



POLICY
Department of Municipal and Community Affairs
Community Public Infrastructure Funding

1. Statement of Policy

The Department of Municipal and Community Affairs (MACA) may provide funding to support community governments with the provision of community public infrastructure required to support community government programs and services.

2. Principles

The Department of Municipal and Community Affairs will adhere to the principles of the Government of the Northwest Territories' *Community Government Funding Policy* and the following principles when implementing this policy:

- (1) Community governments should plan for the sustainable development of their communities, to assess their needs, consider the feasibility of all new community public infrastructure and set priorities for community public infrastructure.
- (2) Community governments should exercise full authority and responsibility for the provision of community public infrastructure in their communities.
- (3) Community governments should develop Capital Investment Plans to provide for the community public infrastructure required to deliver community government programs and services.
- (4) Community governments should leverage funding from a variety of sources.
- (5) Community governments should use a prudent and reasonable approach to operations and maintenance of community public infrastructure to maximize the useful life of community public infrastructure.



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- (6) Community governments should ensure community public infrastructure that protects public health and safety is given priority when planning for community public infrastructure.
- (7) Community governments must ensure that all applicable federal and territorial acts and regulations are met with regard to community public infrastructure.

3. Scope

This policy guides the allocation of funding to eligible community governments to assist with the provision of community public infrastructure that is required to support community government programs and services.

4. Definitions

The following terms apply to this policy:

Betterments - costs of betterments are considered to be part of the cost of a tangible capital asset. A betterment is a cost incurred to enhance the service potential of a tangible capital asset. In general, for tangible capital assets other than complex network systems, service potential may be enhanced when there is an increase in the previously assessed physical output or service capacity, where associated operating costs are lowered, the useful life of the property is extended or the quality of the output is improved.

The following basic distinctions can be used to identify maintenance and betterments:

- a) Maintenance and repairs maintain the predetermined service potential of a tangible capital asset for a given useful life. Such expenditures are charged in the accounting period in which they are made.
- b) Betterments increase service potential (and may or may not increase the remaining useful life of the tangible capital asset). Such expenditures would be included in the cost of the related asset.



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Capital Investment Plan – a document created through a public and administrative process, with approval from locally-elected officials, providing a detailed understanding and documentation of the condition of existing Community Public Infrastructure and the anticipated investments into Community Public Infrastructure that are considered priorities along with a rationale for those priorities.

Capital Lease – a debt incurred to acquire a tangible capital asset with a useful life extending beyond an accounting period, and held under lease by community governments for use, on a continuing basis, in the production or supply of goods and services. Under the terms and conditions of the lease, substantially all the benefits and risks incident to ownership are, in substance, transferred to the community government without necessarily transferring legal ownership.

Community Public Infrastructure (CPI) – non-financial assets having physical substance that:

- i) are held for use in the production or supply of goods and services;
- ii) have useful economic lives extending beyond an accounting period;
- iii) have been acquired to be used on a continuing basis; and
- iv) are necessary to support community government programs and services.

Community Public Infrastructure Funding – a grant, as defined by the Financial Administration Manual Directive 1901, which provides funding to community governments to assist with the capital costs of community public infrastructure.

Eligible Community Governments – community governments as defined in the Government of the Northwest Territories' *Community Government Funding Policy*.



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Percentage of Population (POP) – the community’s population expressed as a percentage of the total population of the Northwest Territories (NWT), as determined by NWT Bureau of Statistics estimates, rounded to four decimal places.

5. Authority and Accountability

(1) General

This policy is issued in accordance with Financial Management Board direction to delegate to Ministers authority to establish grants and contribution programs. Authority and accountability is further defined in Financial Administration Manual Directives, 1901, 1902, 1903 and 1904 and as follows:

(a) Minister

The Minister of Municipal and Community Affairs (the Minister) is accountable to the Financial Management Board for the implementation of this policy.

(b) Deputy Minister

The Deputy Minister of Municipal and Community Affairs (the Deputy Minister) is accountable to the Minister and responsible to the Minister for the administration of this policy.

(2) Specific

(a) The Minister may:

- (i) approve grants or contributions according to the terms and conditions outlined in this policy;
- (ii) approve changes to this policy;



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- (iii) delegate the authority to approve grants and contributions to the Deputy Minister;
 - (iv) delegate the authority to add or delete activities and/or assets that are considered Community Public Infrastructure projects; and
 - (v) reduce a grant, loan or other financial assistance that the Minister would otherwise have provided to the community government or take other action as allowed for under the Government of the Northwest Territories' municipal legislation if, in the opinion of the Minister, a community government fails to comply with the provisions of this policy.
- (b) The Deputy Minister has the following authority and accountability, which he or she may delegate to a Director or a Regional Superintendent:
- (i) approve grants or contributions in accordance with the terms and conditions outlined in this policy, and
 - (ii) make recommendations to the Minister respecting those activities and assets that are considered Community Public Infrastructure projects.

6. Provisions

(1) Funding Calculations

The funding allocated to eligible community governments under this policy is calculated using a base-plus approach. Each eligible community government will receive 2% of MACA's total Community Public Infrastructure budget as a base amount and the remainder of the funding is allocated through a formula.



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The formula used to allocate the remaining funding calculates the current replacement value of the community's public infrastructure relative to the community's population. The formula calculates the community's points which are then used to calculate the community's funding amount (or proportionate share) by dividing the community's points by the total of all communities' points.

Detailed funding calculations can be found in Schedule A of this policy.

(2) Eligibility and Funding Criteria

All of the community governments that meet the definition of Eligible Community Government in the *Community Government Funding Policy* are eligible for funding under this policy.

The funding provided under this policy is intended to assist with the acquisition of community public infrastructure, which is required to support community government programs and services. The funding provided under this policy is not intended to assist with the maintenance of community public infrastructure but can be used for those expenditures that meet the definition of Betterments.

(a) Use of Funds

The funding provided under this policy must be used for expenditures that meet the definition of Community Public Infrastructure. The following expenditures are considered permitted under this policy:

- project management costs that are incremental and directly associated with specific community public infrastructure;
- crushing and stockpiling of granular material for road maintenance activities provided the costs are accounted for and reimbursed from the operations fund when utilized for a maintenance purpose in the year that the granular materials are consumed;



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- capital leases;
- community land use planning;
- feasibility, engineering or planning studies for community public infrastructure;
- the portion of water and sewer service contract costs that is directly attributable to the purchase costs of the water and sewer vehicles to a maximum of the number of vehicles accounted for in the funding model of the *Water and Sewer Services Policy*; and
- land development projects including subdivision planning and legal survey.

The following expenditures are not permitted under this policy:

- Extraordinary community public infrastructure maintenance (including any repairs ordered by the Office of the Fire Marshal).

(3) Operational Considerations

The funding provided under this policy is intended to assist with the provision of community public infrastructure, which is required to support community government programs and services. The funding provided under this policy is not intended to provide for permanent community government staff positions.

- (a) Community governments must ensure that all applicable federal and territorial acts and regulations are met with regard to community public infrastructure.
- (b) It is the responsibility of all community governments to ensure adequate insurance is in place for all community public infrastructure, during and after completion of construction.



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- (c) It is the responsibility of all community governments to ensure land tenure has been secured in the community government's name for all community public infrastructure, during and after completion of construction.
 - (d) Community governments may borrow to fund community public infrastructure projects. Community governments must follow the debt management regulations pursuant to the legislation under which the community government has been established.
- (4) Accounting Requirements
- (a) Community governments must establish a fund for all revenues and expenditures associated with community public infrastructure separate from all other accounts.
 - (b) The fund balance must have a corresponding and restricted cash equivalent with an approved financial institution, notwithstanding a fund established for the provision of granular material for maintenance purposes.
 - (c) Community governments should establish reserve funds for specific community public infrastructure projects consistent with the community government's approved capital investment plan.
 - (d) All funding received under this policy and associated interest earned must be expended on eligible expenses outlined in this policy.
- (5) Reporting Requirements
- (a) Community governments must prepare and review annually a 5-year capital investment plan. The 5-year capital investment plan must be approved by motion of council and must be submitted to MACA with the community government's annual operating budget.



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- (b) Community governments should develop a feasibility plan for all acquisitions and development of new community public infrastructure that have a project cost of more than \$500,000, which demonstrates the community's ability to sustain on-going operations and maintenance costs.

7. Financial Resources

Financial resources required under this policy are conditional on approval of funds in the Main Estimates by the Legislative Assembly and there being a sufficient unencumbered balance in the appropriate activity for the fiscal year for which the funds would be required.

8. Prerogative of the Minister

Nothing in this policy shall in any way be construed to limit the prerogative of the Minister to make decisions or take actions respecting grants or contributions. In this regard, the Minister may make a special exception to the rules set out in this policy. Any exception will require substantiation in writing and must be recorded with the Department of Municipal and Community Affairs.

Robert C. McLeod
Minister

November 29, 2010
Date



Schedule A

Calculation of Community Public Infrastructure Funding

Calculation of the community public infrastructure funding amounts:

To determine the base funding amount for each community:

$$\text{Base Amount} = 2\% \times \text{MACA's CPI Budget}$$

To determine the Community Points for each community:

$$\text{Community Points} = \frac{90,000,000 (\text{POP})^{-0.4612}}{20} \times \text{POP}$$

To determine the community's proportionate share:

$$\text{Community Proportionate Share} = \frac{\text{Community Points}}{\text{Sum of All Communities' Points}}$$

To determine the community public infrastructure funding amount:

$$\text{Community CPI Funding} = \text{Community's Proportionate Share} \times (\text{MACA's Budget} - (\text{Base Amount} \times \text{Total \# of communities})) + \text{Base Amount}$$