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REPORT OF THE JOINT COMMITTEE
ON MUNICIPAL FINANCING

TO

THE HONORABLE TOM BUTTERS

MINISTER

MUNICIPAL AND COMMUNITY AFFAIRS

GOVERNMENT OF THE NORTHWEST TERRITORIES

REPORT OF THE JOINT COMMITTEE
ON MUNICIPAL FINANCING

TO
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MINISTER
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GOVERNMENT OF THE NORTHWEST TERRITORIES

FEBRUARY, 1990

SUMMARY REPORT

I BACKGROUND

On April 7, 1989 the then Minister of Municipal and Community Affairs, the Honorable Gordon Wray, tabled in the Legislative Assembly a Discussion Paper on Financing Municipal Government, outlining proposed approaches for capital and operations and maintenance funding for municipalities and seeking input on these proposed approaches. The Discussion Paper represented the culmination of work by the Department to develop policies for capital and operations and maintenance funding to local governments. Proposals for capital assistance policy were built upon the Capital Assistance to Local Governments Policy approved in principle by the Government of the Northwest Territories Cabinet on February 10, 1987. Proposals for discussion regarding municipal O&M funding were built upon work carried out by a Department Review Committee established in 1985 under the direction of the Minister.

Shortly after release of the Discussion Paper on Financing Municipal Government the Northwest Territories Association of Municipalities and the Minister established a joint committee of Department and Association representatives to undertake formal review of the Discussion Paper. This Joint Committee on Municipal Financing was co-chaired by the Department of Municipal and Community Affairs and the Northwest Territories Association of Municipalities. Terms of reference for the committee called for four representatives to be appointed by the Association and four representatives to be appointed from the Department. Separate task groups, the O&M Policy Task Group and Capital Policy Task Group, were established, with representation from each party, to carry out research and provide recommendations to the Joint Committee. Objectives and a work plan were established for each Task Group and approved by the Joint Committee.

The Joint Committee has met five times since April, 1989 to review reports prepared for it by the Task Groups, make decisions on recommendations and provide further **direction for work by the Task Groups**.

This final report of the Joint Committee represents the results of the work of the committee and its Task Groups.

FEBRUARY, 1990

"II ORGANIZATION OF THE REPORT

The report is organized in three parts:

1. **Summary Report,**
2. **Review of Municipal Operations and Maintenance Unconditional Funding, and**
3. **Review of Municipal Capital Assistance Policy.**

The Summary Report provides an overview of the major considerations of parts two and three of the report and summarizes the recommendations made by the Joint Committee. Parts two and three of the report present the detailed reviews completed by the O&M and Capital Task Groups respectively, as amended and approved by the Joint Committee. Each of these parts of the report is presented separately, with its own cover page and table of contents.

III PHILOSOPHY AND GUIDING PRINCIPLES

The Joint Committee established the necessity for consistency in philosophy and guiding principles for policies of capital and operations and maintenance assistance.

It was established that the development of policy for municipal funding should be based on a philosophy of partnership with local government in the Northwest Territories and recognize:

- that residents should receive certain public services from municipal governments;
- that the Government of the Northwest Territories is a financing partner;
- that local authority, responsibility and accountability should be maximized;
- that financial assistance should vary based on the ability of local governments to raise revenues; and
- that financial assistance should be consistent and rational.

Based on this philosophy, the Joint Committee confirmed the following guiding principles for municipal funding policy:

- simplicity ;
- consistency;
- certainty;
- enhancement of local authority;
- sensitivity to fiscal constraints of both the Government of the Northwest Territories and municipal governments;
- recognition of varying costs;
- promotion of efficiency and effectiveness;
- requirement for a minimum level of services;
- encouragement of local revenue generation; and
- recognition of ability to contribute.

The **Capital** Task Group noted an additional principle in the Capital Assistance to Local Governments Policy:

there should be mechanisms and controls to ensure compliance by all parties.

Throughout the review of options for municipal financing the Joint committee continued to refer to these guiding principles and to assess consistency with these principles.

IV **BASIC ASSUMPTION**

It was necessary to identify several basic assumptions for the work of the Committee:

the need for financial assistance is real;
existing funding models are not necessarily correct;
the funding pool is fixed for the purpose of calculating funding models:
fairness and equity are subjective criteria; and
O&M and Capital are interrelated.

While it was agreed that it was necessary to assume the funding pool is fixed for the purpose of calculating and assessing optional funding models, there is a concern that the Department has insufficient information to determine whether or not the total of money available under the present funding schemes is really enough to assist communities to deliver basic levels of service in all areas of municipal jurisdiction. It was recognized that further negotiations would be necessary between the Government of the Northwest Territories and municipalities if it was felt that the size of the funding pool for local governments is insufficient.

V **OPERATIONS AND MAINTENANCE FUNDING FOR HAMLETS**

The Task Group identified the specific issues relating to **current** funding policies, programs and formulae, including those described in the Discussion Paper on Financing Municipal Government. These issues provided a focus and delineated the scope of work to be undertaken. A review of what is done in the provinces and Yukon was also undertaken.

In addressing the issues identified, various formula options were reviewed. The Task Group also explored the case of hamlets as municipal taxing authorities including: criteria for establishing taxing authorities; funding formulae to distribute resources available; the funding pool and its size; and options for collecting and retaining taxes. Added to these tasks was a review of the issues surrounding school taxes as they bear on municipal financing. Exploring the idea of a Capital City Concept for Yellowknife also formed part of the task.

At the outset, the Task Group addressed a number of specific issues resulting in ~~some~~ recommended changes to key elements of the Hamlet funding formula options.

These specific issues included:

Northern Cost Index
 Financing Municipal Utilities
 Credit Units
 Special Funding Circumstances
 Certainty of Funding
 Population/Dwelling
 Equalized Assessment

(a) **Northern Cost Index**

It is clear that having a northern cost index incorporated in a hamlet funding formula will establish greater fairness when funds are distributed by ensuring communities who face higher costs receive greater assistance.

The Task Group reviewed a variety of cost indices and arrived at a sample Northern Cost Index using a blend of four existing indices. Although only a sample, the Joint Committee agreed the N.C.I. was reasonably reflective of the 'cost of doing business' and is based on valid representative factors of cost.

The Joint Committee recommended further work on development of a Government *of the* Northwest Territories recognized Northern Cost Index.

(b) **Financing Municipal Utilities**

The Task Group determined that while the proposed formula in the Discussion Paper on Financing Municipal Government addresses several important issues respecting hamlet funding for utilities, it fails to address other equally significant issues. A review of various formulae was undertaken and new hamlet funding formulae for fuel and power developed.

The formula for fuel incorporates four factors:

- the base, which is a consumption figure based on a specific building type constructed to specific standards;
- degree-days, which is a community specific measurement reflective of climatic conditions;
- fuel cost, which is community specific; and

- retrofit factor which reflects the standard of construction of a specific building relative to the standard established for the base factor.

The formula for power incorporates three factors:

the base, which is a consumption figure based on a specific building type constructed to specific standards;
power cost, which is community specific; and
retrofit factor, which reflects the standard of construction of a specific building relative to the standard established for the base factor.

The major new feature of these formulae is the retrofit factor. This factor recognizes that many municipal buildings do not meet the standards of energy efficiency of buildings being constructed today. Although the funding formulae are essentially based on current (energy efficient) construction standards of the Government of the Northwest Territories, the retrofit factor recognizes that buildings not constructed to this standard cost more to operate and should be funded for additional energy costs .

The Committee agreed to a series of recommendations respecting implementation of the retrofit factor.

(o) **Funding Special Circumstances**

Municipal and Community Affairs currently provides funds for a number of special circumstances, which are identified in detail in the O&M Report. These special funds should not be considered a part of the hamlets' unconditional funding pool as the circumstances are community specific and not of an on-going nature.

However, the Committee did agree to recommend consideration of a supplementary contribution to communities who contract out services, commensurate with their costs which can be attributed to capital infrastructure Municipal and Community Affairs would otherwise provide if the community provided the **service** themselves.

(d) **Certainty of Funding**

The Committee considered options for addressing the guiding principle of certainty. The most rational and consistent approach seems to be to index municipal funding to the Formula Financing Agreements between the Government of the Northwest Territories and the Government of Canada. The Committee recommends this

option for further study to determine the financial implications for both the Government of the Northwest Territories and municipalities.

VI O&M FORMULAE FOR HAMLETS

The Task Group examined or developed a series of formulae for non-taxing authorities. In examining these formulae it was assumed hamlets would continue to be funded from a pool of funds specifically for them and that the funding pool was fixed at its current level, see earlier discussion under 'Basic Assumptions'.

From this wide ranging exploration, the Joint Committee focused on detailed analysis of four funding models:

- current funding model;
- Funding formula as per Discussion Paper on Financing Municipal Government;
- Percentage Apportionment formula; and
- Credit Units formula.

Details of this analysis can be found in the Report. The Committee agreed to the adoption of the credit units formula for the purpose of distributing unconditional O&M support funding for all non-taxing authorities. The Committee feels that the proposed formula (see following Table) is a better reflection of the funding requirements of hamlets.

However, the formula itself does not adequately address the equitable distribution of funds when the funding pool is fixed. Therefore, the Joint Committee adopted the concept of credit units rather than using actual dollars in the formula. Using credit units to distribute the funding pool allows for an easier calculation of each hamlet's share and ensures all hamlets are proportionately effected by either increases or decreases to the funding pool. Having determined a hamlet's total credit units, the actual dollar amount is calculated by determining the hamlet's percentage of the total of all hamlets' credit units and applying that percentage to the total pool of funds available to all hamlets.

CREDIT UNITS FORMULA TABLE

Proposed Operations and Maintenance Funding Formula for Hamlets

Unconditional Funding

General Government Services	Staff	$88,000 + SA \times .80$
	Per Capita	$10 \times \text{population} \times .80 \times \text{NCI}$
	Other	$42,000 \times .80 \times \text{NCI}$
General Works	Staff	$(60,000 + 1 SA) \times .80$

Population

Protective Services	Staff	701-1500: $50,000 + 1 SA$ 351-700 : $25,000 + .80$ 100-350 : $12,000 + .25 SA$
	Per Capita	$2.60 \times \text{population} \times \text{NCI}$
	Other	$11,000 \times \text{population} \times \text{NCI}$

Transportation	Staff	701-1500: $146,000 + 2.5 SA$ 351-700 : $87,000 + 1.5 SA$ 100-350 : $38,000 + .5 SA$
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Other $4.45 \times \text{NCI} \times \text{metres of road}$
(non-water/sewage and garbage roads)

Building Maintenance

-Garage/firehal 1	$21.00 \text{ per square metre} \times \text{NCI}$
-Offices	$15.00 \text{ per square metre} \times \text{NCI}$
-Janitorial	$5.00 \text{ per square metre} \times \text{NCI}$
-Residential	$23.00 \text{ per square metre} \times \text{NCI}$

Recreational Facilities Maintenance

a) Support/Ancillary Areas	All Facilities - $20 \text{ per square metre} \times \text{NCI}$
b) Program Space	
-Gym	$20 \text{ per square metre} \times \text{NCI}$
-Hall	$20 \text{ per square metre} \times \text{NCI}$
-Outdoor Arena	$1 \text{ per square metre} \times \text{NCI}$
-Recreational Arena	$5 \text{ per square metre} \times \text{NCI}$
-Competition Arena	$5 \text{ per square metre} \times \text{NCI}$
-Curling Rink	$5 \text{ per square metre} \times \text{NCI}$
-Above Ground Pool	$15 \text{ per square metre} \times \text{NCI}$
-Playground	$100/\text{eligible playground} \times \text{NCI}$
-Playfield	$250/\text{eligible playfield} \times \text{NCI}$

Utilities See text, page 16 of
O&M Task Group Report

Miscellaneous 135 per culvert x NCI
195 per streetlight x NCI

Land Administration per capita - \$10 x population x NCI

Community Planning communities with a community
land zoning by-law
\$10 x population x NCI

Recreation per capita population x NCI

for the first 200-500 20 x population x NCI
for the next 501-1000 10 x population x NCI
for the next 1000-2000 5 x population x NCI
over 2000 3 x population x NCI

Notes

- a) Staff - funding for staff includes salary, recruiting/hiring costs, employer's share of employee benefits, and housing allowance.
- b) SA - Settlement Allowance, provided at GNWT rates.
- c) As a result of communities being able to charge at least 15% of General Government Services to the Water and Sewage subsidy Program which is then fully recoverable through user fee charges. Similarly, a further 5% would also be recoverable through charges for garbage services.
- d) NCI - Northern Community Index, a cost indicator used to reflect higher cost of providing services in some communities.
- e) Garage and other support building space for water, sewage and garbage service operations would not be eligible for funding under this formula. The costs associated with this space would be recovered through the service rates for water/sewage or garbage service and the associated GNWT subsidy program.
- f) It is proposed that a minimum of \$5,000 of recreation per capita funding would be provided to each community.
- g) It is proposed that equivalent capital cost be included.

VII O&M FUNDING FOR TAX BASED MUNICIPALITIES

The Task Group **undertook its analysis** of various funding formulae for tax based municipalities based on the assumption that there is a need for financial assistance for tax based municipalities and that an equalization formula should be the basis for distribution of funds. A rational for using an equalization formula was developed, although it should be noted not all members of the Task Group agreed with the basic premise that an equalization formula was necessarily the best approach for distributing funds.

The existing formula was assessed against the guiding principles established for financing policies and it was concluded that it was not suitable because it did not meet the principles of consistency, certainty, adherence to fiscal constraints, recognition of varying costs, promotion of efficiency and effectiveness and requirement for a minimum level of service.

The Task Group turned its attention to the amended version of the formula as presented in the Discussion Paper on Financing Municipal Government. This formula is merely the existing formula with a minor modification to address the issue of having a fixed funding pool. While the formula distributes the actual funds available, it does not meet the other principles the existing formula was found to lack.

The Task Group looked at a formula which was based on adjusted expenditures rather than actual expenditures. Although this formula adheres to the principles of fiscal constraints and consistency, it has a number of shortcomings in achieving the guiding principles.

A per capita formula was explored with unsatisfactory results, and several other alternatives were developed and explored in an attempt to manipulate the factors of equalized assessment, dwelling units and municipal expenditures to reflect the cost to provide service, the size of infrastructure and the ability to raise revenue.

The Task Group settled on a Modified Equalization Formula (Model B) as that formula **with** most potential.

The formula is: $A = B \times C$

$$G = F \times \frac{A}{AA}$$

where: $B = \frac{\text{Municipal Dwelling Units}}{\text{Individual Municipal Equalized Assessment}}$

c = Northern Cost Index

AA = Total of A for all communities

P = Total Unconditional O&M Grant Pool

G = Equalization Grant for Community A

This formula achieves many of the guiding principles, however, it does not properly reflect the size of community and consequent operating costs. On the basis of concerns raised by Task Group members about this formula, the Joint Committee debated the basic assumption that financial assistance should be provided as an equalization grant and whether alternate support assistance models needed to be explored. It was agreed a Supplementary Report should be prepared on other alternatives for funding tax based municipalities. This Supplementary Report is attached to the O&M report in part two of this document.

In undertaking this supplementary review, the Task Group sought independent comment from Dr. Sancton, a recognized municipal historian and academic. The Task Group, having reviewed the independent assessment of Dr. Sancton, agreed that the Modified Equalization Formula Model B may be flawed. Limited by time, the Task Group recommended additional study to determine the adequacy of the recommended formula and other formulae in recognizing community size and consequent community operating costs.

The Joint Committee agreed to present a recommendation for further study of formulae to distribute funds to tax based municipalities.

VIII VARIATION IN APPLYING FORMULA MODELS

In the process of examining the aforementioned models for non-taxing authorities and tax based municipalities, a number of experiments in their application were applied to tax based municipalities and experimentation was undertaken to determine if one model could be used for both non-taxing authorities and tax based municipalities.

No satisfactory results were achieved with this experimentation and the Joint Committee agreed that non-taxing authorities and tax based municipalities should continue to be treated separately with separate funding formula.

IX TAXING AUTHORITIES

The Joint Committee felt that making provision for hamlets to raise and keep their own property tax money was one of the most desirable directions identified in the Minister's paper. It is also one of the most difficult, with a number of issues to be resolved.

It was felt some criteria should be established for hamlets or charter communities to become municipal taxing authorities. Various criteria were considered but because of the significant different-between communities which might become municipal taxing authorities it was concluded that each application should be dealt with on a case-by-case basis. Factors which should be taken into account include: taxable assessment; ability of tax payers to pay; ratio of taxes collected to total revenue; and, the sophistication of bookkeeping, accounting and management capabilities.

A number of options were examined for handling the property taxes collected by new municipal taxing authorities. It was concluded that this examination had to be related to a discussion of a transition stage for new municipal taxing authorities in recognition that it would not work well to automatically group new municipal taxing authorities with established tax based municipalities under an equalization grant formula.

It was agreed new municipal taxing authorities should continue to be funded through the proposed Credit Units Formula for hamlets until such time as their revenue generating ability allowed them equitable funding through the tax based equalization grant. Specific criteria need to be developed by the Department of Municipal and Community Affairs to determine the point at which municipal taxing authorities would be funded under the equalization formula. While being funded by the Credit Units Formula, new municipal taxing authorities would be allowed to retain all their taxes including their Grants-In-Lieu of Property Taxes which, however, would be deducted from their unconditional O&M grant. The spending of tax revenue would be restricted to new capital acquisitions (interest and/or principal).

Several advantages are seen in the above approach. Municipalities will have the opportunity to acquire capital items in advance of when the Government of the Northwest Territories might be able to include them in its Main Estimates. Where these capital purchases are financed by debenture, the municipality would pay the interest from tax revenue until the Government of the Northwest Territories has the money voted for the purchase, at which time the Government of the Northwest Territories would pay off the principal. Municipalities, with their tax revenue, will also be better positioned to contribute their share of major capital project costs or to make direct purchases for priority capital items. For the Government of the Northwest Territories this approach will ease demands on their capital funding, offsetting the loss of tax revenue.

When municipal taxing authorities reach the point they are funded through the equalization formula they would be allowed to retain all their taxes including their Grants-In-Lieu with no offsetting reduction for their Grants-In-Lieu nor any restriction on their expenditure of tax revenue.

Upon reaching the point where a taxing authority is funded through the equalization formula, the total amount of its unconditional O&M support grant of the previous year would become a part of the funding pool for equalization payments.

A further incentive to becoming a taxing authority was presented through the work of the Capital Task Group, see part three of Report. It is recommended by the Capital Task Group that only municipal taxing authorities would be eligible to access Block Capital funding, which provides a community the authority to determine its own priorities for capital project expenditures.

X PROPERTY TAXES FOR SCHOOL PURPOSES

The Task Group undertook some analysis of this area, which is primarily of concern to two municipalities: Norman Wells and Yellowknife. Norman Wells pays an extremely high amount of tax to the Government of the Northwest Territories for school purposes. In Yellowknife, the concern was for the growing cost of education in the City and the disproportionately high contribution that taxpayers in Yellowknife make toward the cost of education. The Joint Committee reviewed the Task Group's recommendations for dramatic changes in the way that education services are funded in the Northwest Territories, but concluded that the changes proposed were too extreme. This is an area which requires further monitoring, particularly as Divisional Boards of Education are established across the Northwest Territories. As such, the issue of property taxes for school purposes is something that the Joint Committee feels requires a detailed examination. The Joint Committee recommends that a Government of the Northwest Territories Committee look into the matter, and that the Northwest Territories Association of Municipalities be kept involved and informed.

XII THE CAPITAL CITY CONCEPT

The Joint Committee directed that a review of the capital city concept be undertaken to determine if such an option was realistic and based on sound principles. Several examples of separate treatment for capital cities were reviewed. The only true capital city concept is the National Capital Commission governing the Federal Capital, Ottawa. Due to their size in relation to other municipalities in their province, several capitals are legally and financially treated differently; Winnipeg has the Winnipeg Act and Charlottetown a Charter. Vancouver also has its own Charter.

The Task Group did identify a number of separate considerations for Yellowknife, including its relative size, however, it considered a capital city concept was premature and required considerable further study.

XIII CAPITAL AUTHORITY PROVISIONS

The Joint Committee felt that the provisions for communities to assume authority for capital programs or projects was one of the most desirable features of the capital policy outlined in the Discussion Paper on Financing Municipal Government.

The policy provides for three kinds of authority agreements: Program Authority Agreements; Full Project Authority Agreements; and Partial Project Authority Agreements. The Joint Committee supports these authority agreements as a central feature of the Municipal Capital Assistance Policy that provides significant opportunity for local governments to assume responsibility, exercise authority and establish accountability to their residents. Authority agreements are viewed as a leading example of the Government of the Northwest Territories' commitment to their priority for community self-government.

The Joint Committee noted that the provision for Program Authority has not been implemented by the Department because the existing policy has been approved by Cabinet in principle **only**, and recommends this provision be given priority for implementation.

XIV CAPITAL PROGRAM ENTITLEMENTS

A major feature of the capital policy is the distinction between basic municipal capital requirements and additional municipal capital projects as the basis for funding municipalities for capital projects. The Joint Committee agrees in principle that this distinction is valid for the purpose of funding but is not satisfied that the distinction of the "basic" and "additional" classifications is sufficiently clear as to assist communities to determine their capital project entitlements. The Task Group attempted to clarify what kinds of projects may fall into these two categories. In many cases, whether a project was "basic" or "additional" was unclear. This area was further clouded by the ad-hoc nature of capital project funding to municipalities by Government of the Northwest Territories Departments other than Municipal and Community Affairs.

The Joint Committee recommends a comprehensive review of Municipal and community Affairs' capital programs and standards to distinguish those programs, or components of **programs**, which are basic standards and those which are additional. Other Government of the Northwest Territories Departments **should also** be encouraged to develop their program standards along these lines. This review will be done in consultation with the Northwest Territories Association of Municipalities.

XV DETERMINING ABILITY TO CONTRIBUTE

The Joint Committee agreed to the principle of capital funding, that being that all municipalities should make some contribution to the municipal capital projects being undertaken in the municipality. The amount of the contribution would be determined by formula, with the rule being that the more a municipality can contribute, the more it should contribute. All Northwest Territories municipalities would be grouped into a three category grid: those with a demonstrated ability to contribute; those with a potential ability to contribute; and those with the least ability to contribute. The Joint Committee also decided that "ability to contribute" would be used in determining eligibility for Block Capital Funding, with those municipalities which were classed as having demonstrated an ability to contribute and which were municipal taxing authorities eligible to receive Block Capital funding in the initial three year review period.

A thorough examination was undertaken of criteria for grouping municipalities into categories of ability to contribute. Each option and its relative weightings raised new considerations, but after reviewing the advantages and disadvantages of each the Joint Committee settled on the following formula:

Average Private Household Total Income	(20% Weighting)
Assessed Value of Industrial, Commercial and Residential Property, minus Northwest Territories Housing Corporation Units	(70% Weighting)
Working Age Population	(10% Weighting)

XVI BLOCK CAPITAL FUNDING TO MUNICIPALITIES

Block funding for capital projects was of particular interest to representatives of the Association of Municipalities and the Capital Task Group reviewed the funding arrangements used by provinces and the Yukon, with particular attention to the Block Capital funding system used by the Yukon Government.

Under the Yukon system, municipalities are given an allocation for their capital needs and must plan accordingly. Money can be saved up, spent, used to supplement borrowed funds or used to repay debts.

The Task Group consider the Yukon model to have merit. The Yukon system provides municipalities a degree of certainty of funding through legislation which sets the funding pool at one percent (1%) of the total municipal assessment of all municipalities.

Distribution of the funds is determined by a two part formula: a base grant based on the municipal status of each municipality (city, town or village); and, an assessment grant based on the percentage of that municipality's assessment to the total assessment of all municipalities. The only apparent flaw in this formula is that those communities with the largest total assessment receive the largest assessment grant allowing more capital projects to be constructed which, in turn, further add to the assessment base: a case of 'the rich getting richer'. Yukon Government officials have recognized this problem with the distribution formula and have introduced legislative amendments to place a cap on the funds provided to the City of Whitehorse.

The Joint Committee reviewed the various positions and concerns with Capital Block funding and agreed it should be examined further. A review of the manner by which the "block" could be determined led to the favoured recommendation that the amount of the funding pool be determined by the average of capital funds provided those municipalities eligible for the Capital Block program over the past seven years. To assure some certainty to the pool of funds, it was recommended that the "block" be indexed to the fluctuations in funding provided by the federal government to the Government of the Northwest Territories.

The Joint Committee agreed on a strategy of gradual implementation of Block Capital funding with a full review after three years. During this initial period Block Capital would be available only to communities in the demonstrated ability to contribute category who were also taxing authorities.

The determination of the pool of funds would be based on a seven year average for selected Municipal and Community Affairs capital programs. Although it was a consideration to include all basic capital programs in the Block Capital funding pool, it was determined that the Department of Municipal and Community Affairs must undertake a thorough review of its capital standards and criteria and apply the definitions of basic and additional prior to being able to implement this more comprehensive approach. Determination of those capital programs to be included or excluded from the Capital Block funding program should be based on such factors as the degree of administrative or technical complexity, any requirements for Government of the Northwest Territories accountability to other agencies (i.e. Airports Program) and the extent of Government of the Northwest Territories priority for achieving certain political objectives through specific conditionally funded capital programs.

The Joint Committee also proposed that the degree of capital authority should be based on increasing degrees of ability of municipalities to contribute to projects. Municipalities with a lesser ability to contribute should be able to attain some degree of autonomy for capital projects through either extended use of

"full or partial project authority agreements" or by introducing the use of "program authority agreements"

The Joint Committee did not settle on a formula for the actual distribution of the capital Block funding pool and recommends further study to establish a fair and equitable formula.

VII REVIEW, APPROVAL AND IMPLEMENTATION PROCESS

The Joint Committee is aware of the need to make some changes soon; many municipalities have been waiting for some time for the improvements that are to come. However, it is also true that rushing into new funding arrangements leads to a multitude of problems. It is important that any new schemes are presented in detail to communities so that they are fully understood before they are introduced. It will take a number of months to establish this understanding, in the Joint Committee's view. At present, the sense is that if general agreement can be obtained from municipalities at the next Annual General Meeting of the Association of Municipalities, and if the Minister can obtain the support of his Cabinet colleagues, that the new funding arrangements could be in place for the 1991/92 fiscal year.

The Joint committee strongly recommends an evaluation system be established even before the new arrangements are started, with the intent of having all of the new schemes reviewed about three years after implementation.

The estimated timing of events related to the introduction of the revised funding arrangements *are proposed as follows:*

<u>1990</u>	<u>Event</u>
February 12	Submission to Minister
February/March	Minister to make possible announcement of progress in the Legislature
April	Annual General Meeting - N.W.T.A.M.
May - September	Hamlet consultations and Municipal and Community Affairs review
July	Funding model for tax-based municipalities and preparation of final report
August	Consultation - Tax Based Municipalities
September	Cabinet approval of the new arrangements
September	Include new arrangements in Main Estimates
<u>1991</u>	
April 1	Non-tax. based funded on new system (O&M) . Capital projects funded on new system. Tax- based funded on new system.

VIII CONCLUSION

The Joint Committee is aware that this review is taking place in an era where the Government of the Northwest Territories is facing significant reductions in funding from the Government of Canada. The Joint Committee members know first hand that many municipal needs are not being met, and are in need of attention; whether they are infrastructure replacement or assistance in meeting operating costs of delivering basic services on a day-to-day basis. The changes to the funding programs that are proposed here and which have been reviewed are not a 'quick-fix', but rather an effort to do a better job with what now is available.