



JAN 15 2021

MR. RYLUND JOHNSON  
MLA, YELLOWKNIFE NORTH

**Oral Question 380-19(2): Municipal Funding Gap**

This letter is in follow up to the Oral Questions you raised on October 20, 2020, regarding reducing the Municipal Funding Gap.

*1. Can we increase the capital funding to our community governments by five million?*

The Government of the Northwest Territories (GNWT) has made a commitment in the Mandate of the 19th Assembly to reduce the municipal funding gap by five million. In 2020-2021, the Legislative Assembly approved \$2.6 million towards this objective, however it was approved through the operating budget instead of the capital budget. Municipal and Community Affairs (MACA) engaged with the NWT (Northwest Territories) Association of Communities (NWTAC) to determine the priority for the allocation of the funding including whether it was best allocated through the Operations and Maintenance, Water and Sewer or Community Public Infrastructure deficits.

The NWTAC Board has recommended that the \$2.6 million should be distributed according to the capital deficit, but recognized that MACA would need to do a separate contribution through its Operations and Maintenance Funding (O&M) budget due to the way the budget had been loaded. The NWTAC feels this recognized that the capital funding had the highest funding shortfall and therefore that was where the initial mandate funding should be prioritized.

MACA has taken that recommendation and distributed this funding to community governments in December according to their relative proportion of the capital funding deficit. To ease tracking and clarify that this \$2.6 million did in fact go towards the capital funding gap, MACA will be tracking this mandate investment through a separate line in their Main Estimates.

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*2. Will the Minister bring forward legislation that sets out how we fund municipalities in the life of this Assembly?*

In addition to reducing the municipal funding gap by five million, MACA is also committed to refining the funding models to ensure continued fairness and transparency.

This process involves amendments to MACA's three main funding policies; Operations and Maintenance, Water and Sewer (W&S) and Community Public Infrastructure (CPI). MACA feels that these updates will clearly identify how funding is being provided and how the deficit will be calculated on an ongoing basis. MACA continues to review and work with the NWTAC to better understand the valuation methods and how to best measure changes over time.

*3. Is the Minister willing to speed up the mandate commitment to review the funding policies before 2023?*

The 2023 timeline was targeted in the Mandate as MACA plans to stagger the policy updates in order to provide time to fully engage with communities on the issues and recommended changes. Where required it would also allow for time to transition to new requirements related to the policy changes.

For example, an update to the Environmental Policy (formerly Water and Sewer Funding policy) is likely to require that each community government update their water and sewer rate bylaw/policy. Therefore, MACA not only needs to engage with stakeholders in making changes to the policy, but will also need to engage with stakeholders to implement the policy changes.

MACA will be working with the NWTAC and other partners this winter/spring to finalize the draft on the first of the policies to be updated, the Water and Sewer Policy. April 01, 2022 is the earliest date that the policy could go into effect to give community governments the time needed to adjust their own policies and bylaws.

A similar timeline for the O&M and CPI policies is anticipated. This would be in line with target outlined.

*4. Can the Minister speak on her plan to make sure that the gap does not re-emerge for any progress this Assembly does make on it?*

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MACA's calculation of needs-based costs was not a funding commitment, and the Minister at the time noted that the expectations must be realistic since there "was not a pot of gold at the end of the rainbow." The review and these ensuing calculations provide valuable information for both the Communities and the GNWT. The calculations provide communities with information on the costs of operating which should assist Community Governments to make informed decisions about their programs.

MACA is provided with valuable information for determining our priorities with programing to ensure that communities get support in areas most needed. These difficult decisions of where to concentrate the Department's focus are decisions that all governments must make.

MACA aims to support communities with sufficient resources to carry out their responsibilities in providing public programs and services. To that goal, the Department will continue to review its funding policies and programs to keep up with changing conditions. MACA will also continue to seek a solution to keeping up with forced growth and inflation costs that are faced by community governments.

I will continue to provide Members with updates as MACA progresses through the completion of this Mandate objective.

Thank you for your continued interest on this important topic.

Sincerely,



Paulie Chinna

Minister

Municipal and Community Affairs

c. Mr. Tim Mercer  
Clerk of the Legislative Assembly

Mr. David Hastings  
Legislative Coordinator  
Department of Executive and Indigenous Affairs

Ms. Eleanor Young  
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