in relation to the Taltson River power generating station.

Committee members have serious reservations about the economic feasibility of privatizing the Power Corporation. Therefore, the Committee looks forward to receiving a full briefing on the government's plans in this regard. Further, the Committee will take the opportunity to assess the information that the government used in drawing any conclusions reached to date.

WORKERS COMPENSATION BOARD

The Committee reviewed the draft 1994 Capital Expenditure Plan (not yet reviewed by the Board of Directors) for the Workers Compensation Board. The capital budget put forward is comprised solely of computer hardware and software. Committee members expressed concern with this request, given major purchases of computers in previous years. The Board informed the Committee that a comprehensive review of the current systems was undertaken in January of this year. The proposed purchase of computer hardware and software is intended to improve the quality and usefulness of information for both clients and management.

SAFETY AND PUBLIC SERVICES

The Committee accepts the Department's substantiation for the modest capital budget put forward for the fiscal year 1994/95. This budget includes mine rescue, occupational health and environmental equipment and an inspection vehicle. Committee members assume that these items are required to comply with enforcement provisions under the various acts that the Department administers.

NORTHWEST TERRITORIES HOUSING CORPORATION

Housing continues to be a prominent concern of the Committee. The Minister and the Corporation are continuing efforts to solve the critical housing shortage in the Northwest Territories. These efforts are being undertaken in the midst of federal cost-sharing reductions and eliminations.

RECOMMENDATION # 20

THE COMMITTEE RECOMMENDS THAT THE NORTHWEST TERRITORIES HOUSING CORPORATION NEGOTIATE, ON AN URGENT BASIS, WITH THE NEW FEDERAL GOVERNMENT TO REINSTATE SOME FORM OF COST SHARING TO SUPPORT SOCIAL HOUSING PROGRAMS. THE COST SHARING ARRANGEMENT SHOULD REFLECT THE FEDERAL GOVERNMENT'S FIDUCIARY RESPONSIBILITY TO PROVIDE HOUSING TO ABORIGINAL PEOPLE.

The Minister noted his intention to continue to work closely with the Advisory Committee on Social Housing. In the Standing Committee's view, the Advisory Committee is not working effectively. Meetings are rarely called and advice is not sought from the members. Members find this disturbing, particularly, given the current crisis situation in meeting housing needs. The Standing Committee on Finance would like to see the Terms of Reference for the Advisory Committee reviewed, with a view to either strengthening or dissolving this group.

The Committee acknowledges the Corporation's work in developing a variety of housing programs including; Access to Home Ownership, Rent Supplement, Senior Citizen's Home Repair and Homeowner Improvement. However, the Committee encourages the Corporation to continue to explore alternative means of providing housing that is cost-effective and meets the needs of the communities.

NORTHWEST TERRITORIES HOUSING CORPORATION

Committee members noted that there is confusion about the Corporation's programs in the communities. The confusion results from the fact that there is both an Access program and an Access housing unit. The Committee suggests that the Corporation review this situation and take whatever action is required to eliminate this confusion.

Members feel that various regions and communities should have some flexibility in accessing government supported housing. This could be accomplished through some type of "block funding arrangement". The added benefit of this type of arrangement would be that decisions could be made at the community level.

The Committee is impressed with the "Build and Learn" strategy being implemented by the Corporation.

SUMMARY OF RECOMMENDATIONS

RECOMMENDATION # 1

THE COMMITTEE RECOMMENDS THAT THE **FINANCIAL MANAGEMENT BOARD** CLARIFY AND ENSURE CONSISTENCY IN THE REPORTING OF PRIOR YEAR, CURRENT YEAR AND "TOTAL" EXPENDITURES IN THE FIVE YEAR CAPITAL FORECAST DOCUMENTS. THE COMMITTEE FURTHER RECOMMENDS THAT THE MODIFICATIONS, WHICH ADDRESS THE DIFFICULTIES IDENTIFIED, BE CONTAINED IN THE FIVE YEAR CAPITAL FORECAST 1995/96 - 1999/2000 DOCUMENT.

RECOMMENDATION # 2

THE COMMITTEE RECOMMENDS THAT THE **FINANCIAL MANAGEMENT BOARD** PROVIDE SUBSTANTIATION FOR ANY CHANGES OVER \$100,000 IN PLANNED EXPENDITURES. THE COMMITTEE FURTHER RECOMMENDS THAT THESE SUBSTANTIATIONS BE CONTAINED IN THE FIVE YEAR CAPITAL FORECAST 1995/96 - 1999/2000 DOCUMENT.

RECOMMENDATION # 3

THE COMMITTEE RECOMMENDS THAT THE **DEPARTMENT OF TRANSPORTATION** REASSESS ITS SHORT TERM PRIORITIES. THE OBJECTIVE OF THE REASSESSMENT IS TO ENSURE THAT THE MAXIMUM NUMBER OF RESIDENTS OF THE NORTHWEST TERRITORIES BENEFIT FROM THE EXPENDITURE OF CAPITAL DOLLARS ON THE HIGHWAY PROGRAM. THE COMMITTEE FURTHER RECOMMENDS THAT THE FOUR HIGHWAYS LISTED BELOW BE RECONSIDERED IN CONJUNCTION WITH THIS OBJECTIVE. RECONSIDERATION SHOULD INVOLVE THE MOVEMENT OF CAPITAL FUNDS IN THE 1994/95 FISCAL YEAR FOR THE RECONSTRUCTION AND/OR PAVING OF THE FOLLOWING ROADS:

- HIGHWAY 5 (FORT SMITH);
- HIGHWAY 8 (DEMPSTER);
- HIGHWAY 6 (FORT RESOLUTION) AND
- HIGHWAY 1 (FORT SIMPSON).

RECOMMENDATION #4

THE COMMITTEE RECOMMENDS THAT THE FUNDING IDENTIFIED FOR THE RANKIN INLET MARINE RESUPPLY TERMINAL FOR 1994/95 BE DELETED, PENDING THE COMPLETION AND REVIEW OF A COMPREHENSIVE COST/BENEFIT ANALYSIS WHICH IDENTIFIES AND ASSESSES ALL OPTIONS FOR MARINE RESUPPLY IN ALL REGIONS WHICH WOULD BE AFFECTED.

RECOMMENDATION # 5

THE COMMITTEE RECOMMENDS THAT THE **DEPARTMENT OF HEALTH** UNDERTAKE THE NECESSARY CAPITAL PLANNING AND BUDGETING INITIATIVES TO DELIVER, AS A PRIORITY, THE NEW BAFFIN AND INUVIK REGIONAL HEALTH CARE FACILITIES WHICH WERE PROMISED IN THE TRANSFER OF HEALTH FROM THE FEDERAL GOVERNMENT.

RECOMMENDATION # 6

THE COMMITTEE RECOMMENDS THAT THE **DEPARTMENT OF HEALTH** COMPLETE A COMPREHENSIVE, COMMUNITY-BASED NEEDS ASSESSMENT AND ECONOMIC ANALYSIS FOR THE PROPOSED KEEWATIN REGIONAL HEALTH FACILITY. THE COMMITTEE FURTHER RECOMMENDS THAT THE RESULTS OF THIS ANALYSIS BE PROVIDED TO THE FINANCE COMMITTEE PRIOR TO THE EXPENDITURE OF ADDITIONAL CAPITAL FUNDS.

RECOMMENDATION # 7

THE COMMITTEE RECOMMENDS THAT THE **DEPARTMENT OF HEALTH** IMPLEMENT A PROCESS WHICH ENSURES THAT COMMUNITY NEEDS ARE IDENTIFIED AND ADDRESSED BY REGIONAL HEALTH BOARDS. THE COMMITTEE FURTHER RECOMMENDS THAT THE DETAILS OF THIS PROCESS BE PROVIDED TO THE FINANCE COMMITTEE DURING ITS REVIEW OF THE 1994/95 MAIN ESTIMATES.

RECOMMENDATION # 8

THE COMMITTEE RECOMMENDS THAT THE **DEPARTMENT OF HEALTH** IMMEDIATELY REPLACE MACKENZIE REGIONAL HEALTH SERVICES WITH DECENTRALIZED BOARD STRUCTURES THAT BETTER REFLECT THE INTERESTS OF THE RESIDENTS OF THE NORTH SLAVE, SOUTH SLAVE AND DEH CHO REGIONS.

RECOMMENDATION # 9

THE COMMITTEE RECOMMENDS THAT THE **DEPARTMENT OF SOCIAL SERVICES** DEVELOP A COMPREHENSIVE CAPITAL PLANNING STRATEGY TO GUIDE THE DEVELOPMENT OF CAPITAL FORECASTS FOR THE FISCAL YEAR 1994/95 AND BEYOND.

RECOMMENDATION # 10

THE COMMITTEE RECOMMENDS THAT THE **DEPARTMENT OF EDUCATION, CULTURE AND EMPLOYMENT** DEVELOP AND IMPLEMENT A CAPITAL PLANNING STRATEGY WHICH IDENTIFIES AND ACCOUNTS FOR FACTORS WHICH AFFECT THE SIZE AND CONFIGURATION OF SCHOOL FACILITIES. THE COMMITTEE FURTHER RECOMMENDS THAT THIS CAPITAL PLANNING STRATEGY BE IN PLACE IN TIME TO GUIDE THE DEVELOPMENT OF CAPITAL FORECASTS, INCLUDING FIVE YEAR PLANS, BEGINNING WITH THE FISCAL YEAR 1995/96.

RECOMMENDATION # 11

THE COMMITTEE RECOMMENDS THAT THE **DEPARTMENT OF EDUCATION, CULTURE AND EMPLOYMENT** REASSESS MAJOR PROJECTS WHICH REQUIRE FUNDING FOR THE CURRENT YEAR AND MAKE ADJUSTMENTS, WHERE NECESSARY, THROUGH THE CAPITAL OUTLOOK PROCESS. PROJECTS THAT REQUIRE ADJUSTMENTS INCLUDE THE FOLLOWING.

- (A) YELLOWKNIFE SCHOOL DISTRICT # 1 REQUIRES CAPITAL PLANNING FUNDS IN THE ORDER OF \$150,000. THESE FUNDS SHOULD BE USED TO MAKE AN ASSESSMENT OF THE OVERALL PICTURE FOR SCHOOL FACILITIES IN THE DISTRICT OVER THE SHORT, MEDIUM AND LONG TERM. FUNDING STRATEGIES NEED TO BE ADDRESSED, AS WELL.
- (B) A STUDY SHOULD BE UNDERTAKEN TO DETERMINE THE FEASIBILITY OF COMBINING TWO SCHOOL PROJECTS IN FORT SIMPSON. THE TWO PROJECTS ARE:
 - THE CONSTRUCTION OF A NEW ELEMENTARY SCHOOL; AND
 - RENOVATIONS TO T. SIMPSON SCHOOL.
- (C) PLANNING FUNDS ARE REQUIRED FOR CHESTERFIELD INLET. OVERCROWDING AND OTHER DEFFICIENCIES NEED TO BE ADDRESSED IN THE CONTEXT OF SHORT, MEDIUM AND LONG TERM PLANS.

RECOMMENDATION # 12

THE COMMITTEE RECOMMENDS THAT THE DEPARTMENT OF **EDUCATION, CULTURE AND EMPLOYMENT** PUT FORWARD A LONG RANGE PLAN FOR ARCTIC COLLEGE WHICH CLEARLY IDENTIFIES FUTURE DEMANDS FOR COLLEGE PROGRAMS. THESE DEMANDS SHOULD BE USED TO IDENTIFY FACILITY REQUIREMENTS AND INCORPORATED INTO THE DEPARTMENT'S OVERALL CAPITAL PLANNING STRATEGY.

RECOMMENDATION #13

THE COMMITTEE RECOMMENDS THAT THE **DEPARTMENT OF MUNICIPAL AND COMMUNITY AFFAIRS** ASSUME RESPONSIBILITY FOR THE DUST CONTROL PROGRAM IN COMMUNITIES EFFECTIVE IN THE 1994/95 FISCAL YEAR.

RECOMMENDATION # 14

THE COMMITTEE RECOMMENDS THAT THE **DEPARTMENT OF PUBLIC WORKS AND SERVICES** REVIEW THE YELLOWKNIFE OFFICE PLAN AND RESUBMIT THEIR ESTIMATES FOR OFFICE RENOVATIONS AND TENANT IMPROVEMENTS FOR 1994-95.

RECOMMENDATION #15

THE COMMITTEE RECOMMENDS THAT THE **DEPARTMENT OF PUBLIC WORKS AND SERVICES** COORDINATE PLANS FOR EXISTING AND FUTURE CAPITAL PROJECTS FOR INUVIK WHICH REFLECT THE PHASING OUT OF THE HIGH TEMPERATURE HOT WATER SYSTEM.

RECOMMENDATION # 16

THE COMMITTEE RECOMMENDS THAT THE **DEPARTMENT OF JUSTICE** PREPARE FIVE YEAR CAPITAL FORECASTS FOR CORRECTIONS, WHICH INCLUDE:

- (A) EXPANDED CULTURALLY RELEVANT CORRECTIONS PROGRAMS WHICH REQUIRE COMMUNITY AND LAND BASED CORRECTIONS FACILITIES; AND
- (C) FUTURE INSTITUTIONAL FACILITIES.

THESE FIVE YEAR PLANS SHOULD BE INCLUDED IN THE 1995/96 CAPITAL ESTIMATES.

RECOMMENDATION # 17

THE COMMITTEE RECOMMENDS THAT THE **DEPARTMENT OF ECONOMIC DEVELOPMENT AND TOURISM** COMPLETE A DETAILED FORECAST OF DIRECT AND INDIRECT NET ECONOMIC BENEFIT EXPECTED

- FROM ITS TOURISM AND PARKS PROGRAM, IN GENERAL; AND
- FROM SPECIFIC PROJECTS IN THE CONTEXT OF THE COMMUNITIES WHERE THE BENEFITS ARE EXPECTED.

THE COMMITTEE FURTHER RECOMMENDS THAT THIS DETAILED FORECAST BE COMPLETED IN SUFFICIENT TIME TO GUIDE THE ALLOCATION OF OVERALL CAPITAL SPENDING FOR THE FISCAL YEAR 1995/96.

RECOMMENDATION # 18

THE COMMITTEE RECOMMENDS THAT THE **DEPARTMENT OF RENEWABLE RESOURCES** REDUCE ITS MOBILE EQUIPMENT INVENTORY IN ALL REGIONS. THIS REDUCTION IN INVENTORY AND THE RELATED SAVINGS IN CAPITAL DOLLARS SHOULD BE DEMONSTRATED IN THE 1994/95 AND SUBSEQUENT FISCAL YEARS.

RECOMMENDATION # 19

THE COMMITTEE RECOMMENDS THAT THE FUNDING IDENTIFIED FOR VIDEO EQUIPMENT FOR THE FISCAL YEAR 1994/95 BE DELETED PENDING A COMPREHENSIVE COST BENEFIT ANALYSIS OF ALL FEASIBLE OPTIONS FOR ACQUIRING THE REQUIRED SERVICES. THE OPTIONS CONSIDERED SHOULD INCLUDE THE FOLLOWING, AS A MINIMUM,

- IN-HOUSE VIDEO PRODUCTIONS;
- DEVELOPMENT OF A GOVERNMENT WIDE VIDEO PRODUCTION FACILITY; AND
- USE OF PRIVATE SECTOR RESOURCES TO PROVIDE THE REQUIRED SERVICE.

RECOMMENDATION # 20

THE COMMITTEE RECOMMENDS THAT THE **NORTHWEST TERRITORIES HOUSING CORPORATION** NEGOTIATE, ON AN URGENT BASIS, WITH THE NEW FEDERAL GOVERNMENT TO REINSTATE SOME FORM OF COST SHARING TO SUPPORT SOCIAL HOUSING PROGRAMS. THE COST SHARING ARRANGEMENT SHOULD REFLECT THE FEDERAL GOVERNMENT'S FIDUCIARY RESPONSIBILITY TO PROVIDE HOUSING TO ABORIGINAL PEOPLE.

APPENDIX A
Committee Terms of Reference

STANDING COMMITTEE ON FINANCE

COMMITTEE TERMS OF REFERENCE

The primary task of the Standing Committee on Finance is to undertake a detailed examination of the Government's annual budget and its related fiscal operations. Under the Committee's Terms of Reference, it has the authority to:

- inquire into such matters as may be referred to it by the Legislative Assembly;
- review and recommend on the preparation of estimates, expenditures and appropriations required to defray the charges and expenses of the public service of the Territories in each fiscal year;
- **review and recommend on capital projects and capital planning;**
- in consultation with the Chairman of the Financial Management Board, examine and recommend the terms and conditions of any agreement relating to financial arrangements with the Government of Canada;
- in consultation with the Chairman of the Financial Management Board, examine and recommend the terms and conditions for borrowing, lending and investing funds;
- review, evaluate and recommend on any revenue sources that may be available to the Territories;
- review financial implications of existing and proposed Territorial programs and the financing thereof, as well as any other programs which may, in future, become a charge against the Territorial budget; and
- investigate and inquire into those financial matters that, in the opinion of the Committee, require investigation.

The Committee intends to fulfill its mandate on behalf of the Assembly and the people of the Northwest Territories and to ensure that the Government is financially responsible.

APPENDIX B
Capital Dollar Allocation per Capita by Constituency

**COMPARISON OF CAPITAL SPENDING BY CONSTITUENCY (per capita)
CAPITAL ESTIMATES, 1993-94 - 1994-95**

WESTERN CONSTITUENCIES:	93-94	94-95
DEH CHO	\$ 2 129	\$ 2 247
HAY RIVER	1 263	1 453
INUVIK	1 425	2 034
MACKENZIE DELTA	1 560	1 238
NAHENDEH	4 973	5 120
NORTH SLAVE	2 734	3 594
SAHTU	2 190	3 986
THEBACHA	2 125	3 074
TU NEDHE	2 896	3 254
YELLOWKNIFE (4)	2 624	1 674

NUNAVUT CONSTITUENCIES:

AIVILIK	3 259	5 075
AMITTUQ	2 709	2 104
BAFFIN CENTRAL	3 842	4 953
BAFFIN SOUTH	2 349	4 446
HIGH ARCTIC	2 243	2 510
IQALUIT	1 355	1 575
KEEWATIN CENTRAL	3 280	6 041
KITIKMEOT	3 891	4 650
KIVALLIVIK	1 331	1 668
NATILIKMIOT	4 713	2 588
NUNAKPUT	3 240	1 769
	<hr/>	<hr/>
AVERAGE CONSTITUENCY (N.W.T)	2 503	2 647

Based on 1991 Census.

All constituencies include a common share of headquarters capital spending, in addition to direct spending in each constituency, equal to \$ 383 in 1993-94 and \$ 311 in 1994-95. All constituencies also share a common share of regional headquarters spending as follows:

	93-94	94-95
Ft Smith	\$ 653	\$ 727
Inuvik	406	277
Baffin	85	57
Keewatin	73	86
Kitikmeot	75	67

APPENDIX C
O & M Implications of 1994/95 Capital Projects

**SUMMARY OF DIRECT O&M IMPLICATIONS
FOR 1994-95 CAPITAL PROJECTS**

(\$000'S)

DEPARTMENT	1994-95	1995-96	1996-97	1997-98	1998-99	TOTAL
Legislative Assembly	0	0	0	0	0	0
NWT Housing Corporation	3,175	0	0	0	0	3,175
Justice	0	0	0	0	0	0
Safety & Public Services	0	0	0	0	0	0
Public Works & Services	0	0	0	0	0	0
Transportation	1,602	311	0	215	65	2,193
Renewable Resources	35	35	0	0	0	70
Municipal & Community Affairs	528	169	354	40	0	1,091
Health	254	25	0	0	0	279
Social Services	373	1,782	1,125	544	105	3,929
Economic Development & Tourism	315	60	45	20	0	440
Education, Culture & Employment	2,978	7,188	697	840	0	11,703
Total Direct	9,260	9,570	2,221	1,659	170	22,880

**SUMMARY OF INDIRECT O&M INCREMENTAL COST
MAINTENANCE & UTILITIES
FOR 1994-95 CAPITAL PROJECTS**

DEPARTMENT	(\$000's)					Total
	1994-95	1995-96	1996-97	1997-98	1998-99	
Public Works & Services						
Maintenance	52	108	107	63	78	408
Utilities	8	6	9	13	11	47
Total Department	60	114	116	76	89	455
Transportation						
Maintenance	2	1	0	2	6	11
Utilities	1	0	0	1	9	11
Total Department	3	1	0	3	15	22
Renewable Resources						
Maintenance	19	25	21	14	11	90
Utilities	40	54	43	29	24	190
Total Department	59	79	64	43	35	280
Municipal & Community Affairs						
Maintenance	8	6	17	17	14	62
Utilities	4	10	41	39	44	138
Total Department	12	16	58	56	58	200
Health						
Maintenance	43	64	66	44	0	217
Utilities	97	133	108	72	0	410
Total Department	140	197	174	116	0	627
Social Services						
Maintenance	67	67	30	45	30	239
Utilities	105	106	50	75	50	386
Total Department	172	173	80	120	80	625
Economic Development & Tourism						
Maintenance	37	2	0	0	0	39
Utilities	11	0	0	0	0	11
Total Department	48	2	0	0	0	50

**SUMMARY OF INDIRECT O&M INCREMENTAL COST
MAINTENANCE & UTILITIES
FOR 1994-95 CAPITAL PROJECTS**

DEPARTMENT	(\$000's)					Total
	1994-95	1995-96	1996-97	1997-98	1998-99	
Education, Culture & Employment						
Maintenance	148	223	144	51	30	596
Utilities	319	454	368	196	109	1446
Total Department	467	677	512	247	139	2042
TOTAL MAINTENANCE	376	496	385	236	169	1662
TOTAL UTILITIES	585	763	619	425	247	2639
TOTAL INDIRECT O&M	961	1259	1004	661	416	4301

APPENDIX D
Government's Response to Recommendations in the
Report on the 1993/94 Capital Estimates

**1993-94 SCOF RECOMMENDATIONS
CAPITAL**

RECOMMENDATIONS	STATUS
<p>1. The Committee recommends that Cabinet develop, and report in the 1994-95 Capital Estimates, a strategic approach to the Capital Program identifying, among other things,:</p> <ul style="list-style-type: none">i) the purpose and goals;ii) rationale for the allocation of budget resources between capital and operations;iii) rationale for the allocation of capital budget resources between programs and communities;iv) rationale for the specification, construction, acquisition and disposal of capital assets; andv) information requirements of departments and agencies to ensure that the capital program is being allocated fairly and equitably, and is being currently operated with due regard to efficiency, economy and effectiveness.	<p>The Chairman of the Financial Management Board will provide a report during consideration of the 1994-95 Capital Estimates.</p>

RECOMMENDATIONS	STATUS
<p>2. The Committee recommends that the government specifically respond to the Legislative Assembly, in the 1994-95 Capital Estimates, measures it has taken to:</p> <ul style="list-style-type: none"> i) review and constrain purchasing and construction standards; ii) standardize design for the construction of facilities; iii) communicate capital restraint guidelines and motivate officials to achieve more with less; and iv) rectify capital management problems. 	<p>The Department of Public Works and Services reviews standards and specifications on a regular basis in order to constrain purchasing. The establishment of "Standing Offer Agreements" provides direction to departments on most standard items.</p> <p>The purchasing of goods and services under the Business Incentive Policy is being reviewed, and recommendations for improvement will be made to Cabinet in November, 1993.</p> <p>The Department is required to build according to the National Building Code. These Statutory regulations are enforced by the Fire Marshal and Health Officials. There are additional standards for the North's specific construction problems. A consolidation of building standards was completed in 1992. These will be reviewed and updated based on actual field experience. The standards are also tested for economy in the marketplace.</p> <p>The Department standardizes building construction in every possible instance, which is the majority of projects.</p> <p>A letter titled "Government Services/Public Works Cost Reduction Initiatives" was provided to all members of the Legislative Assembly on April 1, 1993.</p>
<p>3. The Committee recommends that the government develop guidelines, for the 1994-95 Capital Estimates, for the provision of capital infrastructure to unorganized communities.</p>	<p>The Department of Municipal and Community Affairs (MACA) has drafted a policy that provides capital assistance to small communities. The draft policy includes settlement corporations and settlements (established under the <u>Settlements Act</u>), and other communities which do not have municipal status or settlement status in law. At this time, a draft policy is being circulated to the Financial Management Board Secretariat and Priorities and Planning Secretariat for comments.</p>
<p>4. The Committee recommends that the five year Capital Plan identify what the total impact is of the capital projects on the ongoing operating and maintenance costs of government by project and in total. Further, the Committee recommends that strategic capital investments be considered which reduce ongoing operating costs of the government.</p>	<p>The O&M costs resulting from the projects that Government Services and Public Works are responsible for, represent between 5% and 30% of the total O&M. These are provided in the OPPLAN. The major portion of the impact on the O&M budget would be program costs and these would be identified by the Department involved in the use of the project.</p>

RECOMMENDATIONS**STATUS**

5. The Committee recommends that the government specifically respond to the Legislative Assembly, in the 1994-95 Capital Estimates, with a strategy for identifying and selling surplus assets, and related privatization opportunities, in order to free up much needed funds currently invested in capital assets.

A draft policy on the disposal of real property establishes the direction on the disposal of surplus properties. Cabinet has established direction for the Department to review its Revenue Leases and recommend disposal, raising rents to market, and other options. This will be done in 1993-94.

6. The Committee recommends that the Department of Justice provide a discussion paper to the Legislative Assembly, with the 1993-94 Main Estimates, on a proposed federal penitentiary in the Northwest Territories.

There has been no expression of intent or interest by the federal government to construct a federal penitentiary in the Northwest Territories.

There have been preliminary discussions regarding federal assistance to expand the Territorial Corrections System, so that persons from the NWT presently serving federal sentences in the south could be repatriated. A decision regarding federal assistance has not been made.

If a federal penitentiary was constructed in the Northwest Territories it would be a federal project. The location would be selected by the federal service according to federal criteria. A northern federal institution would be staffed, at least initially, by federal staff rotated through from the south and hired according to southern federal criteria. Such a facility would be constructed by federal contractors (most likely from the south) to federal control with respect to programming, direction, staffing, and standards. In short, there would be very little benefit directly to our government in the construction of a federal penitentiary in the Northwest Territories.

The direction that we feel most appropriate to pursue, which would have significant benefit for the north, would be the contribution of federal dollars for the enhancement of G.N.W.T. Correctional Services. Corrections facilities in the north should be operated by northerners, for northerners, and should aim at repatriation of northern federal offenders.

Given the above, the Department of Justice does not feel that a discussion paper on a federal penitentiary would be of value at this time to Members of the Legislative Assembly.

RECOMMENDATIONS	STATUS
<p>7. The Committee recommends that the Department of Municipal and Community Affairs advance the Nahanni Butte water supply project to 1994-95 and expedite the delivery of potable water.</p>	<p>The Department is acting on SCOF's recommendation and will advance the Nahanni Butte water supply project to fiscal year 1994-95.</p> <p>To meet this schedule, a study of available options (including improvements to the status quo) will be undertaken in fiscal year 1993-94, design of the recommended option will be done in fiscal year 1994-95, to be followed by construction in fiscal year 1995-96.</p>
<p>8. The Committee recommends that the Department of Renewable Resources video equipment budget of \$10,000 be removed and the activity privatized.</p>	<p>The Financial Management Board has directed the department to utilize the private sector for all audio visual production requirements.</p>
<p>9. The Committee recommends that the Department of Renewable Resources remove the budget for renovations to the Fort Providence forest fire management crew hut (\$30,000) in the event that the Department may move it closer to the airport.</p>	<p>The renovations scheduled for the crew hut were minimal and intended only to maintain a reasonable shelter for fire crews on duty in Fort Providence. The Department will discuss a possible base relocation with the community to determine how to fit in with any community development plan. Unless capital funds are identified for new facilities it is unlikely that the base will be reallocated.</p>
<p>10. The Committee recommends that the Department of Government Services and Public Works and the Northwest Territories Power Corporation develop an action plan, for consideration with the 1993-94 Main Estimates, to move towards the use of common tank farms to achieve cost savings.</p>	<p>All parties agree that common tank farms with NWTPC is the proper direction to go. In a number of communities this has already been accomplished. The Department has developed an action plan to complete the balance with the Department of Energy, Mines and Petroleum Resources and NWTPC. This Action Plan has been forwarded to SCOF under separate cover.</p>
<p>11. The Committee recommends that the Department of Government Services and Public Works privatize all petroleum products delivery contracts as soon as possible, including the responsibility for equipment purchases.</p>	<p>All Petroleum Products delivery contracts are privatized by using local community organizations to provide the service requirements. Twenty-two contracts are for a term of ten years and included the responsibility for the contractors to provide the fuel delivery trucks. Twenty-two contracts are for a term of five years and all expire in 1994.</p> <p>Cabinet has placed a hold on tenders for the petroleum products contracts until improved selection criteria are developed. The department is developing new selection criteria which should be presented to Cabinet for approval in December, 1993.</p>

RECOMMENDATIONS	STATUS
<p>12. The Committee recommends that the Cabinet provide political direction to transfer the Sanikiluaq power plant from the Department of Government Services and Public Works to the Northwest Territories Power Corporation during 1993-94.</p>	<p>This is targeted for completion in 1993-94.</p>
<p>13. The Committee recommends that the Department of Government Services and Public Works Yellowknife office renovations/tenant improvements budget of \$600,000 be reduced for amounts related to space for the Department of Finance pending lease renewal tender results.</p>	<p>The Financial Management Board has reviewed and approved a revised Regional and Yellowknife Office Plan which incorporates the impact of the consolidation of departments and the decentralization of functions. As a result, there will be a reduction of 42,000 net square feet of office space required in Yellowknife. By 1997-98, the annual Operations and Maintenance savings will be approximately \$950,000 as a result of this reduction.</p> <p>Structural changes to the Department of the Executive, Finance and Personnel necessitate relocation of functions to the Laing Building involving some renovations in that building and the YK Centre. As a result, the lease on the Cunningham building will be terminated. The 1993-94 costs of renovations will be approximately \$514,000.</p>
<p>14. The Committee recommends that the Department of Government Services and Public Works publications and production pre-press printing equipment budget of \$20,000 be removed pending a final decision on privatization.</p>	<p>The \$20,000 has been removed from the Capital Estimates.</p>

RECOMMENDATIONS**STATUS**

15. The Committee recommends that the Department of Transportation live up to its prior commitment and advance funding for the first phase of construction on the new airport development in Snare Lake to 1993-94.

In the recent round of community consultations the community of Snare Lake rated the airport development project fifth out of thirteen projects. The planned start of the airport construction in 1994-95, subject to Legislative approval, is in line with the community's priorities.

A Strategic Transportation Improvement Agreement has been negotiated with Transport Canada and a 1993-94 Capital Special Warrant of \$2,630,000 was approved in July, 1993. The five year agreement is for the expenditure of \$20 million with 50 percent of eligible costs recoverable from the federal government.

The projects include the construction of the Snare Lake Airport at a cost of \$2.6 million, to commence in 1993-94.

16. The Committee recommends that the Department of Transportation defer Highway No. 3 Yellowknife Access Reconstruction and Paving past the access to the Prince of Wales Northern Heritage Centre and the new Legislative Assembly (\$3,000,000) until its need is justified over other competing government priorities.

By including this project in the 1993-94 Capital Plan, the Department proposes to address serious safety concerns associated with an extremely busy roadway. These concerns are well founded.

The average daily traffic on this access road is over 3,000 vehicles per day. This makes it the busiest highway section on our system. This section carries more than ten times the traffic of the highway between, Rae and Yellowknife. The traffic mix adds to the hazard as it includes, cars, heavy trucks, pedestrians and cyclists.

The lane widths are substandard, with no shoulders to provide vehicle, pedestrian and cyclist refuge. This road also has numerous intersections, with no provision for turning lanes. This situation has, and will continue to contribute to traffic accidents.

The upgrading of the Yellowknife access road is one of the highest priority highway transportation projects in the NWT. There are other high priority highway projects; however, none of those have a worse combination of traffic volume, traffic mix, road width and intersections.

RECOMMENDATIONS**STATUS**

17. The Committee recommends that the Department of Transportation undertake a cost benefit review of improvements to Highway No. 3 between Rae Edzo and Yellowknife (project number 8240640 \$4,200,000 currently slated for 1996-97) with the view to implementing that work beginning 1993-94, if it is justified over other competing government priorities.

Based on benefit/cost consideration the Department of Transportation has concluded that the reconstruction and paving of Highway No. 3 between Fort Providence and Rae/Edzo will provide better value for the tax payers' money than reconstructing the portion between Rae/Edzo and Yellowknife.

To reconstruct and pave each kilometre of roadway between Yellowknife and Rae/Edzo will cost about \$900,000 or \$80 million for the 90 kilometre distance.

To reconstruct and pave each kilometre of roadway between Fort Providence and Rae/Edzo costs about \$300,000. This represents one third of the costs of the Rae/Edzo to Yellowknife portion. Therefore, to reconstruct and pave the remaining 180 kilometres between Fort Providence and Rae/Edzo will cost approximately \$54 million.

However, recognizing the importance of the Yellowknife to Rae/Edzo section, the Department has proposed nearly \$17 million in the 1994-95 to 1998-99 five-year Capital Plan to start its reconstruction. The intention is to undertake the necessary route location and design studies in 1994-95 and 1995-96 with a view to starting reconstruction in 1996-97.

18. The Committee recommends that the Department of Transportation live up to prior commitments and reinstate the budget previously committed for Jean Marie Access Road.

The Jean Marie River Access road project was initiated in 1991-92 as part of the Department of Transportation Community Access Road Program. This project was initiated with a commitment that it would be a community-based project employing local contractors to complete the work. Some work has been done but very little progress has been made by the Community Development Corporation.

The Department has allocated \$250,000 in the 1993-94 capital budget for Local Community Access Road construction. This funding is available for the construction of the Jean Marie Access Road as well as other community roads.

The Department will continue working closely with the community and respond positively to local initiatives for upgrading of the Jean Marie River access road.

RECOMMENDATIONS	STATUS
<p>19. The Committee recommends that the Department of Transportation consider the privatization of the storage and dispensing of bulk fuel for maintenance camps.</p>	<p>For suppliers to carry out this fueling operation from their present storage facilities would require that a delivery truck make daily trips to the camp and to the work site and be on call throughout the day to replenish fuel tanks. This would represent a significant extra cost to the government and inevitably would involve unplanned delays while equipment waited for the fuel truck to arrive.</p> <p>Alternatively, a contractor could install a storage tank at the camp and dispense fuel directly from it through a key lock system. The cost of this installation would then be included in the price of the fuel. While this would reduce the government's capital cost of the project, the tank cost over the term of the contract as well as the additional financing, GST and administration costs. Ultimately the cost to the government would be higher than the outright purchase and ownership of the tanks.</p> <p>In light of the higher costs and minimal benefits associated with privatization of bulk fuel storage, the Department does not plan to pursue the option.</p>
<p>20. The Committee recommends that the Departments of Transportation and Municipal and Community Affairs work together to identify funding and undertake the major reconstruction of the Wrigley Access Road necessary, in the 1993-94 Capital Estimates.</p>	<p>The road between the Wrigley airport and the community is badly in need of reconstruction. An estimate of \$160,000 was prepared by Public Works staff to reconstruct the 2.2 kilometre road. This work was not included in the 1993-94 Capital Estimates for either DOT or MACA.</p> <p>DOT and MACA have met to resolve the problem. Agreement has been reached on this issue.</p> <p>MACA will contribute \$60,000 for the portion of the road which is within the developed portion of the community (adjacent to the new subdivision area), and DOT will contribute \$100,000 for the remainder of the roadwork. The project will be carried out by DOT in 1993-94. It was also agreed that DOT would seek to increase its O&M base to include funding necessary to maintain the 2.2 kilometre road to the airport.</p> <p>Pending the long term resolution of maintenance responsibility for community access roads, the Department of Transportation will assume the responsibility to maintain the access road up to the community boundary. This boundary will be revised to include 0.5 kilometres of the access road and the adjacent subdivision.</p>

RECOMMENDATIONS	STATUS
<p>21. The Committee recommends that the Department of Education, Culture and Employment Programs make a concerted effort to improve its Capital Management and Planning program, including planning based on demographics.</p>	<p>In 1993-94 the Department plans to review its Standards and Criteria to improve its capital planning process. The Department will also ensure that the methodology used to develop student population projections is sound and is distributed to school boards for feedback. Capital planning is an area which will receive more emphasis in the strategic plan and organization of the consolidated Departments.</p>
<p>22. The Committee recommends that the Department of Education, Culture and Employment Programs live up to prior commitments and fast track the renovations to J.B. Tyrell Elementary School in Fort Smith and Diamond Jenness High School in Hay River by advancing \$100,000 each for design and tender document production to 1993-94, and construction to 1994-95 and 1995-96.</p>	<p>Currently both Diamond Jenness High School and J.B. Tyrell Elementary School are scheduled for renovations in 1995-96 with design and tender in 1994-95. Within the current fiscal target, it is not possible to advance the projects. The Department will work with the South Slave Divisional Board of Education to design a long term capital plan for the division, and to ensure adequate classroom space until new projects are completed.</p>

RECOMMENDATIONS	STATUS
<p>23. The Committee recommends that Arctic College purchase more of the older equipment from the Department of Municipal and Community Affairs (or communities) that requires renovation, as an alternative to purchasing brand new equipment.</p>	<p>Equipment for the Arctic College Heavy Equipment Operator Program is replaced according to a plan developed during the evaluation of the program in 1989. Equipment is only replaced after it becomes unserviceable, or when the cost of maintenance exceeds reasonable levels. The equipment purchased must be in an operating condition suitable for training purposes. Consequently, the College purchases reconditioned equipment when replacing equipment for the Heavy Equipment Operator Program.</p> <p>The Department of Transportation, and municipalities located on the highway system, through the Department of Municipal and Community Affairs, have been advised of the College's interest in purchasing surplus equipment in operating condition. MACA will work with Arctic College on the recommendation as part of the annual capital program planning process. MACA will notify Arctic College of the availability of used mobile equipment in communities that is scheduled for replacement and/or has become surplus to the community's needs.</p> <p>The purpose of this joint effort will be: to reduce capital expenditures on new mobile equipment for the parities affected (including communities); and to provide equipment for training purposes where possible that is typical of equipment presently in use in the communities. However, Municipal and Community Affairs has informed the College that equipment owned by municipalities is generally not serviceable when surplus.</p>
<p>24. The Committee recommends that the Department of Education, Culture and Employment Programs remove the museum addition in Iqaluit totalling \$1,950,000 from its five year Capital Plan (including \$200,000 planned for 1993-94) until other regions have comparable facilities.</p>	<p>The museum addition in Iqaluit has been removed from the 1993-94 Capital Estimates. Modifications to the Five Year Capital Plan will be proposed when the strategy has been finalized and approved.</p>

RECOMMENDATIONS	STATUS
<p>25. The Committee recommends that the Department of Education, Culture and Employment Programs develop a policy covering museums, churches and other historical buildings to ensure consistency, fairness and equity in the application of standards and criteria for such infrastructure between communities.</p>	<p>The Department Responsible for Education, Culture and Employment Programs is developing a comprehensive strategy to guide the support and funding of heritage facilities and programs in the N.W.T.</p>
<p>26. The Committee recommends that the Department of Education, Culture and Employment Programs defer the renovations to the church in Baker Lake (\$25,000) pending completion of the policy covering museums, churches and other historical buildings.</p>	<p>The Baker Lake heritage project has been deferred pending the approval of a heritage strategy.</p>
<p>27. The Committee recommends that the Department of Education, Culture and Employment Programs defer the renovations to the Norman Wells Museum (\$250,000) pending completion of a policy covering museums, churches and other historical buildings.</p>	<p>The Norman Wells Museum renovations have been deferred pending the approval of a heritage strategy.</p>
<p>28. The Committee recommends that the government, through the Departments of Economic Development and Tourism and Education, Culture and Employment Programs, integrate tourism and cultural facilities, such as museums, visitor centres and tourism offices, in order that the construction and operation may be done in a more economical manner.</p>	<p>The heritage strategy being developed by the Department Responsible for Education, Culture and Employment Programs will propose mechanisms to ensure that museum facilities are integrated with tourism facilities, wherever reasonable. The Departments of Economic Development and Tourism and Education, Culture and Employment Programs will ensure that information on capital plans for these facilities is shared and will collaborate on these projects where possible.</p>

RECOMMENDATIONS	STATUS
<p>29. The Committee recommends that the Department of Economic Development and Tourism develop a long-term plan for the fisheries industry in the Northwest Territories, including examining the feasibility of increasing the processing capacity of existing fish plants.</p>	<p>The Department has initiated a comprehensive study of the fisheries industry with the assistance of consultants. There are four major phases in the study:</p> <ol style="list-style-type: none"> 1. An overview of the current fisheries industry; 2. Fish market research; 3. Critical evaluation of fisheries in the NWT; and 4. Summary and Strategic Plan for fisheries. <p>Phase one is completed. Consultants have completed a draft report on Phase two. Phase three, which is also contracted will consist of approximately seven reports and these are scheduled for completion by January, 1994.</p> <p>The strategic plan is expected to be completed by March 31, 1994.</p>
<p>30. The Committee recommends that the Department of Health proceed with the programming for a new hospital in Inuvik during 1993-94 in order to be prepared for construction in 1996-97.</p>	<p>The Inuvik Regional Health Board with the assistance of the Department of Health will be initiating both strategic and operational (regional health plan) planning by April, 1993. The operational plan will be developed in collaboration with the communities in the Inuvik Region. The resulting operational plan will then address health needs of the region and provide a sound basis for developing a comprehensive regional capital program. It is expected the planning will be completed within nine to twelve months. Programming and design of a replacement for the Inuvik Regional Hospital will commence at the completion of the regional health plan when the actual facility need is identified. The Department of Health will review the potential to commence programming and design for a replacement Inuvik health facility in 1994-95.</p>

RECOMMENDATIONS**STATUS**

31. The Committee recommends that the Department of Health and Finance consult with the Auditor General on the correct accounting treatment of the \$1,000,000 contributed annually by the federal government for the replacement of the Inuvik and Iqaluit hospitals and specifically whether it should be considered as a deferred liability.

ANALYSIS OF OPTIONS

The current practice is to recognize the revenue when received. Although Canada specifies the purpose of the funding, it is part of the base grant. Additionally, there is no sunset on receiving the funding.

As the funds are received annually as part of the grant, setting up a portion as deferred revenue is not appropriate.

Establishing a reserve will clearly link the funds received with the expenditures. Any expenditures in a year which are greater than the reserve balance, will require a charge to an appropriation. No other capital project is reported in the Public Accounts in this manner.

The current practice results in the revenues being recorded when received and the expenditures would be budgeted through the capital budgeting process.

NOTE DISCLOSURE

In the notes to the Public Accounts, it is explained that some of the funding received is for renovations/replacement of the Inuvik and Baffin hospitals.

RECOMMENDATIONS

It is recommended that the current approach of recording the revenue at the time it is received be maintained. This is in accordance with current accounting practices.

32. The Committee recommends that the Departments of Social Services and Health conduct a feasibility study on merits of integrating alcohol and drug facilities with health and hospital facilities.

The Departments of Health and Social Services have not yet conducted a feasibility study on the merits of integrating alcohol and drug facilities with health and hospital facilities.

It is now proposed to undertake this study as part of the Strategic Planning initiative which Social Services is currently undertaking.

RECOMMENDATIONS	STATUS
<p>33. The Committee recommends that the Departments of Social Services and Health carry out a needs study and program plan for an Alcohol and Drug Treatment Centre in Inuvik in conjunction with the programming for a new or renovated hospital in Inuvik during 1993-94.</p>	<p>The Department of Health will, in collaboration with the Department of Social Services and the Inuvik Regional Health Board, evaluate the need for an alcohol and drug treatment centre in Inuvik. The Inuvik Regional Health Board has initiated a Regional Health Needs Assessment which is proposed for completion in mid 1994. Planning for the replacement regional hospital will follow the needs assessment in the fall of 1994. Full consideration to the need and placement of an alcohol and treatment centre for the Inuvik Region will be considered during the role study phase of the hospital replacement project.</p>
<p>34. The Committee recommends that the Department of Social Services put the Fort Smith Region Handicapped Adults Group Home back into the 1993-94 Capital Estimates (\$1,041,000) and designate a site for it.</p>	<p>A new needs assessment was completed on the need for a Handicapped Adults' Group Home in Fort Smith or Fort Simpson. The project is included in the 1994-95 draft five year capital forecast for Fort Simpson, to commence in 1997-98.</p>



