



Community Public Infrastructure Funding Policy

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 must use the Capital Planning Tool and 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 both internal and external 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.
- (6) Community governments should develop an asset management plan to formalize the operation and maintenance of community government infrastructure.
- (7) Community governments should ensure community public infrastructure that protects public health and safety such as water treatment plants, sewage and solid waste sites and fire protection services is given priority when planning for community public infrastructure.
- (8) Community governments must ensure that all applicable federal and territorial statutes and regulations are met with regard to community public infrastructure.



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- (9) Infrastructure through Community Public Infrastructure should be used for the provision of municipal services. Deviations from this will have financial, legal, and/or risk management implications.

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:

Asset management plan - sets out how physical infrastructure assets will be managed over a period of time to achieve level of service objectives. It uses an integrated approach involving planning, finance, engineering and operations to effectively manage existing and new infrastructure to maximize benefits, reduce risks and provide satisfactory levels of service to community users in a socially, environmentally, and economically sustainable manner.

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 - Transfers substantially all of the benefits and risks of ownership to the lessee. Capital leases are considered assets of the organization which must be depreciated and lease payments are considered debt. A lease is considered capital if it meets one or more of the following criteria:

- (ii) lease term is greater than 75% of the asset's estimated economic life,
- (iii) the lease contains an option to purchase the asset for less than fair market value,
- (iv) ownership of the asset is transferred to the lessee at the end of the lease term, or
- (v) the present value or the lease payments exceeds 90 percent of the fair market value on an asset.

Community Public Infrastructure (CPI) – non-financial assets having physical substance that meet all of the following criteria:

- (ii) are in the care and custody of the community government or society, exclusive of a development corporation;
- (iii) are held for use in the production or supply of goods and services,
- (iv) have useful economic lives extending beyond an accounting period,
- (v) have been acquired to be used on a continuing basis, and
- (vi) are necessary to support community government programs and services and do not include inventory for regular operations and maintenance.

Community Government – A corporation established under or continued by the *Charter Communities Act*, the *Cities, Towns and Villages Act*, and the *Hamlets Act*, *Tłıchʼo Community Government Act*, or any Recognized First Nations Council.



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Community Public Infrastructure Funding – A contribution, 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.

Percentage of Population (POP) – The community's rolling average population over a period of five years expressed as a percentage of the rolling average of the total population of the Northwest Territories (NWT) over a period of five years, 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 805 and 810, 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 and/or withhold grants and contributions according to the terms and conditions outlined in this policy;
- (ii) withhold all or a portion of grants under this policy, or a contribution the Minister would otherwise have made, if a community government fails to comply with the precepts of this policy or other contribution and/or funding agreements;



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- (iii) take other action as allowed for under the Government of the Northwest Territories' municipal legislation if a community government fails to comply with the precepts of this policy or other contribution and/or funding agreements;
- (iv) approve changes to this policy; and
- (v) delegate the authority to approve and/or withhold all or a portion of grants and contributions to the Deputy Minister;
- (b) The Deputy Minister has the following authority and accountability, which they may delegate to a Director or a Regional Superintendent:
 - (i) approve grants and 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 per cent of MACA's total Community Public Infrastructure budget as a base amount and the remainder of the funding is allocated through a formula.

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.



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(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.

(a) Payment

Funds will flow on April 1 of each year according and subject to the terms of the contribution agreement.

(b) 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:

- i) up to 10 percent of Community Public Infrastructure funding may be used to support asset management, subject to approval by the Deputy Minister;
- ii) project management costs that are incremental and directly associated with specific community public infrastructure;
- iii) crushing and stockpiling of granular material;
- iv) capital leases made in accordance with the community government's capital leasing policy;
- v) community land use planning;
- vi) paying principal and/or interest on capital loans;
- vii) feasibility, engineering or planning studies for community public infrastructure;



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- viii) 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*.
- ix) land development projects including subdivision planning and legal survey (proceeds from the sale of land must go back into the capital fund up to the value of the land development), and
- x) water licenses.

(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 statutes and regulations are met with regard to community public infrastructure.
- (b) It is the responsibility of all community governments to ensure land tenure has been secured in the community government's name, or the name of the society established to hold assets on their behalf in the case of designated authorities, for all community public infrastructure, during and after completion of construction.
- (c) 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.
- (d) Community governments must have a council-approved procurement process.

(4) Accounting Requirements

- (a) Community governments must record unspent CPI funds as deferred revenue.



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- (b) The deferred revenue balance must have a corresponding, separate, verifiable and restricted cash equivalent with an approved financial institution, unless exempted by the Deputy Minister.
- (c) If any CPI asset paid for through this policy is sold within ten years of its purchase date, the resulting funds are to be returned to the fund listed under 6(3)(a).
- (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.
- (b) Community governments should develop a feasibility plan, as part of the capital plan, for all acquisitions and development of new community public infrastructure that have a project cost of more than \$1,000,000, which demonstrates the community's ability to sustain on-going operations and maintenance costs.
- (c) Community governments must report on funds in accordance with their funding agreement.

(6) Review and appeal

- (a) Contributions under this policy are not application-based; community governments are allocated their percentage of total available funds according to the formulae in this policy.
- (b) There is no appeal mechanism to calculations made according to the formulae in this policy; however, community governments may appeal perceived inconsistencies in the variable values to the Deputy Minister in writing.



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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.

Caroline Cochrane
Minister

Date



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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:

Community's

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

Share

Sum of All Communities' Points

To determine the community public infrastructure funding amount:

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