



March 11, 2024

JANE WEYALLON ARMSTRONG
MLA, MONFWI**Oral Question 105-20(1) and Oral Question 112-20(1) Municipal Funding Gap**

In follow up to the Oral Questions you raised on February 26, 2024, regarding municipal funding.

The Department of Municipal and Community Affairs (MACA) provides over \$120 million through the Executive Council Community Government Funding Policy to support the municipal programs and services of 32 community governments. The Délı̄ne Got'ine Government receives funding for local services through a Self-Government Grant, consistent with the terms of the Délı̄ne Got'ine Government's Financing Agreement with the Government of the Northwest Territories (GNWT).

Funding under the Executive Council Community Government Funding Policy is distributed consistent with the provisions of three Ministerial policies: Operations and Maintenance Funding Policy, Water and Waste Services Funding Policy, and Community Public Infrastructure Funding Policy. Additional capital funding is also provided through the Community Capacity Building Fund Agreement.

Funding for Operations and Maintenance is calculated by adding costs for operating and maintaining infrastructure and equipment, a per capita amount for the delivery of recreation and protective services, and a percentage of total calculated costs for administration. Funding for Water and Waste Services is calculated by adding the cost of water treatment, sewage treatment, solid waste management plus administrative costs.

Funding for Community Public Infrastructure is calculated by adding the current replacement values of common infrastructure and dividing by their useful life to determine the annual allocation. It also calculates a standard revenue based on Northwest Territories (NWT) Bureau of Statistics data to estimate how much potential revenue each community government could collect from their population base through service rates such as, user fees, property taxes, and grants-in-lieu.

In regard to the municipal funding gap, no government at any level is fully funded. The purpose of the concept of a "Funding Gap" is to create a full context of all fiscal considerations to assist in community planning, budgeting, and priority setting. With this information, community governments can make informed decisions about their investments, such as balancing the decision to build a new recreational complex with the longer-term need to plan for the replacement of a water treatment plant or how much they can afford to pay staff.

For 2023, the difference between total territorial calculated costs and community government funding is approximately \$52 million (M), of which an estimated \$18M is related to general operations and maintenance, \$19M is related to water and waste, and \$15M is related to capital.

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MACA acknowledges that the Department's budget is lower than the full cost-calculation. Given the GNWT is not the only source of revenue for community governments, MACA's calculated costs are not an appropriate measure of community need or a funding gap. The Department uses this as a tool to allocate its community government funding budget based on the relative (not absolute) share of that community to ensure that funding is distributed equitably.

Each community government makes unique decisions on the types of programs and services they offer to their residents and how they will generate revenue to cover the difference between costs and funding provided by MACA. Community governments have the same financial realities and challenges faced by all levels of government and must take these into consideration when budgeting and planning for the priorities of their residents. The challenge of sustainable community governments is a shared responsibility across all levels of government.

Regarding salaries paid to community government workers, MACA's funding does not have any requirements for how community governments staff their organizations. When salaries are incorporated as cost estimates in MACA's funding policies the base GNWT salary scale of a similar position is used in the calculation. Elected community government councils have full authority for salary, pay scale and human resource decisions. As I previously stated, once funding is distributed to MACA, it is up to community governments to stretch out those dollars and spend funds strategically and consistent with the priorities of their residents.

It is well established that all levels of government are in a period requiring both fiscal constraint and well-planned priority setting. It is important for us to tackle our shared challenges together with community governments and to focus on how we can collectively best serve the residents of the NWT.

MACA continues to advocate for increased funding to community governments and remains committed to supporting community governments to implement their identified priorities and needs.

Thank you.



Vince McKay
Minister of Municipal and Community Affairs

c. Clerk of the Legislative Assembly

Director, Legislative Affairs and House Planning,
Executive and Indigenous Affairs