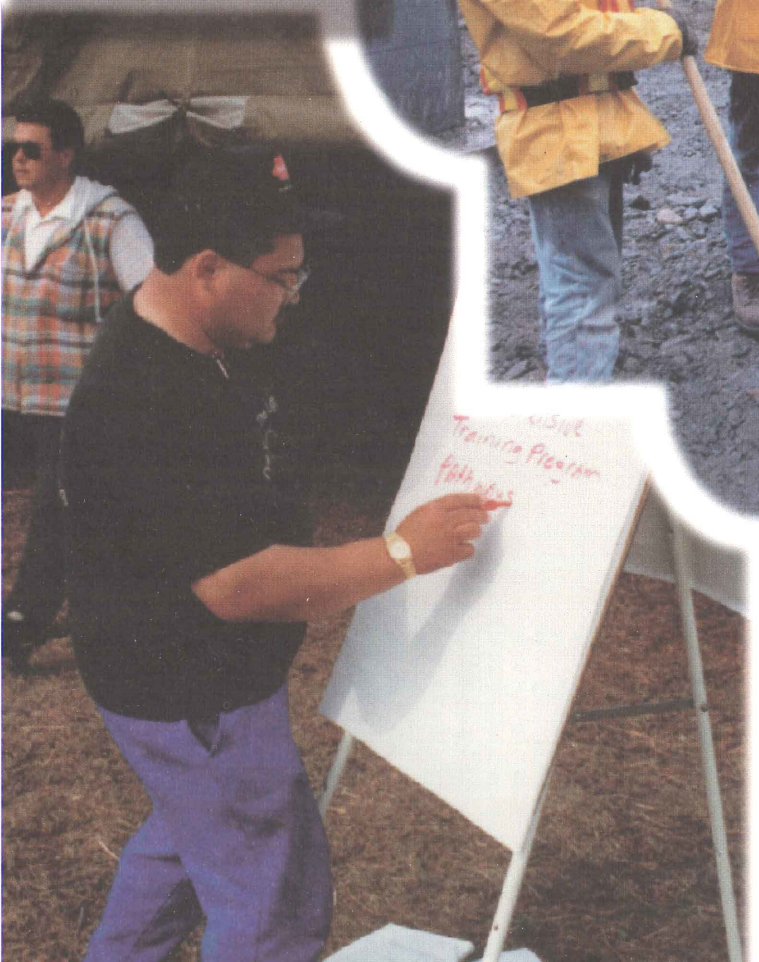
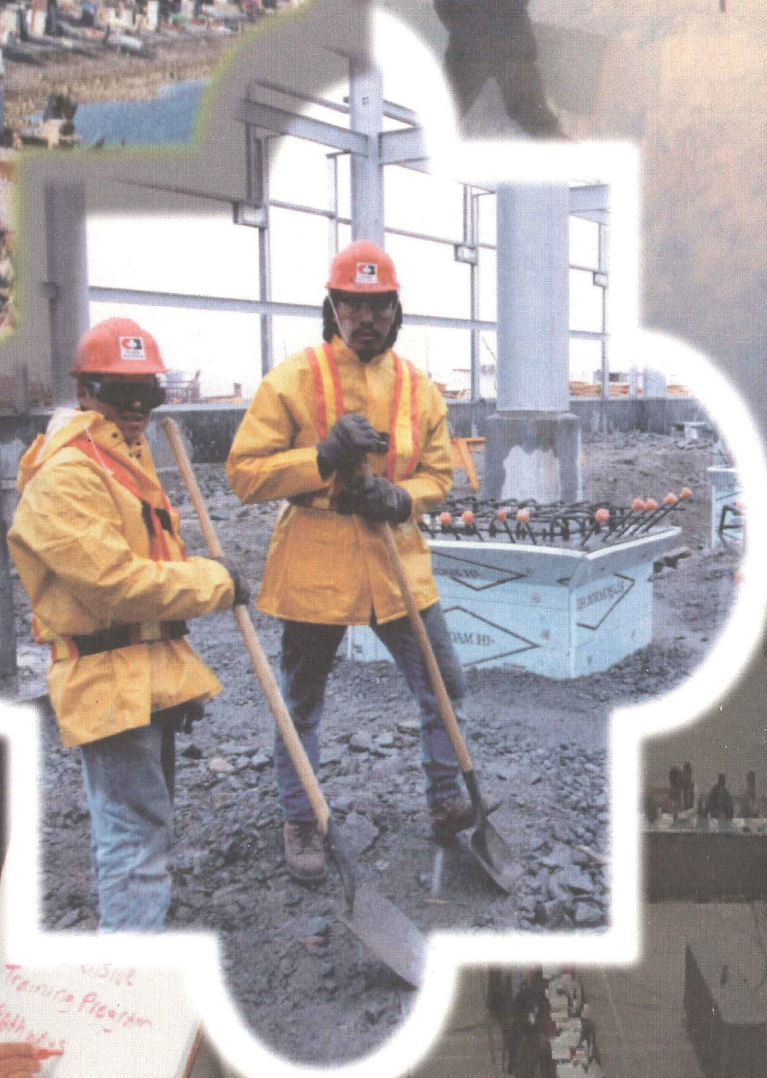
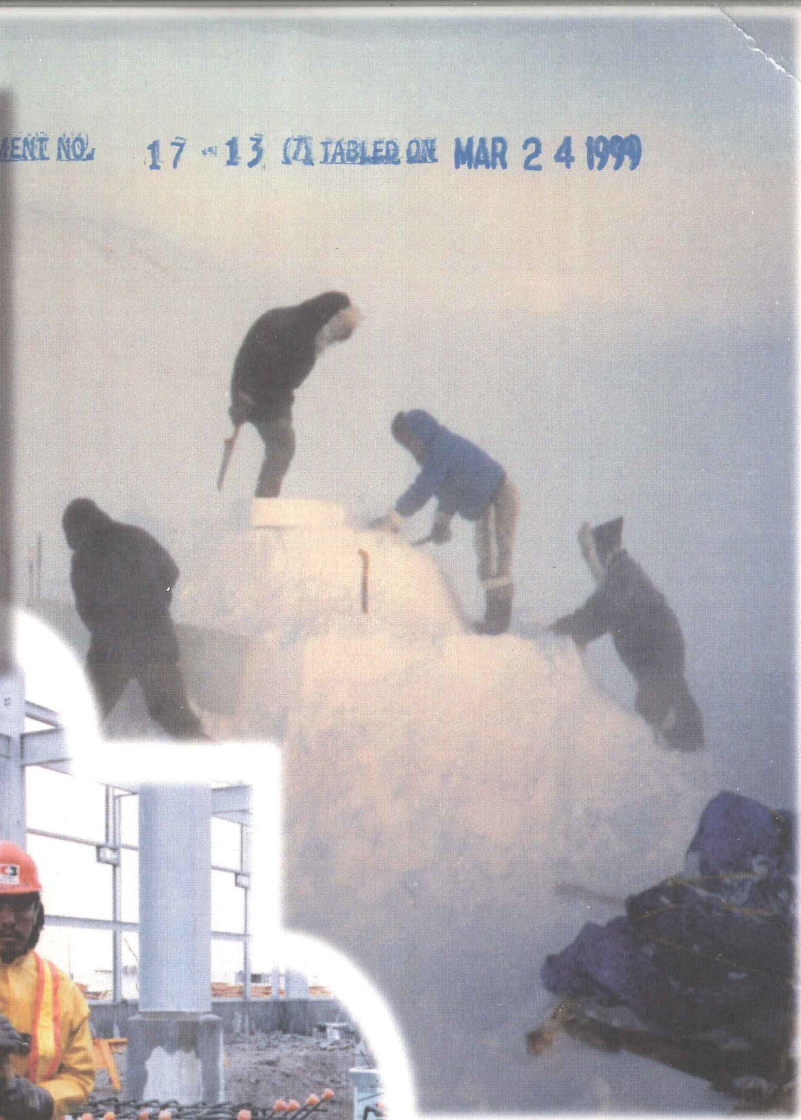
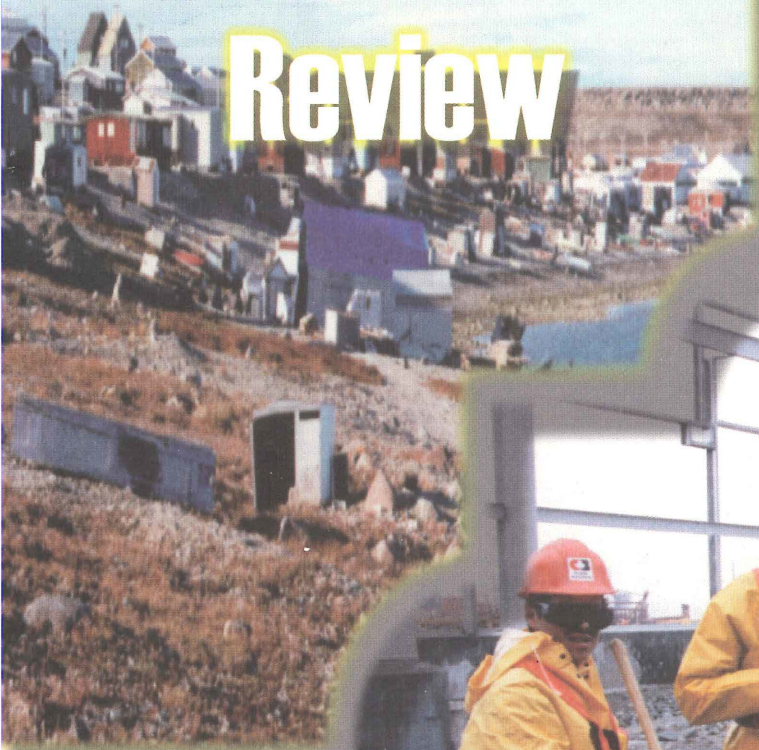


# Municipal Finance Review

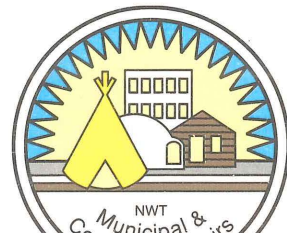
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**The NWT Association  
of Municipalities  
and  
GNWT**







## **Municipal Finance Review - Key Questions**

While you are reading this portfolio on the Municipal Finance Review you might consider the following questions, particularly as they relate to your community:

Are the proposals what you want?

Did we miss any?



# **The Municipal Finance Review Portfolio**

**1**

# **Understanding The Funding Distribution**

**3**

# **Recommendations for Implementation**

**5**

# **Building Key Concepts**

**2**

# **The Consultation Phase**

**4**





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**Municipal Finance Review Part 2:**

# Building Key Concepts



MAR 25 1999

Yellowknife, N.W.T.

**The NWT Association of Municipalities and  
the GNWT Department of Municipal and Community Affairs**







# Intro

## Introduction

## WELCOME TO THE SECOND PIECE OF THE MUNICIPAL FINANCIAL REVIEW PUZZLE!

In this piece of the puzzle we will begin to look more in-depth at some of the issues raised in the portfolio which you previously received. We hope that once you have reviewed this information you will feel comfortable discussing and making recommendations on these topics. For more information, examples and detailed analysis, you are invited to refer to the technical background papers by the same names.

Topics covered in this section:

- 1. Community Governments Responding to Change**
- 2. Ability to Contribute**
- 3. Northern Cost Index**
- 4. Property Taxation**

Each of these sections will discuss the topic by:

- ◉ *beginning with a description of the way things are done now,*
- ◉ *providing an explanation of why it is felt that changes are necessary and, finally,*
- ◉ *making recommendations for you to consider, discuss and decide upon.*



As you think about and discuss the topics and the recommendations, we suggest you use the following questions as a guide:

**Are the proposals what you want?**

**Did we miss any?**

**Do they support your goals for empowerment?**

**Will they help to reduce red tape?**

**Will they help us do a better job?**

As you saw in the portfolio there are many other, more specific, questions related to each of the topics, but these questions should serve as a general guide to help you decide whether you support the recommendation, or wish to suggest something else.

Two other questions that you should keep in mind as you think about the recommendations are:

**Will they allow your community government to maintain or improve the level of programs and services to its residents?**

**Will they allow your community government to spend money wisely as it attempts to respond to local issues and goals?**

Finally, we encourage you to be creative and not feel tied to the way things are being done now or have always been done. We need to make it possible for our community governments to do what they want to do in ways that get the best results for the least amount of money or people's time.

# 1 Community Governments Responding to Change



Community governments are, of necessity, learning to deal with the reality of reduced financial resources. They are finding ways to fund ever-expanding levels of service to meet community (resident) expectations. Initiatives such as Community Empowerment have been used to provide an increased and expanded range of community government authority. With additional authority has come the flexibility to organize and revise programs and services to better and more efficiently meet community priorities.

You often hear about the cutbacks being made by governments across the country. The GNWT is no exception. Many cuts to the budget have been required in order to live within the amount of money available. Changes have already been made to get more results for the same (or less) amount of money. The media, and many people, seem to assume that these changes and cutbacks are always negative and result in fewer or lower levels of programs and services being offered to residents. In this section we will look at what has happened in communities over the past few years and attempt to see if the popular view is true.

Cutbacks can take a variety of forms. They can be reductions in the amount of money provided to the community government by the GNWT (or federal government). They can also result from the transfer of responsibility for the delivery of programs and services if it means that present community government staff have to do more work with no extra money or help.

Cutbacks can also result from community residents demanding more, or higher, levels of service without being willing to pay higher user fees or taxes. Senior governments have also begun to charge for some services which they used to provide at no charge. This is another form of cutback because it means that, unless you have money from another source, you can no longer buy as much as you could before.

## What Exists Now?

Community governments are having to:

- change their priorities,
- reduce non-basic service levels (sometimes),
- look for different ways to reach their goals,
- find new sources of revenue,
- use new program opportunities to meet their needs, and
- impose new or higher charges to residents and other users for services provided.



## Why Change?

- *Funding sources for community governments are changing.*

Over the past five years the value of the core funding has gone down. At the same time, community resident expectations have risen considerably. These two factors have placed some community governments in extremely difficult, and even deficit positions.

- *Community governments are becoming more involved in Land Administration.*

Funding for salaries has generally been adequate, however, other program requirements including ongoing support, training and office requirements have received varying levels of support.

- *Land Development responsibilities, now devolved to Nunavut municipalities and soon to be turned over to other community governments in settled Land Claim areas, has resulted in a new focus on Community User Pay.*

- *Communities taking advantage of Community Empowerment funding opportunities have sometimes seen funding levels affected by GNWT directions.*

- *Increased levels of responsibility in communities have, in many instances, stretched the community human resources beyond the point of either efficiency or effectiveness. Extra employees have strained municipal office space, especially where communities have assumed Community Empowerment responsibilities.*





## So, what has been the effect of all of these changes on community governments?

The figures from 1992 and 1996 show a substantial increase in the Accumulated General Municipal Fund<sup>1</sup> for all Hamlets and Charter Communities combined.

Year	Accumulted Surplus (Deficit)	Change
1992	(\$ 499,678)	
1996	\$4,908,270	+ 5,407,948

The General Accumulated Municipal fund does not necessarily include all aspects of a Municipal operation (water and sewer, contracts). The Audited Aggregate<sup>2</sup> position was also reviewed to determine trends and overall financial direction.

Year	Aggregated Surplus (Deficit)	Change
1992	\$ 7,538,268	
1996	\$13,608,320	+6,070,052

There are several explanations for the financial trends. Regional Officers say that there were a series of different factors for each community. Having said that, it is important to note that, overall, the trends were positive in spite of, or perhaps even because of, the recent reductions in GNWT funding, the introduction of more and higher user fees and increased resident demands. We feel that there are changes that need to be made to make sure that the positive trends continue. It must also be said that some communities may be showing positive trends because they are reducing the levels of programs and services and/or because the effects of recent cutbacks just haven't shown up yet.

## Are these conclusions accurate?

<sup>1</sup> The General Municipal Fund is that portion of municipal funding provided through unconditional funding from MACA. This funding is used to achieve objectives in the areas of General Administration, Protective Services, Environmental Health Services, Recreation and Road, Maintenance and Mechanical Services.



## **What is Proposed**

**1. Hamlets should be encouraged to move toward Taxing Authority status.**

For this to occur with full resident support, the process must be able to show direct, as well as both short and long term, benefit to the people in the municipality who will be impacted by taxing status.

**2. Expand municipal borrowing capability.**

This would provide flexibility for municipalities to achieve their desired and realistic objectives through an achievable and affordable financial plan. This issue is being addressed in the Municipal Legislative Review.

**3. Flexibility in municipal investment opportunities.**

There are few options for community governments to generate revenue from short term operating surpluses without getting into unacceptably high risk investments. They can use investment options such as Treasury Bills, Guaranteed Investment Certificates and other “safe” investments but the returns on such options are very low. One idea which has been discussed is permitting the community governments to band together to create a “regional” investment fund from which other community governments might borrow at favourable interest rates.

**4. Stronger promotion of all phases of the Community Empowerment Initiative including Community Based Planning<sup>3</sup> and Community Assessment.**

There is a need to determine further opportunities for municipalities to achieve efficiencies of specific program delivery. The Community Based Planning or Visioning exercise can provide municipalities with a solid financial capability plan for future direction.

**5. MACA should continue to monitor financial health in partnership with community governments and provide assistance through program transfers and other processes.**

**6. Community governments should be given the ability to become involved in “for profit” businesses.**

**7. Community governments should be advised and encouraged to make full use of Nunavut Employment Strategy/Community Empowerment Initiatives/GNWT/federal and other programs that provide additional and/or alternative sources of funding to achieve community priorities and objectives.**

<sup>3</sup>Community Based Planning is a municipal process whereby, through a series of workshops and information sessions, a community identifies its goals, objectives and priorities for the next three to five years.

# 1 Community Governments Responding to Change



8. The NWTAM and/or MACA should coordinate the promotion and sharing of community success stories through a manual, newsletters, World Wide Web sites or other means.

Part of the development of a good financial plan involves deciding not only how much you can afford to spend on what but also planning where you are going to get the money. Is it going to come from:

- ⊙ savings?
- ⊙ the present existing budget?
- ⊙ new or higher taxes or user fees?
- ⊙ a loan?

The next section will discuss a possible method of deciding how much a community should be able to contribute to a plan or a project. Before you go on please take a few minutes to jot down your thoughts regarding these proposals on the next page.

**Are these acceptable recommendations?**

**Should there be limitations on which community governments can borrow money and/or how much they can borrow? If so what criteria should be used?**







# 1 Community Governments Responding to Change



## WORKSHEET

Name: \_\_\_\_\_

Community: \_\_\_\_\_

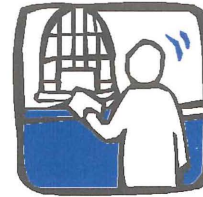
Telephone: \_\_\_\_\_

Proposal	Agree	Disagree	Comments
Move toward Taxing Authority status			
Expand municipal borrowing ability			
Expand municipal investment options including "for profit" businesses			
Promote Community Empowerment			
MACA continue monitoring			
Take full advantage of other programs Promote success stories			





# 2 Ability to Contribute



How do you know how much your community should be able to afford toward the cost of say, a new community centre or curling rink? It's not really very easy to do but we have come up with a formula that might help to determine the relative ability of communities to contribute.

### The formula contains the following assumptions:

*larger communities will have larger, and perhaps more, facilities;*  
*as population increases the size and costs of facilities increases;*  
*the City of Yellowknife is the base community; and*  
*the entire community's wealth should be included.*

### Factors included in the formula:

*per capita income (NWT average is \$18,000) is determined by dividing the total community income by the population to get an average;*

*percentage of population which could be in the work force is determined by the age of community residents;*

*assessment per capita is determined by dividing the total value of all assessed property in the community (except community government property) by the population.*

Since not all of the factors are equally important each is given a weighting which is based on its importance to the view of the community's wealth.

The most important factor is the **per capita income** so it is rated at **50%**. **Population of work force age** is rated at **20%**. **Assessment per capita** is next in importance and is weighted at **30%**. These ratings are neither magic nor fixed. They may not be the best to use.

**If you feel that the ratings should be different please make sure you say so on the worksheet.**



## **An example:**

- ▷ Per capita income (average) = \$11,000 divided by \$29,000 (Yellowknife average per capita income) to give a factor of .38
- ▷ Population of work force age = 36% divided by 63% (Yellowknife work force age) to give a factor of .57
- ▷ Assessment per capita = \$15,276 divided by \$80,107 (Yellowknife average per capita assessment) to give a factor of .19
- ▷ Applying the weightings:
  - .38 @ 50% = .19
  - .57 @ 20% = .11
  - .19 @ 30% = .06

Total Rating: .36 (which may also be shown as 36 % of the Yellowknife base)

The ratings arrived at in the process above do not adequately take the size of the community into account so further calculations are necessary.

For the purpose of this calculation it is assumed that all of the present tax-base municipalities, except Fort Simpson and Norman Wells, have at least a minimal ability to contribute and are therefore rated at 100. (See attached)

### *Continuing with the same example:*

- ▷ Final rating from Part 1 is multiplied by the population:

$$36 \times 729 = 26244$$

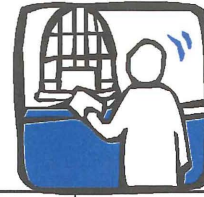
- ▷ This figure is then calculated as a percentage of Fort Smith, the lowest of the five figures for the tax-base municipalities:

$$(26244 \times 100) / 145000 = 18$$

## **Ok, but what does it mean and how could it be used?**

It means that, according to this formula and these weightings, that this community should be able to contribute (or spend) a little over 18% of the amount that Yellowknife would be able to contribute (or spend) on the same project.

# 2 Ability to Contribute



100	60-70	40-50	30-39	20-29	10-19	0-9
Yellowknife	Rankin Inlet 67	Fort Simpson 48	Rae-Edzo 33	Baker Lake 29	Igloolik 19	Repulse Bay 9
	Norman Wells 64	Cambridge Bay 43		Arviat 28	Ft. Providence 18	Pelly Bay 9
				Pangnirtung 25	Aklavik 17	Tulita 9
				Kugluktuk 24	Gjoa Haven 14	Resolute Bay 9
				Tuktoyaktuk 22	Coral Harbour 13	Wha Ti 7
				Ft. McPherson 20	Deline 12	Chesterfield Inlet 7
				Cape Dorset 20	Ft. Good Hope 12	Kimmirut 7
				Pond Inlet 20	Ft. Resolution 12	Holman 7
					Hall Beach 11	Lutsel'ke 6
					Taloyoak 11	Whale Cove 6
					Ft. Liard 11	Paulatuk 5
					Clyde River 11	Rae Lakes 4
					Arctic Bay 11	Enterprise 4
					Sanikiluaq 10	Hay R. Reserve 4
					Broughton Island 10	Wrigley 4
						Detah 4
						Grise Fiord 3
						Sachs Harbour 3
						Tsiigehtchic 3
						Snare Lake 2
						Nahanni Butte 1
						Trout Lake 1
						Colville Lake 1
						Jean Marie River 1
						Kakisa 1
						Bathurst Inlet 0
						Bay Chimo 0

The ability of communities to contribute to their costs will be reviewed in detail in Part 3, "Understanding Distribution Options" which will follow later this summer.

All of this might be alright except that it seems to assume that the costs in every community are the same when you know well that they are not. The Northern Cost Index will be used in the calculation of required community contributions to adjust for those differences.

It is recognized that the process being proposed to arrive at ratings for communities is somewhat subjective and certainly not pure science but it does appear to result in a more fair distribution than the present system. It also provides, as intended, much smaller steps between levels of required contributions.

There is no doubt that the cost of living or doing business varies considerably from community to community. We've also thought of that matter and will look into it as soon as you finish the following worksheet.





# 2 Ability to Contribute



## WORKSHEET

Name: \_\_\_\_\_

Community: \_\_\_\_\_

Telephone: \_\_\_\_\_

Proposal	Agree	Disagree	Comments
Assumptions			
Factors included			
Weightings			
Capital contribution formula			







## (I) Operations and Maintenance NCI

MACA has been working with the NWT Bureau of Statistics to update the Northern Cost Indices (NCI) used by the Department to calculate Operations and Maintenance (O&M) transfer funding and determine community contributions for capital projects. The existing indices have problems in terms of the way they are calculated. It was agreed that the NWT Bureau of Statistics would attempt to calculate new NCI's based on information provided by MACA and results of a survey of communities, regarding current expenditure patterns and local prices.

For a full and detailed description of the way in which the new NCIs were calculated, please refer to the background paper. The following information is intended only to give you an idea of what is involved in the calculations.

To calculate an index, like the NCI, two types of information are required. First, a typical quantity of goods and services being consumed is established. Secondly, the price in each location for each of these items is measured. The type and quantity of goods and services and comparisons of the prices in each center to Yellowknife are then used to produce a rating. For example, if the cost of a group of goods and services in a community is \$15,000 and the cost of the same group in Yellowknife is \$10,000 the community rating would be 1.5.

The group of expenditures used to calculate the O&M NCI is:

Wages and Salaries (average salaries of hamlet employees were determined through the survey of hamlets. Current GNWT Northern Allowances were used with these averages to determine price relatives for each community, as compared to the Northern Allowance of \$1,750 in Yellowknife.)

Materials & Transportation (The survey of hamlets provided information on the amount of material that the community received by each type of transportation. Information for each community was averaged with similar communities. For example, communities in the Baffin Region averaged 80 percent of their materials received by sealift and 20 percent by air cargo. Using the distribution by method of transportation, price ratings were calculated. This section includes the cost of materials and transportation costs related to moving materials from the point of purchase to the community.)

- Heating Fuel (heating fuel and gasoline from either POL or local distributors)
- Electricity



- ▷ Other Utilities (an average of other utility price ratings) Expenditures that could not be distributed among the existing categories such as fuel, gasoline, and electricity. Telephone costs are included in this category.
  
- ▷ Gasoline
  
- ▷ Spatially Insensitive Expenses Expenditures that do not vary due to the location of the community. Included in this category are membership dues to associations, insurance costs, and GST. (Since these items prices do not vary due to the location of the community, the price rating for this component for all communities is equal to 1.0.)
  
- ▷ Other Expenses expenditures that were not easily classified or were not large enough to deserve a separate category.

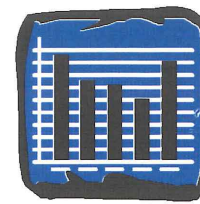
Once the community expenditures were put into the categories the communities were divided between Nunavut and the New Western Territory because the climate and conditions of the two areas require different quantities of expenditures. Using individual community expenditures is a problem because the individual management styles of communities could dramatically impact its NCI. The final weighing used for communities in the Nunavut area and the Western NWT were calculated separately.

## **(ii) Capital NCI**

The variety of capital projects for which MACA provides funding, makes it impossible to find one single weighting that represents an average capital project in every community. Major projects, like arena construction, do not all happen in the same year, so it is difficult to compare one community to another.

An alternative to the “basket of goods” used for the O&M NCI is needed for the Capital NCI. The Department of Public Works & Services uses a Geographical Construction Index which compares construction costs in each community to produce their capital NCI. This type of index should be applicable to all types of construction projects, which will make up the majority of MACA funded projects as the Department moves to block funding for mobile equipment.

The Geographical Construction Index is based on the relative construction costs in each community. These costs fluctuate from time to time due to a number of diverse factors. The prime factor is the local economic circumstances of each northern region. Some of the other specific factors in the index are: the severity of climate, cost of local accommodation, local labour costs, accessibility by heavy transport, and distance from major urban centres. The original costs of goods in each of the major centres used to supply the north (e.g., Montreal vs. Edmonton) also will vary to some degree.

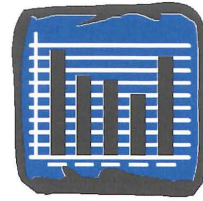


## Northern Cost Index (NCI) Sensitivity Analysis - All Communities

Community	Capital Current NCI (per 97/98 Formulae) (YK = 100)	Capital Proposed** NCI (YK = 100)	Capital Variance	O&M Current NCI (per 97/98 Formulae) (YK = 100)	O&M Proposed* NCI (YK = 100)	O&M Variance
<b><u>Baffin Region:</u></b>						
Arctic Bay	146	135	11	146	119	27
Broughton Island	147	130	17	147	120	27
Cape Dorset	142	128	14	142	119	23
Clyde River	143	132	11	143	122	21
Grise Fiord	162	160	2	162	121	41
Hall Beach	147	132	15	147	117	30
Igloolik	145	132	13	145	116	29
Iqaluit	130	125	5	129	115	14
Kimmirut	140	130	10	140	118	22
Pangnirtung	131	138	7	138	119	19
Pond Inlet	145	138	7	145	126	19
Resolute Bay	143	142	1	143	118	25
Sanikiluaq	125	140	15	125	116	9
<b><u>Keewatin Region:</u></b>						
Arviat	127	125	2	127	117	10
Baker Lake	137	125	12	137	122	15
Chesterfield Inlet	156	130	26	156	122	34
Coral Harbour	142	135	7	142	125	17
Rankin Inlet	130	122	8	130	119	11
Repulse Bay	135	135	0	135	124	11
Whale Cove	150	130	20	150	124	26
<b><u>Kitikmeot Region:</u></b>						
Cambridge Bay	146	130	16	146	126	20
Gjoa Haven	167	150	17	144	124	20
Holman	158	135	23	167	131	36
Kugluktuk	144	130	14	158	127	31
Pelly Bay	181	160	21	181	161	20
Taloyoak	170	150	20	170	132	38



Community	Capital Current NCI (per 97/98 Formulae) (YK = 100)	Capital Proposed** NCI (YK = 100)	Capital Variance	O&M Current NCI (per 97/98 Formulae) (YK = 100)	O & M Proposed* NCI (YK = 100)	O&M Variance
<u>Inuvik Region:</u>						
Aklavik	132	126	6	132	118	14
Colville Lake **	148	140	8	130	130	0
Deline	138	128	10	138	121	17
Fort McPherson	125	117	8	125	120	5
Inuvik	118	115	3	118	114	4
Norman Wells	125	117	8	125	113	12
Ka'sho Got'ine	130	123	7	138	117	24
Paulatuk	134	138	4	134	126	8
Sachs Harbour	143	138	5	141	124	17
Tsiigehtchic	129	119	10	129	115	14
Tuktoyaktuk	131	123	8	131	119	12
Tulita	137	122	15	137	116	21
<u>South Slave / Deh Cho Region:</u>						
Enterprise	99	102	3	100	100	0
Deninoo	107	107	0	110	107	3
Fort Liard	105	107	2	106	100	6
Fort Providence	113	105	8	110	103	7
Fort Simpson	100	102	2	113	104	9
Fort Smith	110	105	5	100	100	0
Hay River	100	101	1	100	100	0
Hay River Reserve ***	100	101	1	100	100	0
Jean Marie River ***	114	120	6	111	111	0
Kakisa ***	101	107	6	102	102	0
Lutsel K'e ***	114	120	6	120	120	0
Nahanni Butte ***	114	120	6	108	108	0
Trout Lake ***	117	123	6	111	111	0
Wrigley ***	104	120	16	107	107	0
<u>North Slave Region:</u>						
Dettah ***	101	101	0	100	100	0
Rae Edzo	103	103	0	109	112	3
Rae Lakes ***	119	123	4	110	110	0
Snare Lake ***	121	125	4	118	118	0
Wha Ti	110	120	10	110	118	8
Yellowknife	100	100	0	100	100	0



## WORKSHEET

Name: \_\_\_\_\_

Community: \_\_\_\_\_

Telephone: \_\_\_\_\_

Proposal	Agree	Disagree	Comments
O&M categories			
O&M method			
O&M weightings			
Capital categories			
Capital method			
Capital weightings			





# 4 Property Taxation



This topic may seem a little out of place in the middle of a puzzle dealing with municipal financing because some people think it really has little or nothing to do with how community governments get money from the central government. It is closely related to the Municipal Legislative Review and Community Empowerment. It does, however, relate to community government finances. It is included here because it has impacts on how the government provides money to community governments and, more importantly, because it provides many community governments with an opportunity to generate alternative revenue.

This is an important and complex topic. MACA cannot act on its own because the issue of taxes has to be part of an overall government strategic plan that includes federal funding arrangements. It must also be approached in such a way as to facilitate the implementation of self-government agreements.

So far very few community governments have chosen to become Municipal Taxing Authorities (MTAs). There are only seven MTAs: Yellowknife (city), Iqaluit, Fort Smith, Inuvik, Hay River, Norman Wells (towns) and Fort Simpson (village). Hamlets and Charter Communities have the ability to become taxing authorities but, for many reasons, none have done so.

Perhaps the most important reason why hamlets have stayed away from becoming taxing authorities is that they have not seen any real advantage to doing so. Cambridge Bay did explore the idea a few years ago but, in the end, decided that it was not worth their while because it did not result in additional money unless the council was prepared to greatly increase local mill rates.

At the moment, there is a very large gap between the taxes paid by people who live in the General Taxation Area (GTA) and those who live in MTAs. Community governments wishing to become an MTA have to face the prospect of their residents complaining about the increase in taxes. In addition, communities may be concerned that MACA would reduce its funding for community operations by an amount equal to whatever would be raised in taxes so there seemed to be little or no advantage to a community for taking on the extra work of collecting taxes.

The NWTAM has also suggested in the past that the GNWT eliminate the education portion of the property tax. Tax based municipalities have expressed concern about collecting the education tax on behalf of the GNWT or District Education Authority because they have no control over its use. Community residents may associate the tax with the community government rather than the GNWT or District Education Authority, and often are unaware that the community government has no control over it.

There are a number of things that might be done in the short term to make it more attractive for a community government to become an MTA:

- The name of the tax could be changed to “Programs and Services Tax” to better reflect the relationship between the tax and the benefits residents receive.





# 4 Property Taxation



## WORKSHEET

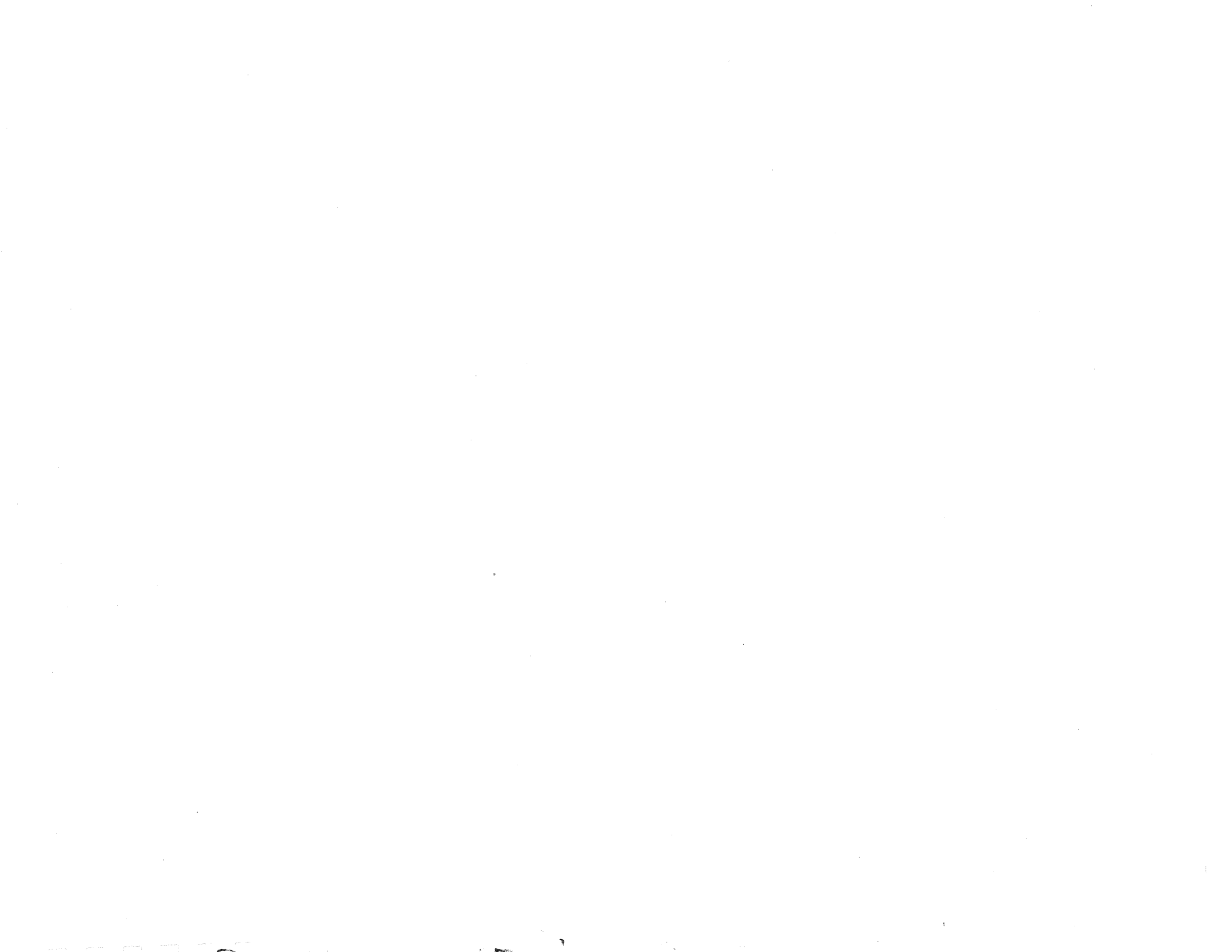
Name: \_\_\_\_\_

Community: \_\_\_\_\_

Telephone: \_\_\_\_\_

Proposal	Agree	Disagree	Comments
Encourage GTA community governments to become MTAs			
Allow MTAs to keep some of the taxes they collect			
Link the amount of taxes kept by the community to the level of authority or responsibility			
Develop a range of alternate funding arrangements			

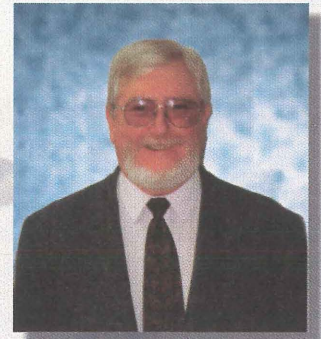








Manitok Thompson



George Roach

**Dear Community Government Leaders:**

## **Municipal Finance Review**

We are pleased to provide you with this information package on the Municipal Finance Review. The Department of Municipal and Community Affairs and the NWT Association of Municipalities have been working together on the Municipal Finance Review for the past year. A lot of work has been done and it is time to report progress to communities and get your feedback.

For several years, community governments have been asking the Department of Municipal and Community Affairs to address a number of concerns and issues with respect to municipal financing. The purpose of the Municipal Finance Review is to examine current funding arrangements to see if ways can be found to address these concerns, while still ensuring that municipal funding is distributed equitably and fairly to all NWT communities.

Our shared goals for the Municipal Finance Review are simple - we want to preserve the features of current financing arrangements that work well and improve those that do not. More specifically, we will want to ensure that any changes to municipal financing meet the following tests:

- To ensure that municipal funding is distributed equitably and fairly to community governments
- To increase the management flexibility of community governments
- To provide for increased local authority and accountability
- To reduce red tape
- To improve the effectiveness and efficiency of community governments

The review is scheduled to be completed in time to hand off to the two new territorial governments that will be in place after April 1, 1999. It is not intended that the current GNWT will implement proposed changes. Rather, the Municipal Finance Review will provide both new governments with a better way to flow funding to municipalities.

The major components of the review are presented in this information package. Many of the important issues of concern to community governments are highlighted. You will also note that there is still more work to be done. More information will be provided soon on key concepts like the Northern

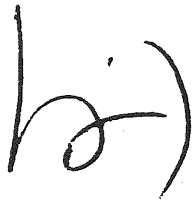


Cost Index and community ability to contribute to capital projects and operations. It is important that we get your feedback and direction to ensure that we are on the right track.

The Municipal Finance Review will be discussed at the upcoming NWTAM Annual General Meeting in Hay River, May 28-30. An outline for proposed next steps and the workplan for completion of the review will be presented for your review and approval. In the meantime, we ask you to please take the time to review the enclosed information, and we look forward to hearing your comments and recommendations.

Help us set the stage for a healthier financial future!

Sincerely,

A handwritten signature in black ink, appearing to read 'M. Thompson'.

Manitok Thompson  
Minister  
Municipal and Community Affairs

A handwritten signature in black ink, appearing to read 'G. Roach'.

George Roach  
President  
NWT Association of Municipalities

## **Introduction**

### **What is the purpose of the review?**

- To ensure that municipal funding is distributed equitably and fairly to community governments
- To increase the management flexibility of community governments
- To provide for increased local authority and accountability
- To reduce red tape
- To improve the effectiveness and efficiency of community governments

### **How will the MFR achieve the goals?**

- By reviewing some of the key concepts that MACA funding is based on;
- By reviewing all of the funding arrangements between MACA and communities and looking for ways to improve them;
- By making sure that proposed changes respond to concerns raised by community governments; and
- By reviewing proposed changes with community governments and other stakeholders.

### **Why is the MFR being done now?**

- Communities have asked for changes to fix problems with current arrangements.
- In order to have recommendations ready for the two new governments to consider on April 1, 1999.

### **Why not wait until claims and self-government negotiations are settled in the West?**

- Community governments have been asking for changes for a number of years and Division provides an opportune time to implement them if the two new governments decide to do so.
- The review will not prejudice financial arrangements that could be developed through self government arrangements.
- The proposed changes will, when combined with the best of the current arrangements, form the basis of good government organization regardless of the nature of the community government.



## What's in it for community governments?

- More flexibility in the ways community governments are funded.
- Less red tape.
- More authority over how funds are used and organized.
- More and better ability to respond to community priorities in a local way.

### WHAT WILL BE REVIEWED?

**Community Governments Responding to Change**



**Ability to Contribute**



**Northern Cost Index**



**Property Taxation**



**Capital Standards and Criteria**



**Formula Funding**



**Block Funding**



**Mobile Equipment Program**



## What the Municipal Finance Review is Not

If you are looking for signs of how the GNWT is going to make more cuts to community government budgets or staff you will not find it here. **The Municipal Finance Review is not about the GNWT saving money.**

**Well, if it's not about saving money, what is it about and why do it?**

The review will look at a number of areas related to how community governments receive and raise the money they need to provide the programs and services their residents need and want. Each of these areas will be reviewed using these headings:

*What Exists Now? Why Change? What is Proposed?*

## **Background Papers**

Background papers, which discuss the topics in greater detail, will be available so individuals can obtain as much information regarding the issues and proposed changes as they would like.

We recommend that all senior administrators read the Background Papers. They provide in-depth descriptions of the thinking behind each of the recommended changes and, in many cases, copies of the data that lead to the recommendation.

The Background Papers will be available from the NWTAM and MACA headquarters in Yellowknife and regional offices in Fort Smith, Fort Simpson, Rae, Inuvik, Norman Wells, Cambridge Bay, Rankin Inlet and Iqaluit. See the list of individuals included in this package for telephone numbers. Copies will also be available from your Senior Administrative Officer and include:

### **Community Governments Responding to Change**

**Ability to Contribute**

**Northern Cost Indexes**

**Property Taxation**

**Capital Standards and Criteria**

**Formula Funding**

**Block Funding**

**Mobile Equipment Program**





## Challenges

Ok, let's get on with it. What are the issues and why do we need to consider changes? Some of the challenges facing community governments include:

trying to meet increased demands with limited budgets;

the creation of two new territories on April 1, 1999;

aboriginal land claim and self government negotiations in the Western Territory;

pressure to respond positively to GNWT initiatives such as Community Empowerment, Community Wellness, Income Support Reform and others;

population growth (the highest birth rate in Canada) is affecting community infrastructure, housing needs and other social programs;

current funding programs discourage community governments from accepting the greater responsibility of higher municipal status and to move from the General Taxation Area to become a Municipal Taxing Authority

no guarantee of ongoing levels of program funding has made it difficult for some communities to take on increased program and service delivery responsibility through Community Empowerment;

most community governments are funded on an annual program by program basis and are unable to move money to areas of local priority; and

the requirement for budgets to be negotiated annually makes long range planning difficult.

These issues require community governments (and the territorial government) to rethink the way in which they do business, both on their own and with each other.

It is a time which presents tremendous opportunity for northern governments to design systems in the north, for the north. We can take ideas from other jurisdictions and refine them to suit our needs. In spite of the pressure of time, we should devote our energy to designing systems of government that will do what we want them to do both effectively and efficiently. Such an approach may be particularly important when it comes to the ability of community governments to respond to change.





# The Next Steps

Hopefully you now have a good idea of what the Municipal Finance Review is all about and are ready to begin discussing it with friends, neighbours and your community government councillors.

Part 2 of the puzzle, **Building Key Concepts**, will deal with some of the issues raised here in greater depth. We hope that your community representatives who attend the NWT Association of Municipalities Annual General Meeting in Hay River on May 28-31, will contribute to the discussion on the proposals made in this section.



Part 3, **Understanding the Funding Distribution Options**, should be ready for review in September, 1998.

Part 4, **The Consultation Phase**, will take place between September and December, 1998.



Part 5, **Recommendations for Implementation**, will be completed in time for review at the NWTAM Annual General Meeting in Cambridge Bay in March, 1999.

The objective is to have an recommendations ready for the two new governments on April 1, 1999.

We will begin developing the consultation materials to provide you with concrete examples of how the opportunities and changes can benefit your communities.

We encourage you to keep this portfolio handy, so you can refer to it when we send you the rest of the pieces of the puzzle.





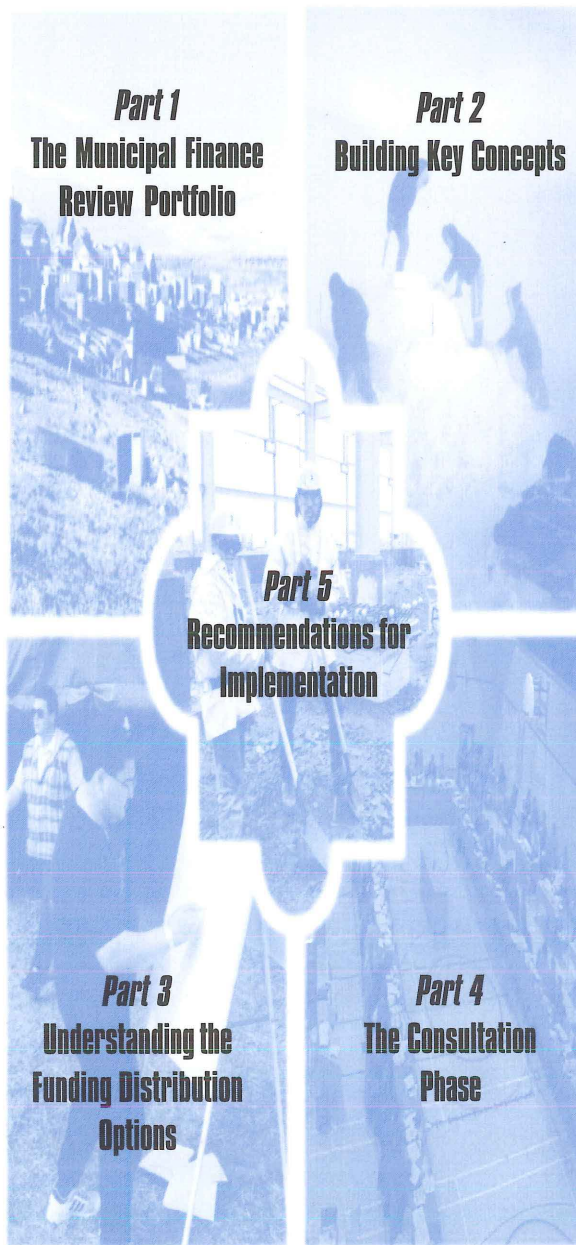
# MUNICIPAL FINANCE REVIEW CONSULTATION PLAN

The Municipal Finance Review is an opportunity for community governments to review and discuss options on how changes to municipal financing can be made, to benefit their communities and provide better programs and services for their residents.

The Review can be viewed as a puzzle with five interlocking pieces. Each of the pieces will help to redesign the financial relationship between MACA and the community governments.

## “Piecing” The Puzzle Together

Below are the five interlocking pieces of the Municipal Finance Review puzzle:



The following steps will be taken to complete the Municipal Finance Review:

**May 1998**

Distribute Part 1 - The Municipal Finance Review Portfolio to:

- Community Governments
- Senior Administrative Officers
- Band Councils and Metis Locals
- Members of the Legislative Assembly
- Nunavut Implementation Commission,
- Nunavut Tunngavik Incorporated
- Office of the Interim Commissioner
- GNWT Departments
- First Nations Organizations

**May 1998**

Distribute Part 2 - Building Key Concepts

**May 28-31, 1998**

NWT Association of Municipalities reviews the Municipal Finance Review process and consultation plan at their annual general meeting in Hay River.

**September 1998**

Distribute Part 3 - Understanding the Funding Distribution Options

**September to December 1998**

Part 4 - Consultation Phase occurs

**January to February 1999**

Part 5 - Recommendations for implementation are developed

**March 1999**

NWT Association of Municipalities reviews the Implementation Proposal at their annual general meeting in Cambridge Bay

**April 1999**

Consultation results and recommendations for implementation are presented to the new Nunavut and Western territorial governments





# Steering Committee

George Roach President NWTAM Co-Chair 873-8359	Penny Ballantyne Deputy Minister MACA Co-Chair 873-7118	Peter Kritaqlilik Vice President East NWTAM Arviat 857-2841	Charlie Furlong Vice President West NWTAM Aklavik 978-2361
Lew Voytilla Secretary Financial Management Board 873-7211	Vern Christensen Assistant Deputy Minister - Programs MACA 873-7118		

# Working Group

Yvette Gonzalez Executive Director NWTAM Co-Chair 873-8359	Vern Christensen Assistant Deputy Minister, MACA Co-Chair 873-7118	Dave White Senior Administrative Officer Kugluktuk 982-4461	Don Pickle Senior Administrative Officer Broughton Island 927-8832
John McKee Senior Administrative Officer Fort Liard 770-4104	Roy Scott Senior Administrative Officer Fort Smith 872-2014	Beth Stroman Senior Administrative Officer Fort Good Hope 598-2231	Dennis Adams Director, Community Operations MACA 920-6128
Doug Crossley Superintendent MACA Cambridge Bay 983-7262	Bill Buckle Manager, Community Operations Programs MACA 920-8752	Don MacDonald Senior Advisor, Community Monitoring MACA 920-8601	Debbie Delancey Director, Budgeting and Evaluation FMBS 873-7079
Fred Chambers Advisor Community Empowerment FMBS 873-7539			



# MACA Resource Staff

Susan Craig  
Manager, Financial  
Services  
MACA  
873-7556

Al Shevkenek  
Manager Capital  
Programs  
MACA  
920-8603

Ron Rusnell  
Municipal Works  
Officer  
Inuvik  
777-7192

Tony Kulbisky  
Former Manager  
Community  
Operations  
Programs  
MACA

# MACA Regional Superintendents

Baffin:  
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Keewatin:  
645-5049

Kitikmeot:  
983-7262

Inuvik:  
777- 7120

Fort Smith:  
872-7286

Rae-Edzo:  
392-6900

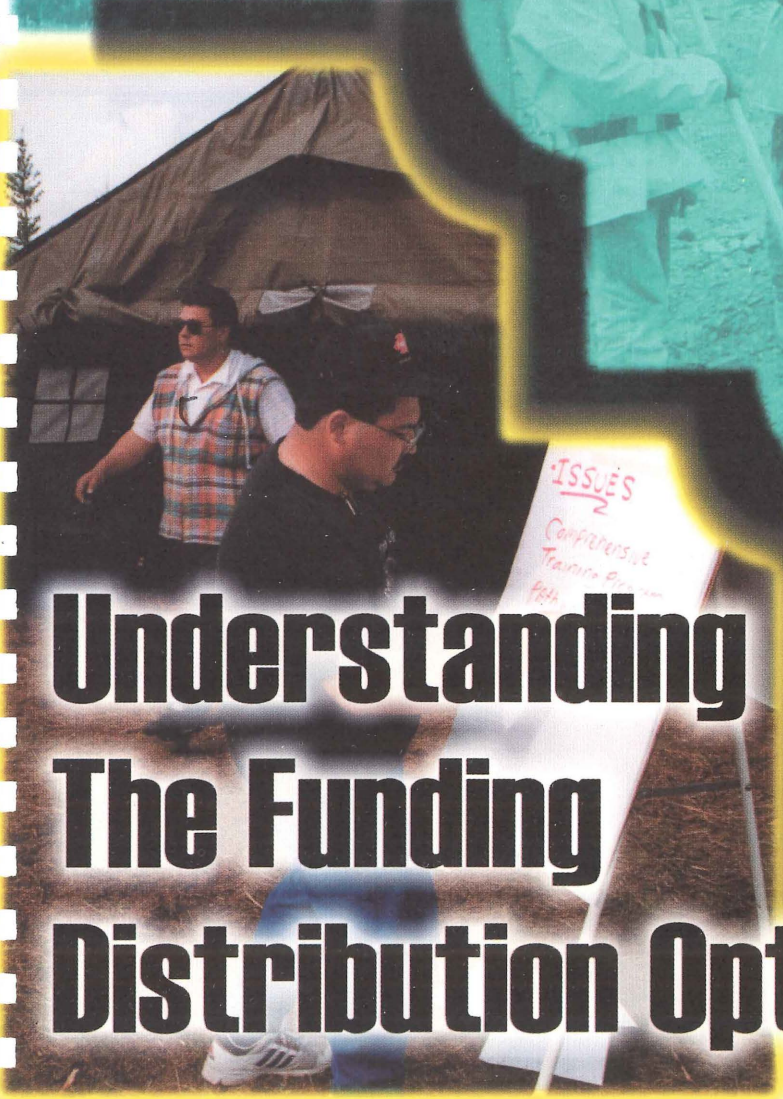
Fort Simpson:  
695-7220



# Municipal Finance Review Part 3 Discussion Paper

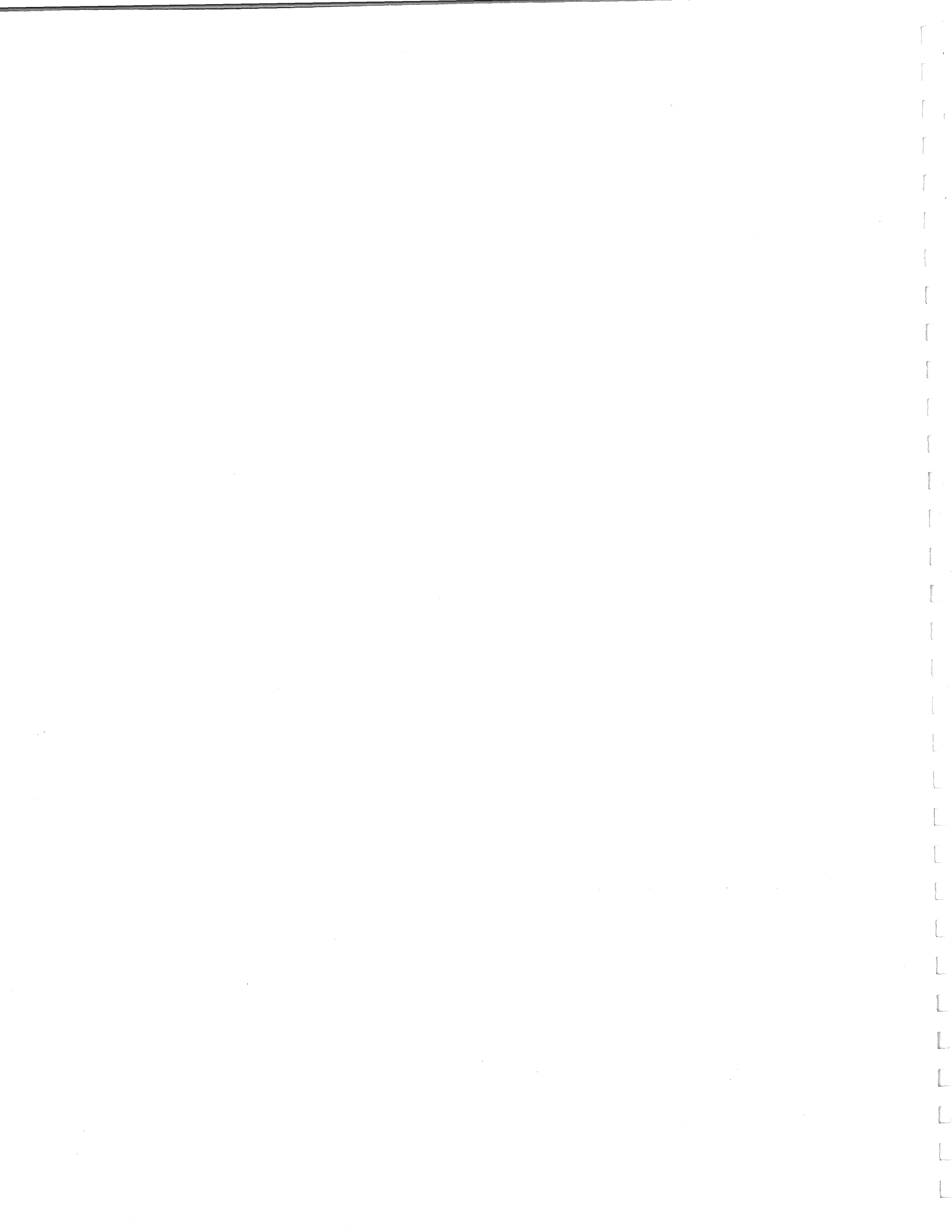


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# Understanding The Funding Distribution Options







## WELCOME TO THE THIRD PIECE OF THE MUNICIPAL FINANCE REVIEW PUZZLE!

# UNDERSTANDING THE FUNDING DISTRIBUTION OPTIONS

In this piece of the puzzle we will look in-depth at more of the issues raised in the portfolio which you received previously. We hope that once you have reviewed this information you will feel comfortable discussing and making further recommendations on these topics. These are very complex topics. For more information, examples and detailed analysis, you are invited to refer to the technical background papers by the same names.

Topics covered in this section:

- 1. Capital Standards and Criteria**
- 2. Block Funding Approaches**
- 3. Block Funding Mobile Equipment**
- 4. Funding Formula**

Each of these sections will discuss the topic by:

- ⦿ beginning with a description of the way things are done now,
- ⦿ providing an explanation of why it is felt that changes are necessary and, finally,
- ⦿ proposing changes for you to consider, debate and discuss.

## Introduction

As you think about and discuss the topics and the proposed changes, we suggest you use the following questions as a guide:

**Are the proposals what you want?**

**Did we miss any?**

**Do they support your goals for empowerment?**

**Will they help to reduce red tape?**

**Will they help us do a better job?**

As you saw in the portfolio, there are many other, more specific, questions related to each of the topics, but these questions should serve as a general guide to help you decide whether you support the proposals, or wish to suggest something else.

Two other questions that you should keep in mind as you think about the proposals are:

- 1. Will they allow your community government to maintain or improve the level of programs and services to its residents?**
- 2. Will they allow your community government to spend money wisely as it attempts to respond to local issues and goals?**

Finally, you are encouraged to be creative and not feel tied to the way things are being done now or have always been done. Community governments must be able to do their jobs in ways that get the best results for the least amount of money or people's time.

You will recall that in Part 2 of the puzzle, Building Key Concepts (and the accompanying technical papers), the following areas were discussed:

- 1. Community Governments Responding to Change**
- 2. Ability to Contribute**
- 3. Northern Cost Index**
- 4. Property Taxation**

# Introduction

The introductory statements of the proposals are reproduced here for your reference. For greater detail please refer to the **Building Key Concepts document**.

## Community Governments Responding to Change

1. Hamlets should be encouraged to move toward Taxing Authority status.
2. Expanded municipal borrowing capability.
3. Flexibility in municipal investment opportunities.
4. Stronger promotion of all phases of the Community Empowerment Initiative including Community Based Planning and Community Assessment.
5. MACA should continue to monitor financial health in partnership with community governments and provide assistance through program transfers and other processes.
6. Community governments should be given the ability to become involved in “for profit” businesses.
7. Community governments should be advised and encouraged to make full use of the Nunavut Employment Strategy/Community Empowerment Initiative/GNWT/federal and/or alternative sources of funding to achieve community priorities and objectives.
8. The NWTAM and/or MACA should coordinate the promotion and sharing of community success stories for building a healthy financial position through a manual, newsletters, World Wide Web sites or other means.



## Ability to Contribute

A method of arriving at a formula to determine a community's ability to contribute is proposed. The results of the rankings are shown in the chart below. For information on how the rankings were determined please refer to the Ability to Contribute technical paper.

100	60-70	40-50	30-39	20-29	10-19	0-9
Yellowknife	Rankin Inlet 67	Fort Simpson 48	Rae-Edzo 33	Baker Lake 29	Igloolik 19	Repulse Bay 9
Hay River	Norman Wells 64	Cambridge Bay 43		Arviat 28	Ft. Providence 18	Pelly Bay 9
Iqaluit				Pangnirtung 25	Aklavik 17	Tulita 9
Inuvik				Kugluktuk 24	Gjoa Haven 14	Resolute Bay 9
Fort Smith				Tuktoyaktuk 22	Coral Harbour 13	Wha Ti 7
				Ft. McPherson 20	Deline 12	Chesterfield Inlet 7
				Cape Dorset 20	Ft. Good Hope 12	Kimmirut 7
				Pond Inlet 20	Ft. Resolution 12	Holman 7
					Hall Beach 11	Lutsel'ke 6
					Taloyoak 11	Whale Cove 6
					Ft. Liard 11	Paulatuk 5
					Clyde River 11	Rae Lakes 4
					Arctic Bay 11	Enterprise 4
					Sanikiluaq 10	Hay R. Reserve 4
					Broughton Island 10	Wrigley 4
						Detah 4
						Grise Fiord 3
						Sachs Harbour 3
						Tsiigehtchic 3
						Snare Lake 2
						Nahanni Butte 1
						Trout Lake 1
						Colville Lake 1
						Jean Marie River 1
						Kakisa 1
						Bathurst Inlet 0
						Bay Chimo 0

## Northern Cost Index

Methods of arriving at formulae reflecting the varying community costs for O&M and Capital are proposed. For information on the rankings please refer to the Northern Cost Index technical paper.

## Property Taxation

1. Encourage GTA community governments to become Municipal Taxing Authorities (MTAs).
2. Allow MTAs to keep some of the taxes they collect.
3. Link the amount of taxes kept by the community to the level of authority or responsibility.
4. Develop a range of alternate funding arrangements.

# 1. Capital Standards and Criteria



The Standards and Criteria review focuses on three specific objectives:

- ⑥ to ensure existing capital resources are equitably and fairly distributed;
- ⑥ to design incentives for the efficient uses of resources at the community level; and,
- ⑥ to maximize the impact of limited resources.

The basic principle of MACA's capital assistance policies is that the Government of the Northwest Territories (GNWT) "should assist all NWT municipal governments and community authorities to achieve a basic level of municipal infrastructure". The policies are also based on the belief that municipal governments and community authorities should contribute to the capital costs of their municipal infrastructure according to their ability to contribute \*. (Note: For a discussion of the "Ability to Contribute" topic please refer to the Building Key Concepts document or the Technical Paper.)

## **The Ability to Contribute formula contains the following assumptions:**

- ✓ larger communities will have larger, and perhaps more, facilities;
- ✓ as population increases the size and costs of facilities increases;
- ✓ the City of Yellowknife is the base community; and
- ✓ the entire community's wealth should be included.

## **Factors included in the formula:**

- ✓ per capita income (NWT average is \$18,000) is determined by dividing the total community income by the population to get an average
- ✓ percentage of population which could be in the work force is determined by the age of community residents
- ✓ assessment per capita is determined by dividing the total value of all assessed property in the community (except community government property) by the population.



# Capital Standards and Criteria

**Capital Standards and Criteria** list the types and size of projects eligible for funding and define whether a project is considered **basic** (necessary) municipal infrastructure or “not basic” and therefore “**additional**”. This, along with the “ability to contribute” category, decides the amount of money or in-kind services that the community government must contribute to the capital cost of each project.

A series of questions or tests were used to assess the Standards and Criteria for each capital program. The questions expand upon the review objectives and focus on areas of concern to both community governments and the Department of Municipal and Community Affairs.

## These questions included:

- Are the items listed as ‘basic’, in fact, the minimum infrastructure required to provide the necessary level of municipal services?
- Are there alternative sources of revenue for infrastructure now funded by MACA’s capital assistance policies?
- Are changes required to reflect the Community Empowerment priority initiative?
- Are there barriers to community governments pursuing the least cost option for providing municipal services (such as contracting out to the private sector or pursuing public private partnerships) where it is more cost effective to do so?
- Is updating required to reflect changing conditions or changing technology?
- What should community governments be required to contribute to the capital cost of eligible infrastructure projects?

**NOTE:** *In the following sections all references to population refer to ten year projected population (as opposed to current population).*





# Capital Standards and Criteria



## Question 1

Are the items listed as 'basic', in fact, the minimum infrastructure required to provide the necessary level of municipal services?

### WHAT EXISTS NOW?

Basic infrastructure is the minimum works, buildings, machinery, furnishings, vehicles and equipment required by a community government to provide the level of services required for a safe and sanitary living environment. "Additional" infrastructure allows a community government the ability to provide a level of service over and above the "basic" service level.

Larger community contributions are required for "additional" infrastructure. If a community is classed as having no ability to contribute to the capital cost of infrastructure it is not eligible to receive "additional" infrastructure.

### WHY CHANGE?

Some consider it a problem that many communities have received funding for "additional" facilities while other communities have not had all of their "basic" needs met.

Others consider it wrong to have moved (in 1996) **above ground swimming pools** from 'basic' to 'additional' (Swimming pools constructed after April 1, 1996 were also no longer eligible for operations funding under MACA's Municipal Operating Assistance Policy.). The NWTAM has approved three separate motions relating to the need for swimming pools. Motions 97-6 and 97-18 asked the GNWT to reverse the changes made to the funding available for construction and operation of Above Ground Swimming Pools. Motion 98-6 also resolved that MACA make subsidies available for swimming pools again.

Communities have said that the **community halls** now being built for communities with a projected population of over 800 are too small. The present halls are meant to allow 775 to stand or 620 to be seated. Related to the community halls is the question of community gyms. . MACA has Capital Standards and Criteria for a 'basic' community gym. The Standards and Criteria have caused some

# Capital Standards and Criteria

confusion with the Community Hall Program in that the eligible population for medium and large facilities is not the same for both programs (although they are designed for similar purposes such as social or recreational events). Further confusion is created by the fact that the Department of Education Culture and Employment also provides Gymnasiums and have Standards and Criteria based on student population, classrooms and grade levels.

## *Should we be building extra large community halls?*

The **Basic Arena Capital Program** standards and criteria has also been the subject of an NWTAM motion. Motion 96-28 resolved “that the outdoor rink program be modified for communities with extreme climates to allow for some form of structure to protect the rink from wind, snow and cold.” The standards and criteria indicate that communities with a population of under 250 people are eligible for a lighted skating rink with a heated change area. This has proven to be a reasonable standard for communities below the treeline. However, in communities in the higher arctic where temperatures tend to be colder and trees are not available to break the wind that frequently blows across the flat tundra landscape, outdoor skating rinks have proven to be less practical.

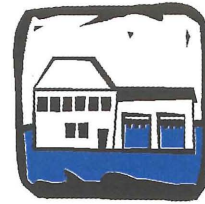
The provision of eligible ‘additional’ infrastructure can create false expectations. Given current financial resources, community governments cannot reasonably expect that the same level of assistance will be available for these items. *It has been argued that no community government should be provided financial assistance for ‘additional’ infrastructure as long as there is still a community with unmet needs for ‘basic’.* If a community is able to raise a greater contribution towards the cost of improving its infrastructure beyond “basic” there should continue to be some flexibility in MACA’s capital assistance policy to provide ‘additional’ infrastructure.

## WHAT IS PROPOSED?

- ⦿ **Above ground swimming pools be re-instated as “basic”** for the Major Sport and Recreation Facilities Capital Assistance Program.
- ⦿ The ‘basic’ **Community Gym Program be amended** to set a ceiling on eligibility to receive a MACA sponsored community gym at a community population of 250 people. **Note:** (1) This would serve to eliminate any duplication with ECEs Schools Capital Program in which communities become eligible for a gym once the local population reaches approximately 250 people. (2) The Community Gym Program would continue to provide funding to ensure a separate public access to the school gym in communities with a population



# Capital Standards and Criteria



greater than 250. (3) Gymnasiums previously funded by MACA in communities greater than 250 people would remain eligible for funding of major capital repairs and operating assistance until they are replaced.

- ⦿ Community needs and options for larger gathering spaces in communities of greater than 1200 continue to be reviewed. Community Hall Standards and Criteria be revised if the benefits outweigh the costs.
- ⦿ The basic Community Halls Standards and Criteria be amended to lower the minimum population eligibility requirement to 250 people from the current minimum of 400 people in communities where Education, Culture and Employment programs for gymnasia do not apply.
- ⦿ The provision of unheated enclosures for outdoor skating rinks for communities less than 250 people and above the treeline be included as an option eligible for funding in the standards and criteria for the Basic Arena Capital Program.
- ⦿ A comprehensive review of the costs and benefits of providing capital or operations and maintenance assistance for urban transit infrastructure in larger communities (i.e. buses, garage space, passenger shelters and street signage) be undertaken.

## Question 2

**Are there alternative sources of revenue for infrastructure now funded by MACA's capital assistance policies?**

### WHAT EXISTS NOW?

Communities are responsible for financing the purchase of new vehicles through the service charges they establish for water and sewage services. Funding is provided for the purchase of garbage collection vehicles. Pick-up trucks are provided for non tax-based communities.

Limited capital funding available and higher priority capital projects requiring funding has made it necessary to defer most requests for the purchase of pick-ups. Only first time purchases have received high priority.



# Capital Standards and Criteria

Communities seeking replacement vehicles often had to draw from other sources even though they were technically eligible for funding. Communities have found some financial flexibility by drawing from their operating surplus, established reserves or by reducing previous O&M budget allocations.

## WHY CHANGE?

The GNWT can not meet all community requests for new or expanded infrastructure. For example, the capital cost of garbage collection vehicles could be financed by including the cost into the economic rate charged for the service. The costs of garbage collection vehicles are a direct cost of providing the service. A review of garbage collection service costs shows that the recovery of capital costs through user rates should not result in unaffordable rates to community residents. Customers requiring the service would pay for the vehicle in their service charges regardless of whether these services were provided by the community government or contracted to the private sector. This approach is not feasible in every instance. For example, communities of less than 400 people have a smaller customer base and the economic rate required to cover the cost of a garbage collection vehicle or pick-up truck may be unacceptably high.

Some communities have suggested changing the capital funding provided for pick up trucks to O&M funding so that they could take advantage of leasing arrangements. Block funding for pick up trucks would also provide similar flexibility.

This would help to reduce the number of projects requiring funding from MACA's limited capital budget. Other projects that do not have an affordable alternative source of funding may then be able to proceed. Any addition of new communities should be accompanied by an increase in funding under MACA's capital and operating assistance policies.

## WHAT IS PROPOSED?

- ⦿ Financial assistance for mobile equipment should continue to be provided for unincorporated communities as in the past.
- ⦿ For communities of 400 or greater, the purchase of **garbage collection vehicles** should be financed through customer service charges. This change would be phased in over five years to allow communities to build enough of a capital reserve fund to reduce the need to borrow to purchase new or replacement garbage vehicles.

# Capital Standards and Criteria



- ◎ **Pick up trucks** no longer be eligible for funding under MACAs Capital Assistance Policies except for unincorporated communities which cannot own or lease property. Capital funding for pick up trucks (net of the required community contribution) would be converted to annual O&M funding provided through the formula funding provisions of the Municipal and Settlement Operating Assistance Policies or through block funding – to provide for more flexible acquisition options available through leasing arrangements.
- ◎ The **addition of new eligible communities** under MACAs capital and operating assistance policies should be accompanied by an increase to MACAs capital and O&M funding base (to address the project and operational needs that will be added to the total funding requirement).

## Question 3

**Are changes required to Standards and Criteria to reflect the Government's Community Empowerment Initiative?**

### WHAT EXISTS NOW?

Community Empowerment involves the transfer of authority and resources to community governments for the delivery of programs and services to local residents. The objectives are to give community governments greater control over local government services, to move the delivery of services closest to those most affected by the decisions being made and to strengthen the accountability between community governments and their residents.

One of the results of the Community Empowerment Initiative is the development of block funding arrangements (with some communities) for the management and delivery of some or all capital and/or O&M programs. Block funding arrangements give community governments the authority to make decisions about the budgets for the programs they deliver. In some instances, a community may decide that a certain program is no longer a priority and the funding should be spent in another, higher priority area. A community may decide that the previous spending on a capital program should be spent on an O&M program or vice versa. Community road construction, site development, minor additional recreation facilities and open play space projects were block funded to all communities in 1997/98.



# Capital Standards and Criteria

Similar transfers have been occurring to community governments from other government departments. An early impact of these transfers has been an increased demand to provide office space for additional staff resulting from the transfers. Office space is usually transferred along with new staff but the space is often not conveniently located for effective and efficient interaction with other community government staff. Some communities have requested funding to consolidate all community office space into one building.

## WHY CHANGE?

Standards and Criteria should be consistent and compatible with government policies and revised appropriately as changes to government policies and programs occur over time. The design of any policy or initiative should be to allow the government and its clients to be as efficient and effective as possible.

The current **community offices program** deals only with office space for traditional municipal services, not for additional staff that may be transferred with community programs from other government Departments. **Communities want to consolidate the offices obtained through transfers so that their operations can be as efficient as possible.**

Existing policies require communities to seek funding from each Department directly for expanded or replacement office space. It would be more efficient to consolidate all offices at once or at least on a phased schedule. Community governments may need to seek the cooperation of a number of different Departments on the same capital project. It may not always be possible for community governments to obtain the funding required from each Department in the year construction is planned to proceed. It would be more efficient if capital assistance for community office space for all the transferred programs were addressed by one MACA community office program and standards and criteria.

“Home based” and other innovative work space alternatives now offered by technology can provide more flexible work opportunities and at the same time reduce the cost of providing office accommodation. Such innovative cost saving options should be encouraged.

**Communities have occasionally raised concerns that their highest priorities are not funded while sometimes their lower priority projects are.** Communities sometimes feel they are not being heard and are not part of the capital planning process. These feelings seem inconsistent with the expected results of the Community Empowerment Initiative. This sometimes occurs because MACA prioritizes its capital budget first by program and second by project. If a community Council has placed its top priority on a project that must compete for funding

# Capital Standards and Criteria



within one of the smaller programs it may not get funded. It will depend on how it ranks compared to other similar project requests from other communities. At the same time, one of its lower priority projects may be competing for funding within a program with a higher target or simply competes better against other project requests within that program.

A possible remedy would be to budget by Region rather than by program. This would place less emphasis on departmental priorities for capital spending and more on community priorities. Project priorities would need to be determined by the Department through a consultative consensus building process with the community governments of the Region.

Another approach would be to revise the capital planning process to respond to community priorities with the total “Territorial” capital budget rather than from within separate programs. This would emphasize the community project priorities and de-emphasize “program” funding.

## WHAT IS PROPOSED?

It is proposed that:

- ⦿ **Standards and Criteria** for programs that are block funded to all community governments be revised to reflect the block funding formula being applied. This would apply to the road construction, site development, open play space and minor additional recreation capital assistance programs.
- ⦿ The **Community Offices Program Standards and Criteria** be expanded to address the community office space needs for all GNWT programs transferred to community governments. Community governments would be encouraged to incorporate “home based” and other innovative solutions into their office space planning.
- ⦿ **MACAs capital budget** (not including funding already committed to comprehensive block funding agreements or other block funding initiatives) no longer be allocated first by Program. All community determined project priorities should be considered together for funding from within the overall annual capital allocation for the Department. Project priorities would continue to be determined by the Department through a consultative capital planning process with each community government.



## Question 4

**Do any Standards and Criteria contain barriers or disincentives for community governments to pursue the least cost option for providing municipal services?**

### **WHAT EXISTS NOW?**

MACA's capital policies provide funding for the construction of a variety of municipal infrastructure. The mobile equipment policy provides funding for a basic fleet of mobile equipment to provide essential road services. The policies are currently based on communities providing the service with their own staff.

If a community government enters into a contract with a private business to provide all or part of the road maintenance service, the community government is no longer eligible to receive capital funding assistance from MACA for the affected mobile equipment or infrastructure provided by the contractor. The amount of operating assistance funding provided through MACA's Settlement and Municipal Operating Assistance Policies remains the same regardless of whether the service is contracted or provided with community owned forces. The contractor's charges will include a premium for the amortization of the contractor's capital assets that are required to provide the service. The amortization cost would not be included in the operating budget provided to the community and will cause the contractor's cost to be higher than the budget available to the community. Any efficiency gained by contracting to the private sector would be eroded and might well be more expensive for the community government. This is a barrier both to community governments being as efficient as they can in the delivery of municipal services and contracting services to the private sector.

### **WHY CHANGE?**

The existing capital program standards and criteria do not encourage community governments to make the most effective and/or efficient use of the limited financial resources. **GNWT policies and program standards and criteria should be designed to encourage community governments to take advantage of the economies available from the private sector.** Community governments should receive the same level of financial support for the mobile equipment, parking and maintenance garage facilities whether they contract out or perform related services with their own forces.

Ad hoc financial contributions have, in the past, been made by MACA on an "extraordinary" basis to address this type of inequity in a few communities. There

# Capital Standards and Criteria



should be a formalized and consistently applied approach included in MACA's capital and operating assistance policies.

## WHAT IS PROPOSED?

It is proposed that:

- When a community privatizes an eligible service an equivalent capital contribution be added to the operating assistance a community government is eligible to receive under MACAs Operating Assistance Policies and that the rules for determining the amount of equivalent capital contributions be clearly stated in a schedule to the Policy.
- Incorporated community governments (except Settlement Corporations that cannot own real property) be eligible to receive capital assistance for mobile equipment as well as parking and maintenance garage facilities through multi-year block funding arrangements (in accordance with the provisions of the Program Standards and Criteria governing eligibility).

## Question 5

**Do Standards and Criteria require updating to reflect changing conditions or technology?**

## WHAT EXISTS NOW?

Mobile equipment specifications Standards and Criteria are very detailed and require continual review due the changing equipment options and technological improvements that occur annually. Continual review is also required in the area of fire protection but there is a concern about insufficient detail in the Standards and Criteria for this capital program.

The current fire protection Standards and Criteria specifies four standard complements of fire protection halls, vehicles and equipment based on population. Communities are eligible for capital financial assistance to acquire one of the four standard complements. The assumption is that there is a common progression of the fire protection infrastructure a community needs as its population grows.



# Capital Standards and Criteria

Assumptions are also made regarding the size and type of buildings that might exist in communities of a certain size and the need for a readily accessible water supply for fire suppression.

Over time, the size and type of buildings have not been the same in all communities of a similar size. In some communities, much larger and structurally complex buildings have been constructed. Other infrastructure, such as bulk fuel storage facilities, also varies in size. As a result, the ability of local fire fighters to access buildings and facilities can be more difficult than anticipated by the standards and criteria. In some instances, specialized or additional facilities and equipment may be required to manage the unique hazards presented by these larger and more varied facilities efficiently and safely.

MACA has historically funded fire alerting systems. This provision is not explicitly described in the fire protection standards and criteria.

**Reliable fire truck operation in cold arctic climatic conditions continues to be a major problem for fire departments.** The effectiveness of front mounted versus “mid-ship” mounted fire pumps and other design features need to be evaluated to improve the reliability and effectiveness of fire trucks.

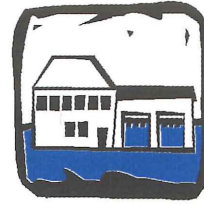
## WHY CHANGE?

Historically, detailed specifications have been included in the Mobile Equipment program Standards and Criteria to ensure only reliable equipment capable of performing the required tasks in cold remote locations was purchased. It was believed that detailed standards and criteria were essential to set a top cost for mobile equipment. These specifications do not always describe a versatile product that meets a community’s unique need or situation. Detailed standards and criteria prevent communities from buying adequate but less expensive equipment.

*The absence of a fire protection by-law unnecessarily exposes a community government to a potentially large financial liability if a property owner or insurer sues for the extent of a fire loss. Every municipal government should have a comprehensive fire protection by-law and every unincorporated community government should have a comprehensive fire protection policy or plan.*

Vehicles and equipment supplied based simply on population may not assure the ability of the local fire department to respond safely and effectively. A more appropriate approach would be to provide capital assistance for fire protection facilities, vehicles and equipment based on an assessment of the type and size of

# Capital Standards and Criteria



fire hazards in a community, as well as the population. An alternative or complementary strategy would be for community governments and the GNWT to impose development controls. Such controls may be in the form of zoning by-laws, area development regulations and land leases restricting the types, sizes and hazards associated with improvements constructed in communities within specified population ranges.

The basic fire equipment list, including requirements for fire fighter “turnout gear” needs to be adequate to allow the most effective fire response.

The specification of fire trucks for cold climate operation needs to be reviewed. Operator and maintenance capability may also need to be reviewed.

## WHAT IS PROPOSED?

It is proposed that:

- ◎ Standards and Criteria for mobile equipment be based on a **flexible performance specification** specific to eligible community needs rather than a detailed hard specification which is applied uniformly to all community governments. A performance specification would identify the equipment items eligible for funding and general parameters such as size, life expectancies and optional performance capabilities. **Maximum budgets would be set for each eligible piece of mobile equipment.** Alternatively, “**block funding**” the mobile equipment program to community governments may achieve the same objectives.
- ◎ Municipal governments be required to pass a comprehensive fire protection by-law as a condition of receiving funding for fire protection infrastructure.
- ◎ The fire protection standards and criteria be revised to provide capital assistance based on an assessment of the type and size of fire hazards in the community in addition to the geographic area of the community. Fire protection infrastructure would include facilities, vehicles and equipment.
- ◎ The design of community fire trucks be reviewed and revised to assure reliable and improved cold weather performance.



# Capital Standards and Criteria

- The list of basic fire fighting equipment eligible for funding reflect the current experience of community fire fighters and the Office of the Fire Marshal. Standards and criteria for fire alerting systems be added as “basic” fire fighting equipment eligible for “first time” purchase.

## Question 6

**What should community governments be required to contribute to the capital cost of eligible infrastructure projects?**

### WHAT EXISTS NOW?

MACA’s capital assistance policies are based on the principle that “Municipal governments and community authorities should contribute to the capital cost of their municipal infrastructure according to their ability to contribute”. A clear distinction is made between “ability to contribute” and “ability to pay”. It is recognized that community governments may not always be in a position to provide a contribution fully in cash but may be able to provide an equivalent amount through the provision of “in-kind” services that will offset the construction cost of the project.

Communities fall in to one of four categories of ability to contribute; most, medium, least or no ability. Their respective contributions are determined as follows:

Basic Projects				
Project Cost	Ability to Contribute			
	Most	Medium	Least	None
First \$100,000	30%	15%	5%	0%
Next \$900,000	20%	5%	0%	0%
Each additional dollar over \$1,000,000	10%	0%	0%	0%

Additional Projects				
Project Cost	Ability to Contribute			
	Most	Medium	Least	None
First \$100,000	100%	75%	50%	ineligible
Next \$900,000	75%	50%	25%	ineligible
Each additional dollar over \$1,000,000	75%	50%	25%	ineligible

# Capital Standards and Criteria



A “Northern Cost Index” (NCI) is calculated to account for community specific capital costs based on the relative transportation costs, construction costs, fuel costs, cost of living and climatic factors of each community. To determine the contribution that the community is required to make, the project cost is first discounted by the local NCI. Then the appropriate “ability to contribute” percentages are applied to calculate the required contribution.

## WHY CHANGE?

There are only four categories of “ability to contribute” specified by MACA’s capital assistance policies. A small change in a community’s population, assessable tax base or working age population can result in a significant change in the ability to contribute classification.

## WHAT IS PROPOSED?

The proposed approach requires **all communities** to make a contribution, based on a consistently applied ranking of ability to contribute, to the capital cost of a project. It smoothes the incremental increases in contribution requirements as a community moves along the ability to contribute continuum. The differences in required contributions from communities with similar abilities to contribute are no longer significantly different.

It is proposed that the contribution would still be discounted by the difference between its Northern Cost Index (NCI) and the base NCI of 1.0 as is currently done. Communities would still be able to make their contributions as cash or “in-kind” contributions.



# Capital Standards and Criteria

Proposed Ability to Contribute Ratings for each community are as shown in the following chart:

Community	ATC Rating	Community	ATC Rating
Yellowknife	100	Taloyoak	11
Hay River	100	Fort Liard	11
Iqaluit	100	Sanikiluaq	10
Inuvik	100	Broughton Island	10
Fort Smith	100	Pelly Bay	9
Rankin Inlet	67	Tulita	9
Norman Wells	64	Repulse Bay	9
Fort Simpson	48	Resolute Bay	9
Cambridge Bay	43	Wha Ti	7
Rae-Edzo	33	Chesterfield Inlet	7
Baker Lake	29	Kimmirut	7
Arviat	28	Holman	7
Pangnirtung	25	Lutsel'ke	6
Kugluktuk	24	Whale Cove	6
Tuktoyaktuk	22	Paulatuk	5
Fort McPherson	20	Rae Lakes	4
Cape Dorset	20	Enterprise	4
Pond Inlet	20	Hay River Reserve	4
Igloolik	19	Wrigley	4
Fort Providence	18	Dettah	4
Aklavik	17	Grise Fiord	3
Gjoa Haven	14	Sachs Harbour	3
Coral Harbour	13	Tsiigehtchic	3
Deline	12	Snare Lake	2
Fort Good Hope	12	Nahanni Butte	1
Fort Resolution	12	Trout Lake	1
Clyde River	11	Colville Lake	1
Arctic Bay	11	Jean Marie River	1
Hall Beach	11	Kakisa	1

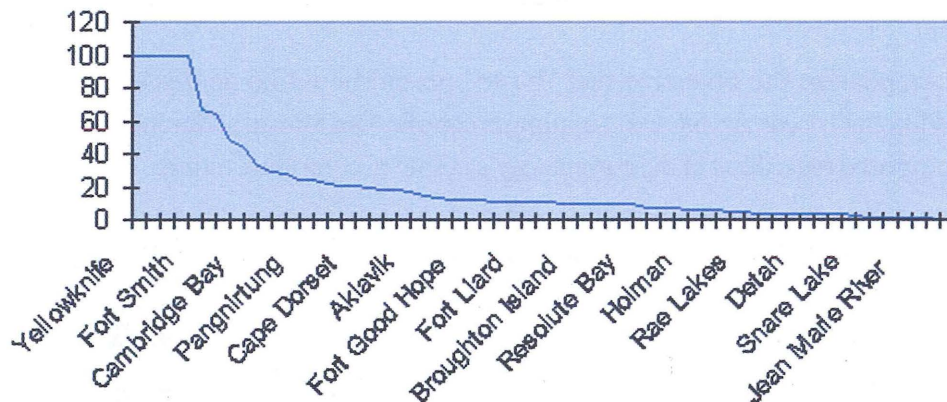




# Capital Standards and Criteria



## Relative Ability to Contribute Rating for each Community



For more detail and a description of how the ratings were arrived at please refer to the technical paper and to the “Ability to Contribute” section of the “Building Key Concepts” discussion paper.

### Proposed Northern Cost Index

Community	Proposed Capital Northern Cost Index	Community	Proposed Capital Northern Cost Index	Community	Proposed Capital Northern Cost Index
Aklavik	1.26	Hay River Reserve	1.01	Taloyoak	1.50
Arctic bay	1.35	Holman	1.35	Trout Lake	1.23
Arviat	1.25	Igloolik	1.32	Tsiigehtchic	1.19
Baker Lake	1.25	Inuvik	1.15	Tuktoyaktuk	1.23
Broughton Island	1.30	Iqaluit	1.25	Tulita	1.22
Cambridge Bay	1.30	Jean Marie River	1.20	Wha Ti	1.20
Cape Dorset	1.28	Ka'sho Got'ine	1.23	Whale Cove	1.30
Chesterfield Inlet	1.30	Kakisa	1.07	Wrigley	1.20
Clyde River	1.32	Kimmirut	1.30	Yellowknife	1.00
Colville Lake	1.40	Kugluktuk (Coppermine)	1.30		
Coral Harbour	1.35	Lutsel K'e	1.20		
Deline	1.28	Nahanni Butte	1.20		
Dettah	1.01	Norman Wells	1.17		
Enterprise	1.02	Pangnirtung	1.38		
Fort Smith	1.05	Paulatuk	1.38		
Ft. Liard	1.07	Pelly Bay	1.60		
Ft. McPherson	1.17	Pond Inlet	1.38		
Ft. Providence	1.05	Rae-Edzo	1.03		
Ft. Resolution	1.07	Rankin Inlet	1.22		
Ft. Simpson	1.02	Repulse Bay	1.35		
Gameti	1.23	Resolute Bay	1.42		
Gjoa Haven	1.50	Sachs Harbour	1.38		
Grise Fiord	1.60	Sanikiluaq	1.40		
Hall Beach	1.32	Snare Lake	1.25		
Hay River	1.01				



## Capital Standards and Criteria

The proposed revised approach takes the maximum community contribution (specified by the existing Municipal Capital Assistance Policy for “most” ability to contribute communities) and multiplies that amount by the square of the relative ability to contribute rating calculated for each community. Squaring the relative ability to contribute (expressed as a decimal) was incorporated into the formula to further ease the requirement for communities to make cash or “in-kind” contributions in favour of those at the lower end of the ability to contribute scale.

To emphasize the objective that “basic” needs should be addressed before “additional” needs are funded, a minimum contribution toward additional projects is proposed regardless of the community’s ability to contribute rating.

It is proposed that the project cost; against which the required community contribution is calculated; would still be discounted (divided) by the Northern Cost Index (NCI) as is currently done. Provisions regarding the opportunity for communities to make their contributions as cash or “in-kind” contributions would still apply.

More specifically, the proposed contribution formula is expressed as follows:

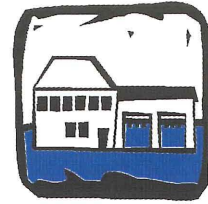
For Basic Projects	
Project Cost	Value of the Required Community Contribution
First \$100,000	$30\% \times (\text{ATC Rating}/100)^2$
Next \$900,000	$20\% \times (\text{ATC Rating}/100)^2$
Each additional dollar over \$1,000,000	$10\% \times (\text{ATC Rating}/100)^2$

For Additional Projects*	
Project Cost	Value of the Required Community Contribution
First \$100,000	$100\% \times (\text{ATC Rating}/100)^2$
Next \$900,000	$75\% \times (\text{ATC Rating}/100)^2$
Each additional dollar over \$1,000,000	$75\% \times (\text{ATC Rating}/100)^2$

\*The **Minimum Community Contribution** toward “Additional” projects would be \$25,000 divided by the community Northern Cost Index.

“**Extraordinary**” projects (if any) would be funded on the same basis as “additional” projects.

# Capital Standards and Criteria



The following example illustrates how this would work in practice:

Consider a new facility eligible for funding as a “basic” project under MACA’s capital assistance policies and costing \$2,000,000 to build. Applying the above formula for “basic” projects results in the required community contributions indicated.

Community	Fort Smith	Rankin Inlet	Rae-Edzo	Cape Dorset	Hay River Reserve
ATC Rating	100	67	33	20	4
Northern Cost Index	1.05	1.22	1.03	1.28	1.01
Discounted Project Cost	\$1,904,761	\$1,639,344	\$1,941,747	\$1,562,500	\$1,980,198
On the first \$100,000	\$30,000	\$13,467	\$3,267	\$1,200	\$48
On the next \$900,000	\$180,000	\$80,802	\$19,602	\$7,200	\$288
On the remainder	\$90,476	\$28,700	\$10,255	\$2,240	\$157
Required Community Contribution	\$300,476	\$122,969	\$33,124	\$10,640	\$493
Required Community Contribution based on existing NCI and ATC categories (i.e. most, medium, least, none)	\$310,000	\$24,000	\$24,000	\$24,000	\$0



# Capital Standards and Criteria

## Impacts of Proposed Changes

**Table 1 - Summary of Financial Impacts of Proposed Changes  
to MACA's Capital Standards & Criteria**

(Financial impacts calculated as average annual amounts over the span of the 20 year Capital Needs Plan)

<b>(Q1P1: Question 1, Proposed Change #1 re: Capital Standards &amp; Criteria Background Paper)</b>  <b>Municipal Financial Review - Proposed Standards &amp; Criteria Changes</b>	Annual Average Financial Impact (x \$1000) on MACA's 20 Year Needs Plan 00/01-19/20				
	EAST		WEST		Total Change
	Increase	Reduction	Increase	Reduction	
Q1P1* Above Ground Pools - re-establish as "Basic"	230		230		(460)
Q1P2 Add Extra-large Hall Category - 1,200 population Threshold (1)	500		100		(600)
Q1P3 Community Gyms - Continue providing 'Primary' size; discontinue 'Junior'/Secondary' sizes		800		210	1010
Q1P4 Community Halls - reduce 1st Hall threshold population from 400 to 250 people	100		150		250
Q1P5 Outdoor Skating Rinks - provide unheated enclosures above the treeline	26				(26)
Q1P6 Urban Transit Infrastructure - research benefit/costs of financial assistance (2)					
Q2P1 Garbage Vehicles - phase out purchases when communities reach 400 pop. (3)		154		58	212
Q2P2 Pick-up Trucks - Purchase for unincorporated/annualize funding for incorporated (4)		72		42	114
Q2P3 New Communities - to be added to MCAP / 1st					
Q3P1 MACA Capital Standards & Criteria - revise to reflect block funding initiatives					
Q3P2 Community Office - needs for all GNWT programs	(5)				
Q3P3 Capital Program Budgets - allocation levels to reflect more community, not program, priorities					
Q4P1 Equivalent Capital - provide to communities that privatized eligible services	115		343		(458)
Q4P2 Incorporated Communities - block fund mobile equipment/garage space					
Q5P1 Capital Mobile Equipment Standards & Criteria - increase specification flexibility					
Q5P2 Fire Protection By-laws - funding conditional upon By-laws being in place					
Q5P3 Fire Protection S&C - link infrastructure entitlement to type and size of fire hazards (5)	-		-		-
Q5P4 Fire Truck S&C Specifications - revise to improve cold weather performance					
Q5P5 Fire Fighting Equipment - modify list/add 1st time fire alerting systems	-		-		-
Q6P1 MCAP Ability to Contribute Factors - propose new factors					-
<b>TOTAL of Program Budget 'INCREASES' and 'DECREASES'</b>	<b>971</b>	<b>1026</b>	<b>823</b>	<b>310</b>	<b>(458)</b>
<b>Total East [ + reduced budget requirements ( ) increased budget requirements]</b>		<b>55</b>			
<b>Total West [ + reduced budget requirements ( ) increased budget requirements]</b>				<b>(513)</b>	

**NOTES:**

- (1) Although the proposal is to 'research benefit/costs of 'extra-large' halls, the estimated average annual 20 year costs are shown for information. They are included in the totals.
- (2) The proposal is to 'research' funding feasibility. Cost implications of funding are unknown at this time.
- (3) The proposed minimum replacement life of 10 years was used in this calculation. Using the existing 7 year life yields average reductions of \$220K and \$83K respectively for the new eastern and western territories.
- (4) The proposed minimum replacement life of 7 years was used in this calculation. Using the existing 5 year life yields average reductions of \$101K and \$59K respectively for the new eastern and western territories.
- (5) Blank entries for a proposed change indicates it is thought there will be little or no financial implication.
- (6) A (-) dashes in entries mean calculations are incomplete but it is thought there will be an increased funding requirement.

# Capital Standards and Criteria



## WORKSHEET

## Capital Standards and Criteria

Name: \_\_\_\_\_ Community: \_\_\_\_\_

Telephone: \_\_\_\_\_

Proposal	Agree	Disagree	Comments
Above ground pools re-instated as "basic."			
Need and options for larger community halls reviewed.			
Amend community gym program to eliminate duplication with ECE.			
Lower minimum population for community halls to 250.			
Unheated enclosures for outdoor skating rinks as an option.			
Review urban transit needs. Garbage trucks financed by user service charges in communities over 100.			
Remove pick up trucks from S&C.			
New communities require increase to MACA base(s). Revise S&C for items now block funded to all.			
Office S&C to include transferred programs.			
Allocate capital budget by community priorities instead of program.			
Equivalent capital contribution added to O&M.			
Provide capital assistance for mobile equipment, parking and maintenance garage facilities to communities that contract services.			
Flexible performance specs for mobile equipment.			
Requirement for fire protection by-law.			
Assess community hazards and fund accordingly.			
Review design of fire trucks.			
Revise list of basic fire fighting equipment based on community need.			
Ability to contribute ratings.			
Ability to contribute formula.			
Northern Cost Index ratings.			



# Capital Standards and Criteria



# 2. Block Funding Approaches



## Block funding:

- ... is a tool, a means by which funding is transferred to community governments;*
- ... is different from program or specific purpose funding (individual activity budgets determined in advance);*
- ... groups a number of program budgets into a single funding block. This block of funds usually has fewer conditions as to how the funding is to be allocated;*
- ... provides a higher level of discretion to the recipient as to how the funding can be allocated.*

## Block funding, can be:

- ⊙ for a single program or project or for several programs or projects,
- ⊙ for a single event or ongoing,
- ⊙ for capital only,
- ⊙ for O&M only,
- ⊙ for both capital and O&M,
- ⊙ for varying lengths of time,
- ⊙ based on different ways to determine distribution.

**Block funding is normally not totally 'free of conditions'.** Conditions are imposed to protect the 'territorial interest'. The GNWT has identified maintaining the public trust as a territorial interest. A key in maintaining public trust is accountability to the taxpayer. The GNWT will always place some conditions of accountability on funds provided to community governments. One feature of block funding, however, is that it has fewer or less strict conditions on how funds are spent.

Territorial interests may be described as those things which the GNWT must, because of federal or other legislation, continue to do. They might also include those things which the Legislative Assembly and Cabinet have decided are a territorial priority and they wish to do.




The level of freedom a community government has with a block of funds (conversely, the degree of condition and accountability) is directly related to its level of autonomy and






responsibility. The level is largely determined by the degree of territorial interest in a particular area or program. **The greater the territorial interest the more conditions the GNWT will put on the spending.** Territorial interest is expressed in conditions of financial and program accountability to the GNWT.

The following framework shows the relationship between territorial interest and community accountability.




## **Minimal Territorial Interest/Minimal Accountability to GNWT**

-  GNWT conditions only respecting accountability for Public Funds and Legislated Standards
-  Community Government has full discretion for expenditures, program standards/ service levels
-  Primary Accountability to Resident/Recipient of Program/Service

## **Some Territorial Interest/Some Accountability to GNWT**

-  GNWT conditions as above, plus requirements to achieve program results or service standards
-  Community Government has discretion for expenditures and how program is delivered
-  Accountability to GNWT for results, accountability to resident/recipient for implementation

## **Substantial Territorial Interest/Significant Accountability to GNWT**

-  GNWT conditions may apply to how, when, where and to whom
-  Community government has limited discretion for implementation and acts as GNWT agent
-  Accountability to GNWT for implementation and results and sensitive/responsive to resident/recipient needs while meeting GNWT requirements



## TYPES OF BLOCK FUNDING USED FOR THIS REVIEW

We need to be clear when we talk about block funding. These definitions serve to focus the subject of this review. Block funding, for the purposes of this paper is:

*Any transfer of funds to community governments:*

- 1. which groups traditionally separate MACA program or service funds together,*
- 2. where the financial and program conditions on these funds as a block are less than the conditions on the separate programs or services, and*
- 3. where the community government has a higher level of discretion as to how the funding will be spent.*

Block funding is used to describe a funding tool that promotes community empowerment. Removal of some financial and/or program conditions on an existing block of funds can be seen to assist with community empowerment.

### **Program Block Funding:**

*A first level of block funding, where conditions still require funds to be spent on a program or project but where community responsibility is to produce clearly defined results.*

Program Block Funding is a transfer of funds to community governments (grants or contributions) but where conditions telling communities what to do and how to do it, have been reduced or eliminated and replaced by defined results which the community is expected to receive.

Accountability and the degree of condition for program or project results is commonly detailed in policies or funding agreements. An example of a recent change to Program Block Funding is the Water and Sewage Services Subsidy Program. The previous program required monthly financial claims and placed conditions on implementation methods and detailed all allowable costs. The new water and sewage subsidy program block funds on the basis of a formula for efficient service. Communities can choose their program implementation approaches.



## Formula Block Funding

*A second level of block funding, where conditions may require funds to be spent in certain areas, such as for operations and maintenance only or capital only. Such transfers to community governments group together, by formula, either a number of O&M program or service areas or a number of capital programs.*

Funds are usually transferred by Contribution. Reporting and accountability is based on fields of community government responsibility. Accountability for results is more often to community residents. Legislation details community government authorities, responsibility and accountability to the GNWT

Examples of Formula Block Funding are the Department's Hamlet and Settlement Funding Formulae. These O&M funding formulae outline a number of community government functional areas for which funding is transferred.

A recent example of capital program formula block funding is the formula funding for road and site development and open play space development. This formula is based on population for open play space and infrastructure inventories for road and site development.

## Comprehensive Community Block Funding

*A third level of block funding, where all MACA transferred funds, both O&M and capital, are provided as a lump sum under the terms of a Block Funding Agreement.*

Funds are transferred as contributions and reporting and accountability is on the basis of community government jurisdiction. Accountability for good community government is primarily to community residents. The GNWT plays largely a monitoring role, requiring the reporting of data and results but little direct accountability.

Comprehensive Community Block Funding is currently provided to five tax-based municipalities (city, three towns and one village).

**Having detailed the three main types of block funding that form the primary focus of this review, it should be noted that these block funding approaches are community specific funding approaches for MACA funding only.**

Broader approaches to block funding are being actively considered by the GNWT. Approaches to multi-department block funding to communities through umbrella community



# Block Funding Approaches



empowerment transfer agreements are currently being explored, as are pilot projects to block fund regions.

These broad base GNWT approaches to block funding are referred to in this paper but are largely beyond the scope of the Municipal Financing Review.

## WHAT EXISTS NOW?

MACA funds community governments, and regional and territorial groups or associations that represent municipal interests

Drawing from the Department's Main Estimates, Details of Grants and Contributions, these various funding programs are listed below, grouped either by one of the three types of block funding (described above), or as specific purpose dedicated funding. For a description of the programs please refer to the technical paper.

<b>Program Block Funding:</b>	Water/Sewer Services Subsidy Program
<b>Formula Block Funding:</b>	Municipal Operating Assistance Program Settlement Operating Assistance Program Municipal Equalization Transfer Payments Minor Capital Programs Block Funding
<b>Comprehensive Community Block Funding:</b>	Block Funding Transfer Payment Block Funding Capital (where not included above)
<b>Specific Purpose Funding (Dedicated):</b>	
<i>To territorial organizations:</i>	NWT Association of Municipalities NWT Assoc. of Municipal Administrators Arctic Winter Games Hosting Contribution Dene and Inuit Games Regional Leadership Meeting Funding
<i>To communities:</i>	Senior Citizens/ Disabled Property Tax Relief Grant In Lieu of Taxes



Community Empowerment  
Fire Fighting Training  
Community Empowerment Transfers  
Inter-community Sport Competition Program  
Buildings and Works Capital  
Equipment Capital

## WHY CHANGE?

The priority for community empowerment challenges all departments to remove conditions and responsibilities that properly rest with community governments. Departments are expected to clearly establish what territorial interests exist, defend their direct involvement or control on the basis of these interests and remove themselves from areas in the community governments' interests.

Cabinet has supported pilot projects to transfer authority for community and regionally based infrastructure and capital to regional organizations representing community governments. A significant relationship exists between the GNWT and community governments around the transfer of funds to carry out exclusive or shared responsibilities. This financial relationship should be a mature government to government arrangement.

The Department still has a number of specific purpose or dedicated funding programs (see list above). The reasons for continuing these specific purpose funds need to be examined. *The need for change is effectively illustrated by the following questions and answers:*

### **Is there a GNWT territorial interest to justify continued specific purpose funds?**

A review of MACA programs identifies limited or no territorial interest that justifies maintaining specific purpose or dedicated funding for some programs.

### **If a specific purpose fund is justified, are the controls placed on the funding appropriate, or can more results orientated approaches be implemented?**

Funding approaches that support community empowerment should allow local decision-making toward achievement of mutually agreed results and not control the processes.

# Block Funding Approaches



## **Can more funding be moved to higher levels of block funding, such as formula block funding or comprehensive community block funding?**

The less the required accountability to the GNWT the “higher” the level of block funding possible. Narrowly defined accountability requirements should be established consistent with the territorial interest.

## **Do boundaries between capital and operating funding need to exist?**

It is the way the GNWT sets its budget, but not necessarily a condition that has to be placed on funds transferred to communities. Communities should be able to choose to set separate budgets for capital and operations. The degree of flexibility may be linked to the level of a community’s own source revenues to achieve agreed results.

## **Do funding approaches need to be particular for different types of community governments, i.e. tax based and non-tax based, incorporated and unincorporated?**

Different types of community governments do have different responsibilities, authorities and accountabilities and do have different financial abilities and access to own source revenues.

## **Can we remove some restrictions on capital funding?**

- ⦿ **Can some capital authority agreement conditions be removed and a more results based accountability introduced?**
- ⦿ **Can some capital programs be block funded?**

We believe both can be achieved. The boundaries of Capital Block Funding have not been fully explored. Capital programs such as Mobile Equipment should be considered for inclusion in block funding. Capital project authority agreements, while they provide various levels of community authority, have many conditions.



### **If we fund by formulae:**

- ◉ **How do formulae “catch up or slow down” for communities with different needs?**
- ◉ **How are forced or uncontrolled growth or local escalators reflected in the formula?**
- ◉ **What data needs to be collected and monitored to allow the fair and equitable distribution of funds?**

A territorial interest is the fair and equitable re-distribution of public funds. Formulae that remain static will soon become unfair and inequitable. Dynamic and responsive formulae can be developed to address the above points. Sometimes formulae need to be detailed to be sensitive to changing conditions and remain fair and equitable.

### **If we fund by Comprehensive Block Funding Agreements:**

- ◉ **Should this form of block funding be restricted to tax-based municipalities?**
- ◉ **What are the risks of making this type of block funding available to communities that are not tax based?**
- ◉ **How should these Agreements be renewed so funding is equitably distributed?**

Comprehensive Community Block Funding is currently restricted to tax-based municipalities. These arrangements are built on two key assumptions:

- 1) a community has sufficient own source revenues; and
- 2) a community is able to borrow funds to meet needs that exceed its financial resources (own source and GNWT). Non tax-based communities do not currently meet these tests and are therefore, not eligible for comprehensive community block funding. Without significant own source revenues and the ability to borrow, non tax-based communities have limited flexibility to respond to emergency situations and unanticipated needs.

### **Why does MACA directly fund a number of regional and territorial groups or associations?**

- ◉ **Should funding provided to territorial groups go to communities which would then decide their own financial support for such groups?**

Analysis reveals reasons why some groups should be funded directly, but suggests some funding for groups ought to go to communities which can then choose their own financial support for these groups.





## Are there ways to overcome community insurance issues resulting from increased responsibilities?

The NWTAM insurance agent has cautioned that increased responsibilities may result in increased insurance rates. Removal of controls, or the transfer of authority and responsibility carry with them increased community liabilities.

## REVIEW OF PROGRAMS AND WHAT IS PROPOSED

### I PROGRAM BLOCK FUNDING

#### A) Water/Sewage Services Subsidy Program

##### WHAT EXISTS?

Recent change to program block funding with accountability for results

##### WHY CHANGE?

Certain problems remain with the program and the GNWT remains vulnerable to increasing costs.

The Water and Sewage Services Subsidy Program needs to be reviewed to address the problems of:

- real or perceived cross-subsidization
- the need for economic rate increases to be applied equitably to private all users
- the need for mechanisms to review excessive rates.
- the need for training and incentives to use water saving methods and systems



- ⦿ the need for methods to determine excessive surpluses or profits, and corrective actions
- ⦿ the need for instructions to auditors that address these concerns.

### WHAT IS PROPOSED?

A program review focusing on identified problems

A mechanism be established for ongoing review of community economic rates for water consumption

## B) Capital Program & Project Authority Agreements

### WHAT EXISTS?

Agreements that transfer Capital Authority to Community Governments

### WHY CHANGE?

Agreements largely focus on process rather than results

The GNWT indemnifies itself, leaving all risk with the Community Government.

Several questions surface over the existing capital policies and the authority communities can assume:

- ⦿ Why are non-tax communities not eligible for Comprehensive Community Block Capital Funding, unconditional capital funding?
- ⦿ Why are incorporated settlements and unincorporated communities not eligible to receive program authority?

Questions arise about program authority agreements:

- ⦿ Do program authority agreements require clauses stipulating scope of work details?
- ⦿ Do the clauses in all agreements that deal with indemnification of the GNWT and no GNWT liabilities, reflect the current thinking on these area as developed through discussions with the NWTAM on community empowerment agreements?
- ⦿ As with program authority agreements, do capital contribution agreements require clauses stipulating scope of work details? Do these contribution agreements, i.e. for mobile equipment, need any of the provisions that outline management, implementation (purchase) and accountability (claims) requirements?
- ⦿ Do full project authority agreements need to require the management, implementation and accountability conditions currently included?

# Block Funding Approaches



## WHAT IS PROPOSED?

All capital authority agreements be simplified with a focus on results rather than process

The GNWT indemnification provisions be changed consistent with those developed for Asset Transfer Turnover Agreements

## II FORMULA BLOCK FUNDING

### A) Municipal Operating Assistance Settlement Operating Assistance Formulae

A review of these formulae, with recommendations on current specific purpose and extraordinary funds that form part of these formulae is the subject of a separate background paper.

### B) Minor Capital Block Funding

#### WHAT EXISTS?

In 1997, MACA began to block fund communities for roads and sidewalks, site development, open play space and minor addition recreation facilities. Previously, each of these programs was funded separately.

#### WHY CHANGE?

The formula for distribution of these funds should be reviewed for its consistency with other distribution formulae.

#### WHAT IS PROPOSED?

A single formula for distribution of funds, consistent with principles of formula distribution proposed in other areas



## C) Mobile Equipment Block Funding

(See separate Technical Paper and Section 3 of this Discussion Paper)

### WHAT EXISTS?

Currently, MACA plans what mobile equipment each community will get, its design standard, and if or when the community will receive the equipment.

Some communities have acquired a fleet that exceeds the standard by using their own resources, while others do not yet have a basic standard fleet of vehicles. Some communities have new equipment, others old equipment. Communities which contract out municipal services receive no mobile equipment.

### WHY CHANGE?

Community Councils need the ability to make their own decisions concerning the management of their mobile equipment fleets.

MACA's capital program does not provide for any equivalent funding for those communities which contract out municipal services. Capital program funds are only provided when a community provides services through their own forces. Communities that privatize municipal services have requested they be provided additional operating funds equivalent to the capital program funds provided those that deliver with their own forces.

### WHAT IS PROPOSED?

It is proposed that the capital mobile equipment program be block funded. It is also proposed that an "equivalent mobile equipment factor" be developed for communities which contract out municipal services and do not have equipment reserve funds.

## III COMPREHENSIVE COMMUNITY BLOCK FUNDING

### WHAT EXISTS?

Comprehensive Block Funding Agreements with Yellowknife, Hay River, Fort Smith, Inuvik, Norman Wells and Fort Simpson

# Block Funding Approaches



## WHY CHANGE?

No provisions for extraordinary funds; reporting requirements not appropriate and information not used; inconsistent approach to renewal of Agreements.

## WHAT IS PROPOSED?

Include in Agreements, provision for extraordinary funding at time of annual review. Extraordinary to be defined

Reporting requirements be changed so information is meaningful both to the GNWT and to Community Governments. Review legislation for requirements for public disclosure and reporting to Communities.

GNWT Grant-in-lieu of Property Taxes not be included in Block Funding

Tax-based Communities review with MACA two options for renewal of Comprehensive Block Funding Agreements:

- a) Modified Capital Plan Based Renewal  
Prior Agreement Funding adjusted for new capital needs and any O&M program changes
- b) Formula Based Renewal  
All comprehensive Community Block Funds distributed by formula. Distribution Formula based on criteria to measure relative need, and “catch up” or “slow down” factors be incorporated for Capital Needs

## IV SPECIFIC PURPOSE FUNDING

### A) Funding to Territorial Organizations/Events

#### WHAT EXISTS?

Contribution funding to:

- NWT Association of Municipalities
- Association of Municipal Administrators



- ⊙ Arctic Winter Games
- ⊙ Dene and Inuit Games
- ⊙ And O&M Funding to:  
Regional Leadership Meetings

### WHY CHANGE?

Does the GNWT Territorial Interest require direct funding to these organizations, or could this funding be incorporated into MACA formula block funding to communities, who could then decide their own level of financial support for such groups?

### WHAT IS PROPOSED?

There exists sufficient GNWT Territorial Interest to maintain direct funding to:

- ⊙ NWT Association of Municipalities
- ⊙ Association of Municipal Administrators
- ⊙ Arctic Winter Games
- ⊙ Dene and Inuit Games

## **B) Funding to Communities/Individuals**

### WHAT EXISTS?

Senior Citizens & Disabled Persons Property Tax Relief  
Community Development Fund  
Community Empowerment Transfers  
Inter-community Sport Competition Program

### WHY CHANGE?

Does the GNWT Territorial Interest require funding for these (specific) programs or could the funding be incorporated into MACA Formula Block Funding to communities, who could then decide if they wish to fund these programs?

### WHAT IS PROPOSED?

There exists sufficient GNWT Territorial Interest to ensure direct funding and require direct expenditures for:

- ⊙ Senior Citizens and Disabled Persons Property Tax Relief
- ⊙ Community Development Fund
- ⊙ Community Empowerment Transfers

# Block Funding Approaches



Property Tax Rebate funding may be incorporated into a GNWT Seniors Subsidy Program

Inter-community Sport Competition Program Funds be incorporated into MACA's Formula Block Funding.



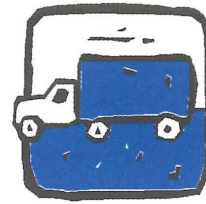
# WORKSHEET

# Block Funding Approaches BLOCK FUNDING APPROACHES

Name: \_\_\_\_\_ Community: \_\_\_\_\_  
Telephone: \_\_\_\_\_

Proposal	Agree	Disagree	Comments
<p><b>Water/Sewage Services Subsidy Program</b> The program be reviewed to address the problems that have been identified. A mechanism be established for ongoing review of community economic rates for water consumption</p>			
<p><b>Capital Program &amp; Project Authority Agreements</b> All capital authority agreements be simplified with a focus on results rather than process The GNWT indemnification provisions be changed consistent with those developed for Asset Transfer Turnover Agreements</p>			
<p><b>Formula Block Funding</b> Develop a single formula for distribution of minor capital block funding funds, consistent with principles of formula distribution proposed in other areas The capital mobile equipment program be block funded. An “equivalent mobile equipment factor” be developed for communities which contract out municipal services.</p>			
<p><b>Comprehensive Community Block Funding</b> Include in Agreements, provision for extraordinary funding at time of annual review. Extraordinary to be defined Reporting requirements be changed so information is meaningful both to the GNWT and to Community Governments. Review legislation for requirements for public disclosure and reporting to Communities. GNWT Grant-in-lieu of Property Taxes not be included in Block Funding Tax-based Communities review with MACA two options for renewal of Comprehensive Block Funding Agreements - modified capital plan - formula based</p>			
<p><b>Specific Purpose Funding</b> Dedicated funding to Territorial Organizations/Events be maintained. Dedicated funding to communities be maintained. Inter-community Sport Competition Program funds be incorporated into Formula Block Funding.</p>			

# Block Funding Mobile Equipment



## WHAT IS PROPOSED?

Delivery of the Capital Mobile Equipment Program to incorporated communities be changed from the provision of funding on a project (vehicle) specific basis to the provision of funding through uniform annual block funding arrangements.

The calculation to determine initial block funding levels be based on:

- ⦿ the eligible mobile equipment contained in the Mobile Equipment Standards & Criteria and as modified from time to time;
- ⦿ the minimum service life of vehicles as defined in the Mobile Equipment Standards & Criteria and/or as proposed to be modified as follows:

### Roads Equipment:

- Dozer 12 years extended to 18 years
- Loader 12 years extended to 18 years
- Grader 12 years extended to 18 years
- Dump Truck 12 years extended to 15 years
- Pickup Truck 5 years extended to 7 years

### Water & Sanitation Equipment:

- Garbage Truck 7 years extended to 10 years

- ⦿ Determination, by an analysis of historical cost, of the representative cost of each piece of eligible equipment delivered to each incorporated community.
- ⦿ Applying Net Present Value methodology, complete with a discount rate net of inflation, to determine uniform annual block funding levels for each incorporated community.
- ⦿ Ability to contribute factored into the cost of equipment calculations.
- ⦿ Factoring (in a formula yet to be finalized) capital equipment reserves into block funding calculations.
- ⦿ Notwithstanding all of the above, recognizing the need to maintain an equitable distribution of the Capital Mobile Equipment Program budget between incorporated communities and unincorporated communities.
- ⦿ Establish guidelines to aid future block funding planning required as part of the annual capital planning cycle.



# WORKSHEET

## Block Funding Mobile Equipment MOBILE EQUIPMENTBLOCK FUNDING

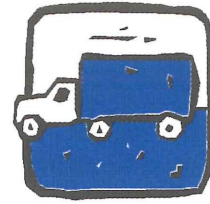
Name: \_\_\_\_\_

Community: \_\_\_\_\_

Telephone: \_\_\_\_\_

Proposals	Agree	Disagree	Comments
Funding by means of annual block funding agreements based on S&C.			
Extend anticipated service life of vehicles.			
Base representative cost on historical costs.			
Apply Net Present Value methodology to determine uniform funding levels.			
Include ability to contribute factor in formula.			
Include capital reserve factor in formula.			

# 3. Block Funding Mobile Equipment



## WHAT EXISTS?

For years, communities have been providing municipal services with the equipment made available through the Capital Mobile Equipment Program and have increasingly shown interest, and become involved, in the purchasing of the equipment. In order for communities to be able to manage their own mobile equipment programs effectively, a new financial arrangement will be necessary.

The program was initiated to equip community governments with road maintenance, fire protection, and water and sanitation vehicles for use by their own forces. The types and numbers of vehicles provided to communities are specified in the Program Standards and Criteria and are intended to provide community governments with the equipment they need to provide a basic level of service to their residents. The S&C standardizes the equipment type, identifies replacement life/criteria, identifies priority based on relative need, and identifies a community's eligible equipment fleet. Tax-based municipalities are excluded from the program, fire trucks and emergency vehicles excepted.

The Mobile Equipment Capital Program Standards & Criteria provide for the provision of the following kinds of mobile equipment, depending on eligibility:

- Road Maintenance Equipment:
  - Front End Loader
  - Bulldozer
  - Dump Truck
  - Motor Grader
  - Standard 1/2 Ton Pick-up
- Fire Suppression Equipment:
  - Dry Chemical Extinguisher on 3/4 Ton Pick-up
  - Triple Combination Pumper Truck
- Water/Sanitation and Solid Waste Equipment:
  - Water/Sewage Wagons
  - Water Truck
  - Sewage Truck
  - Garbage Truck

Each piece of equipment is provided based on substantiated need in accordance with the approved GNWT standards and criteria for mobile equipment.

An analysis of expenditures back to FY90/91, shows the average annual \$2.2 million expenditure



## Block Funding Mobile Equipment

(from MACA budget) is \$1.8 million by incorporated communities and \$0.4 million by unincorporated communities.

Based on a community's ability to contribute, as defined by either the Settlement Capital Assistance Policy (SCAP) or the Municipal Capital Assistance Policy (MCAP), communities are required to contribute financially towards the capital cost of equipment. SCAP communities are exempt from contributing. Hamlets contribute to a maximum of \$5,000 and tax-based communities contribute no less than 30% of the cost of the equipment. The capital mobile equipment program is developed each year on a project (piece of equipment) by project basis. The Department plays a major role determining which communities are funded for what equipment.

Under block funding, communities take on the planning and administration of their own capital mobile equipment (what, how many, type, when, and for how much). The Department's responsibility reduces to supporting communities, monitoring the program, determining when changes to the program funding level become necessary, and equitably distributing the available funding. The funding provided to communities through block funding is discounted by applying a discount rate net of inflation. Unless communities decide to make up the shortfall through some other means interest bearing equipment reserve accounts need to be established in order to accumulate the capital necessary to make purchases as per the block funding formula.

Five of seven tax-based communities are currently operating under Block Funding Agreements that include all capital programs and all Municipal Operating Assistance programs.

### WHY CHANGE?

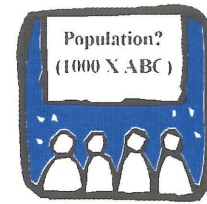
Empowering communities is a key priority of the GNWT.

It is judged that incorporated communities have the necessary qualifications to take on full management of their mobile equipment.

Block funding of mobile equipment for incorporated communities offers them:

- ✓ more predictable and stable annual funding levels;
- ✓ direct control over the establishing and maintenance of equipment needs;
- ✓ direct control over the use of the funding received for mobile equipment;
- ✓ release from the requirement to restrict the specification of a new vehicle to those contained in the standards and criteria.

# 4. Funding Formula



## WHAT EXISTS NOW?

The **Municipal Operating Assistance Policy (MOAP)** and the **Settlement Operating Assistance Policy (SOAP)** guide how available resources are to be distributed equitably to eligible communities. Under these policies, a credit units formula is used to distribute an annual allocation fixed by the Legislative Assembly.

The credit units formula distributes a fixed amount of money allocated to the funding formula. If credit units are increased in an area without extra dollars or reallocations from other areas of the formula, then the credit unit value, in terms of dollars, will go down.

## WHY CHANGE?

There is no convincing reason to retain two separate formulae.

Communities have requested a review of the fairness and equity of the credit units formula.

There has also been a request to make the formulas more sensitive to population growth. As a community grows the demands on its employees and services also grows.

There is a need to reward good management in communities that operate efficiently. One area that in which this can be done is utility funding.

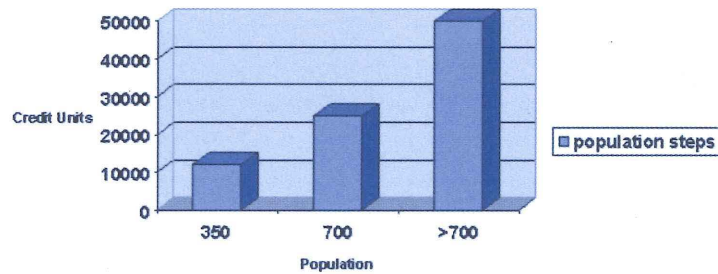
## WHAT IS PROPOSED?

### **A. Salary Changes**

It is proposed to reflect population sensitivity in the formula through the allocations for salaries in the areas of General Government Services, General Works, Protective Services and Recreation Services. This can be done by removing the current stepped approach to allocation and replacing it with a base level and a per person increment to the formulas for salaries.

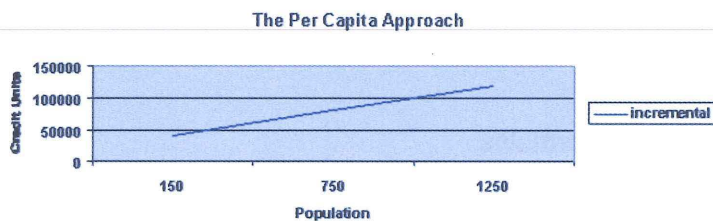
The following chart illustrates the Step Approach:





As a community increases from one step to the next (or vice versa) it would become eligible for extra (or reduction of) credit units. This becomes unfair when communities are similar in size but receive different allocations. For example, a community of 695 people receives significantly less than a community of 705 although the population difference is only 10.

## Proposed Approach



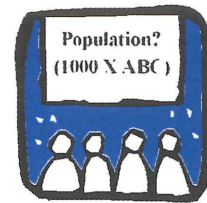
As a community increases in population the effect is a measurable per capita allocation. This will take away the large variances in allocations for communities relatively the same size but are on one side or the other of the current stepped approach. This approach will have minimum salary levels and maximum salary levels. Those levels for each salary in the different functional areas are proposed later in this paper as each individual salary is looked at.

It is also proposed (in the salary funding) to replace the Settlement Allowance with the GNWT Northern Allowance, which will be updated periodically.

## B. Northern Cost Index

It is proposed to use the new Northern Cost Index (NCI) numbers developed by the Bureau of Statistics to better reflect the unique costs of doing business in individual communities. These costs used data from current audit statements and used a "basket of goods" approach. The detail and rationale for the determination of these numbers is found in the Northern Costs Index technical paper and in the Building Key Concepts document.





## C. Utility Funding Changes

Utility funding is currently done using three-year averages of actual expenditures. Infrastructure forced growth is allocated as 100%. This does not recognize the energy management practices that some communities have undertaken. For example, as a community becomes energy efficient it reduces its actual utility costs. This saving, in turn, reduces the credit units allocated to that community and appears to penalize a community for becoming energy efficient.

It is proposed to develop a power and fuel distribution formula based on standards for various building types. This formula would be adjusted to specific community costs for fuel and power. It is proposed to test this formula over a period of time prior to implementation, using actual data from selected communities.

## D. Satellite Communities/Unique Communities

The proposed changes were designed to accommodate the uniqueness of individual communities. Significant increases in the number of credit units for larger communities were seen as a result of these changes. As an example, the community of Rae/Edzo would receive more contribution in General Government Services, Recreation Services, as well as Protective Services.

It is also proposed that this uniqueness be allocated an additional amount (5%) of credit units to accommodate for intangible costs, as well as include in the formula those factors that are required to be duplicated.

## E. One Formula Approach

Currently there are two formulas, one for MOAP communities and one for SOAP communities. It is proposed that the same credit units formula be used for both MOAP and SOAP communities. Adjustments can be put into the combined formula to account for some services which the SOAP communities do not deliver such as by-law enforcement, ownership of mobile equipment and buildings and related costs, and staffing levels. Levels of responsibility can be identified by using switches or triggers to allocate credit units if a community does or does not perform certain functions.

The proposed Credit Units Formula, based mainly on the current MOAP formula, is for both MOAP and SOAP communities. For an impact analysis, 98/99 data is used for distributing a funding pot equal to that of 98/99.



**E. Equivalent Capital Funding**

Communities who contract out municipal services do not receive capital projects related to those privatized services, for instance, if a community contracts out road maintenance it will not be eligible to receive a grader through the capital planning process. This acts as a disincentive to privatize because a community may not be willing to give up something in a capital plan. The community also loses ability to generate extra revenue from equipment rental. It must also pay a premium for municipal services to cover the profit margin of its' contractors.

It is proposed to add an additional line below the credit unit value as special purposes dollars to account for these inequities.

**G. Culverts**

Communities currently receive credit unit allocations on the number of culverts in each community. This has become an onerous task, especially in the larger communities. Add to this the fact that it is very difficult to get consensus on what a standard culvert is, simplifying this area seems logical.

It is proposed to move the funding allocation available for culverts into the factors for road length under transportation. This will distribute funding on an equal basis for each metre of road.

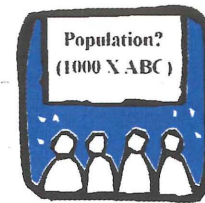
**Summary of Current Formula with Proposed Changes**

The following table compares the components of the current MOAP formula and the proposed formula.

Category	Component	Current	Proposed
General Government Services	Staff	95,000 represents an average salary for two positions, SAO and an assistant.	Basic salary: Minimum 140,000 (MOAP) for population of 150 or less to cover SAO, A/SAO and Clerk – receptionist. Maximum of 195,000 (MOAP) adds a Financial Controller. An increment of 65 per person for population over 150.  Roll in of “Other” salary amount.  Minimum 90,000 (SOAP) for population of 150 or less covers an SAO and clerk.



# Funding Formula



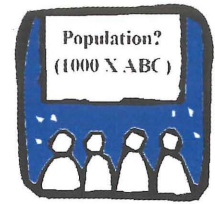
Category	Component	Current	Proposed
General Government Services Continued			<p>Maximum 140,000 (SOAP) adds an A/SAO</p> <p>Northern Allowance: as set for GNWT employees.</p>
	Per Capita	10 represents administrative supplies.	It is proposed to change this to 20 per capita to recognize the increase responsibilities of community governments in the administrative area.
	Other	50,000 represents an average salary and benefits for a clerk/receptionist.	It is proposed to roll this amount in with the General Government staff line.
General Works	Staff	65,000 represents the average salary (including benefits) of a general foreman.	<p>Basic salary: Minimum 40,000 for population of 150 or less. An increment of 29 per person for population over 150 to a maximum of 65,000.</p> <p>Northern Allowance: as set for GNWT employees.</p>
Protective Services	Staff	50,000 – 25,000 - 12,000 represent by-law officer and fireman costs, including training. The amounts decrease with smaller population.	<p>Basic salary for By-law Officer: (MOAP only) Minimum 25,000 for population of 150 or less. An increment of 20 per person for population over 150 to a maximum of 50,000.</p> <p>Firemen Costs separated to minimum of 20,000 for population 150 or less to maximum of 40,000 (MOAP and SOAP). Increment of 24 per capita.</p> <p>Northern Allowance: as set for GNWT employees.</p>



Category	Component	Current	Proposed
Protective Services Continued	Per Capita	2.6 represents the cost of training for by-law officers and firemen.	Split to 1.6 for firefighter and 1.0 for by-law and use switch to give funding if community does do by-law enforcement
	Other	11,000 is based on providing materials and supplies for protective services.	Split to 6,600 for firefighter and 4,400 for by-law and use switch to give funding if community does by-law enforcement
Recreation	Staff	Salary depends on size of population and the existence of facilities.	Basic salary: Minimum 30,000 for population of 150 or less. An increment of 35 per capita for population over 150 to a maximum of 60,000 (MOAP and SOAP).  Northern Allowance: as set for GNWT employees.
	Per Capita	The per capita amounts 20-10-5-3 decrease with population. The outcome of these calculations represent program and supplies costs.	Per capita factor minimum of 5,000 for population 150 or less. Increment of 12 per capita to a maximum of 15,200.
Transportation	Road	8.76 and 9.62 represent OM costs per metre of road for average use and heavy use roads.	Culverts added into factor for road metres. This will change per metres to 9.68 for average use and 10.54 for heavy use. SOAP costs of 3.27 (including culverts) per metre added to formula.  This equals a .92 increase for each.
	Dust Control	0.177 represents dust control costs per metre.	Dust Control factor of 0.177 is based on total Dust Control Contribution and road data in 97/98. Since 1996/97 data is used for West-SOAP-Nunavut distribution, the resulting value is 0.147 per meter.



# Funding Formula



Category	Component	Current	Proposed
Building Maintenance		The numbers 21-15-5-23 represent average OM costs of buildings. The numbers were calculated by Community Works based on use of buildings, construction and such data.	Unchanged.
Recreational Facilities Maintenance	Support Ancillary Areas	The areas include all non-playing areas (i.e. change rooms, entrance)	Unchanged.
	Program Space	The various numbers were derived in the same manner as Buildings Maintenance figures above.	Unchanged.
Miscellaneous (Culverts)		135 represents average maintenance costs of culverts.	It is proposed to move this amount and allocated credit units into the factors for roads and reallocate on a per metre of road basis
Land Administration	Per Capita	This amount represents clerical time for land administration.	Unchanged.
Community Planning		This amount represents costs associated with updating and maintaining plans.	Unchanged.
Utility		Three-year average of actual utility expenditure.	Unchanged, propose to develop a formula based on area, heat loss factor, local utility unit cost, local temperature.



# SUMMARY OF IMPACTS OF PROPOSED CHANGES – WEST

Functional Areas	Credit Units Increase (Decrease)	Credit Unit Value	Contribution
<b>Salaries:</b>			
General Government	1,097,919		
General Works	185,673		
Protective	844,817		
Recreation	10,157		
<b>Transportation:</b>			
Roads	13,886		
Dust Control	(62,964)		
Culverts	(258,815)		
<b>Building &amp; Facility Maintenance:</b>			
Garage/Fire Halls	(10,208)		
Offices	(5,655)		
Janitorial	1,854		
Residential	(5,197)		
Support/Ancillary	(5,836)		
Gyms	5,320		
Halls	(10,390)		
Outdoor Arena	(94)		
Recreation Arena	(11,501)		
Competition Arena	-		
Curling	(1,744)		
Pool	(2,833)		
Playgrounds	(548)		
Playfields	(463)		
Land Administration	(8,693)		
Community Planning	(6,447)		
Fuel/Power	-		
Total Increase (Decrease):	1,768,238		
<b>Total impact on MOAP:</b>			
Proposed	12,130,473	0.773483	\$ 9,382,714
98/99	10,845,434	0.859283	\$ 9,319,294
<b>Total impact on SOAP:</b>			
Proposed	3,207,804	0.773483	\$ 2,481,182
98/99	2,724,604	0.933935	\$ 2,544,602
<b>Equivalent Capital</b>			\$ 342,837



# SUMMARY OF IMPACTS OF PROPOSED CHANGES - NUNAVUT

Functional Areas	Credit Units Increase (Decrease)	Credit Unit Value	Contribution
<b>Salaries:</b>			
General Government	1,760,466		
General Works	177,097		
Protective	1,239,561		
Recreation	(64,148)		
<b>Transportation:</b>			
Roads	(235,334)		
Dust Control	(105,805)		
Culverts	(249,041)		
<b>Building &amp; Facility Maintenance:</b>			
Garage/Fire Halls	(68,941)		
Offices	(21,389)		
Janitorial	(7,130)		
Residential	(30,221)		
Support/Ancillary	(16,012)		
Gyms	(17,745)		
Halls	(32,866)		
Outdoor Arena	(1,036)		
Recreation Arena	(36,277)		
Competition Arena	-		
Curling	(4,715)		
Pool	(7,001)		
Playgrounds	(671)		
Playfields	(1,385)		
Land Administration	(43,002)		
Community Planning	(40,333)		
Fuel/Power			
Total Increase (Decrease):	2,194,071		
<b>Total impact on MOAP:</b>			
Proposed	22,619,746	0.775934	\$ 17,551,429
98/99	20,425,674	0.859283	\$ 17,551,429
	2,194,071		\$ -
<b>Equivalent Capital Road Maintenance Privatization</b>			\$ 115,188



# WORKSHEET

# FUNDING FORMULA

Name: \_\_\_\_\_ Community: \_\_\_\_\_

Telephone: \_\_\_\_\_

Proposal	Agree	Disagree	Comments
Per capita approach instead of "steps".			
Northern Cost Index			
Efficiency approach to utility funding.			
Unique/satellite community funding.			
One formula to replace MOAP/SOAP.			
Equivalent capital funding for communities which contract services.			
Culvert funding moved into roads.			
Develop a power and fuel distribution formula based on standards for various building types.			
General Government Services salaries. General Works salaries.			
Recreation salaries and contribution.			
Protective services salaries. - Firefighter - By-law - Other funding			
Dust control funding.			
Satellite/Unique community funding (5%)			

# COMMUNITY GOVERNMENTS RESPONDING TO CHANGE



You often hear about the cutbacks being made by governments across the country. The GNWT is no exception. Many cuts to the budget have been required in order to live within the amount of money available. Many changes have already been made to get more results for the same (or less) amount of money. The media, and many people, seem to assume that these changes and cutbacks are always negative and result in fewer or lower levels of programs and services being offered to residents.

**How have cutbacks affected your community?**

**Has your “bottom line” become better or worse in the past few years?**

**Do you have management lessons and successes which could be shared with other community governments?**

**What can or needs to be done to make it easier for community governments to cope?**





# ABILITY TO CONTRIBUTE



Community governments presently must contribute to the cost of some capital projects. The greater a community's ability to contribute the more it is required to pay toward its capital projects. A number of communities have disagreed with their current ratings (most, medium or least able to contribute).

It is suggested that the entire community wealth should be measured rather than just the community government's ability to contribute.

The following items are proposed as factors in the formula:

- Per Capita Income
- Percentage of Population that could be in the work force
- Assessment per Capita

**Are these the best and/or most appropriate factors?**

**Are there others you think should be included?**

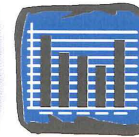
**Should a community's ability to contribute be applied to both capital and operations?**

**Should Yellowknife be used as the base for the formula? What about after Division?**





# NORTHERN COST INDEX



Many different cost indices exist in the NWT. Public Works and Services, Education, Culture and Employment, Health and Social Services, and the Housing Corporation all have their own indices. The existing indexes were found to have problems.

The following are the issues identified.

*Are there others?*

*Are there problems with what is suggested?*

- **What reflects the “costs of doing business” for a community needs to be reviewed and updated.**
- **The current O&M NCI reflects a basket of municipal services. This information has not been updated since the 1980’s.**
- **The current Capital NCI is developed on old information and needs updating.**
- **Current cost indexes do not adequately reflect the differences between communities for capital projects.**
- **An alternative to the weighted basket of goods method for Capital NCI is needed.**





# PROPERTY TAXATION



This is an important and complex topic. MACA can not act on its own because the issue of taxes has to be part of an overall government strategic plan that includes federal funding arrangements. It must also be approached in a way that facilitates the implementation of self-government agreements.

- Very few communities have chosen to become municipal taxing authorities (MTAs). Non tax-based community governments see little or no benefit in becoming taxing authorities.
- There is a major gap between property taxes in the General Taxation Areas (GTA) and MTAs.
- Some community governments could raise and control more of their own money.
- Having the GNWT collect taxes in the GTA is inefficient because it is removed from the taxpayers, there is little local accountability and the property owners see little direct result from their payments.
- Other forms of taxes might be more efficient and raise more money.
- Education taxes collected go into the general revenue fund and not to the Department of Education.
- The NWTAM has passed several resolutions calling for elimination of the education tax.
- Yellowknife taxpayers feel that they are not being treated fairly by having to fund 25% of the education program while others are funded 100%.
- Many taxpayers have become accustomed to paying nominal taxes and being heavily subsidized by the GNWT.
- When and how should communities decide to become municipal taxing authorities?





# CAPITAL STANDARDS AND CRITERIA



The GNWT uses Capital Standards and Criteria to determine which facilities, sites or equipment it will fund and on what basis it will do so.

The review of MACA's *Standards and Criteria* is undertaken with a number of objectives:

- To determine if items listed as “basic” in the *Standards and Criteria* are essential to provide a basic level of municipal services;
- To determine if any items can be funded from other sources given the limited resources and need to maintain essential infrastructure;
- To determine if the standards and criteria treat all municipal governments and community authorities equally;
- To ensure equity regardless of how a community provides services, and
- To make changes related to government policy or new initiatives.

**Are items listed as “basic” in the *Standards and Criteria* essential to provide a basic level of municipal services?**

**Can items be funded from other sources given the limited resources and need to maintain essential infrastructure?**

**Do standards and criteria treat all municipal governments and community authorities equally?**

**Some standards and criteria are subject to value judgements.**

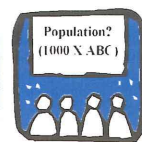
**How should the amount communities are required to contribute to the cost of a project be calculated?**





# FORMULA FUNDING

(Municipal and Settlement Operating Assistance Policies)



The funding formulas contained under the Municipal and Settlement Operating Assistance Policies will be reviewed looking for efficiencies and equity for all communities. The problems with the formulas, as identified by communities, will be addressed. Areas being examined include:

- Utilities
- Salaries: General Government, Recreation and Protective Services
- Northern Allowance

**How should the funding for utilities be provided so that it encourages energy conservation?**

**The present way of providing salaries for community government staff is unfair to some communities.**

**For example, one community might receive money for an additional position just because their population is one person more than another community.**

**Settlement Allowances are still used instead of Northern Allowances.**

**Is the funding requirement for by-law enforcement and fire protection properly reflected in the funding formula?**

*Unique community features are not always addresses by the funding formula e.g. dual "communities" of Rae and Edzo.*





# MOBILE EQUIPMENT PROGRAM



Individual mobile equipment is currently identified in the capital plan for those communities which provide their own municipal services.

The funding process does not treat communities equally. Community governments which decide to contract services are not receiving equivalent capital funding.

Some communities have been provided with a standard fleet of mobile equipment while others are provided with less.

**Should requests for “additional” equipment be considered before all ‘basic’ requirements are met?**

**The policy does not allow for alternate financing for those communities who contract out services. The current funding process favours the decision to provide the services with the community government’s own equipment rather than through private businesses which can often provide the same services at lower cost.**

**Communities need the ability to make management decisions concerning the management of their mobile equipment fleets. They must be able to make decisions regarding whether to purchase equipment or contract out services to local businesses.**

**The government planning process requires long lead times, has cumbersome and often unresponsive approval processes and does not fully recognize community specific priorities.**



# BLOCK FUNDING



What block funding means is often misunderstood. Block funding is a tool, a means by which funding is transferred. Block funding is different from program or specific purpose funding (line-by-line funding in financial language). It groups a number of program budgets into a single funding block. This block of funds usually has fewer conditions as to how the funding will be allocated.

**Can more funding be provided as block funding,  
i.e. formula block funding or comprehensive community block funding?**

**Do boundaries between capital and operating funding need to exist?**

**Could funding approaches be similar for different types of community governments,  
i.e. tax based and non-tax based?**

**How should formula funding “catch up” or “slow down” for communities with  
different needs?**

**How should forced or uncontrolled growth or local costs be reflected in the formula?**

**What data needs to be collected and monitored to allow the fair and equitable  
distribution of funds?**

Comprehensive Community Block Funding Agreements are a relatively new funding approach for Municipal Taxing Authorities. Communities with these Agreements have requested that provisions for extraordinary or emergency funding be allowed under these agreements.

**Should this form of block funding be restricted to tax-based municipalities?**

**What are the risks of making this type of block funding available  
to communities that are not tax based and not able to borrow?**

**Many capital projects are now funded under contribution agreements  
with communities having full or partial authority.**

**Can some conditions be removed from capital authority agreements  
and a more results based system introduced?**

**See over ...**