



Water and Sewer Services Funding Policy

1. Statement of Policy

The Department of Municipal and Community Affairs may provide funding to support community governments with the provision of water and sewer 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) Residents of the Northwest Territories (NWT) are entitled to basic water and sewer services to safeguard their health.
- (2) Community governments should exercise full authority and responsibility for the provision of water and sewer services in their communities.
- (3) Community governments should be accountable to consumers for the quality and cost of water and sewer services.
- (4) Water and sewer services should be provided by community governments in the most equitable, efficient and economical manner possible.
- (5) The cost of water and sewer services should reflect local conditions and local decisions.
- (6) Water should be used conservatively.
- (7) Community governments should plan for the development of their communities to assess their needs and set priorities for community public infrastructure including water and sewer infrastructure.
- (8) Community governments should develop financial plans to finance their needs and priorities for community public infrastructure to provide water and sewer services.



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- (9) Community governments should operate their water and sewer systems on a cost-recovery basis.
- (10) Community governments should leverage funding from a variety of sources.
- (11) Community governments should operate and maintain water and sewer treatment and delivery systems in a manner that ensures the health and safety of community residents is protected.

3. Scope

This policy guides the allocation of funding to eligible community governments to assist with the provision of water and sewer services. Water and sewer services exclude the capital replacement costs associated with water and sewage treatment facilities.

4. Definitions

The following terms apply to this policy:

Economic Rate – the direct and indirect operational cost per litre incurred in providing trucked or piped water and sewer services to users within an eligible community.

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

Fuel Cost – the rolling average of the per litre cost of fuel specific to each community as determined by the community's service provider over a five- year period.

Non Volume-dependent Costs – are the fixed costs of the various water/sewer treatment and delivery systems. These costs differ depending on the types of water/sewer facilities in the community but remain the same no matter how much water is treated and delivered or sewage is collected and treated.

Population – the rolling average of a community's population as determined by NWT Bureau of Statistics estimates over a five-year period.



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Power Cost – the rolling average of the per kilowatt cost of power specific to each community as determined by the community's service provider over a five-year period.

Total Cost Adjustment – is the difference between the total cost to adequately operate and maintain a community's specific water/sewer treatment and delivery system and the amount of revenue the Standard Cost Allocation Model assumes the community will raise annually from users. It equals the amount of funding to be provided to the community government under this Policy.

Total Non Volume-dependent Costs – are the total fixed costs required to adequately operate and maintain a community's particular water treatment plant, sewage treatment facility, trucked water delivery system (if applicable) and the trucked collection system (if applicable).

Total Revenues from User Fees – the amount of revenue the Standard Cost Allocation Model assumes the community will raise annually from users.

Total Standard Costs – represents the total cost to adequately operate and maintain a community's specific water/sewer treatment and delivery system. The Total Standard Costs is the sum of the Total Non Volume-dependent Costs and the Total Volume-dependent Costs multiplied by a 9% administration fee.

Total Volume-dependent Costs – represents the total community-specific fuel costs and the total community-specific power costs (where applicable).

Standard Costs (SC) – are those costs assumed by Standard Cost Allocation Model to be required to adequately operate and maintain the community's particular water and sewer treatment/delivery systems. The standard costs used in the model are outlined in Schedule B of this policy.

Volume-dependent Costs – are the costs that change depending on the amount of water that is treated and delivered and the amount of sewage that is collected and treated. The volume-dependent costs used in the Standard Cost Allocation Model equal the total fuel and power costs specific to each community.

5. Authority and Accountability



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(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) Minister

The Minister may:

- (i) approve changes to this policy;
- (ii) approve grants and contributions according to the terms and conditions outlined in this policy;
- (iii) delegate the authority to approve grants and contributions to the Deputy Minister;
- (iv) establish criteria on the categories of users and the rates that may be charged to each category; and
- (v) reduce a grant or contribution that the Minister would otherwise have provided to the community government or take other action as allowed for under the Government of



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the Northwest Territories' municipal legislation if, in the opinion of the Minister, a community government fails to comply with the criteria established pursuant to this policy.

- (vi) withhold funding under this policy if a community government fails to comply with other Government of the Northwest Territories policy.

(b) Deputy Minister

The Deputy Minister has the following authority and accountability, which they may delegate to the Director responsible or to Regional Superintendents:

- (i) approve grants or contributions in accordance with the terms and conditions outlined in this policy.

6. Provisions

(1) Funding Calculations

The funding allocated to eligible community governments under this policy is calculated annually using a Standard Cost Allocation Model. The standard costs for each type of water and sewer treatment facilities and for piped, trucked and blended delivery systems has been calculated. The funding provided to community governments is the difference between the standard costs of operating the community's particular system and the potential revenues the community could collect.

Although the model assumes that community governments will raise revenue by charging all users a rate for water and sewer services, the rates set in each community are at the sole discretion of the community government as long as it does not exceed a justifiable estimated economic rate.



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To ensure that the model accurately reflects the standard costs of providing water and sewer service in communities, the model also includes two community-specific factors. These factors are the community-specific fuel and power costs.

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

(2) Eligibility and Funding Criteria

The funding provided under this policy is intended to assist with the operational costs of providing water and sewer services. The funding provided under this policy is not intended to cover the capital replacement costs associated with water or sewage treatment facilities.

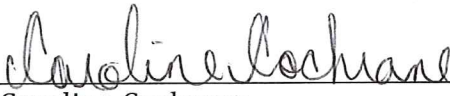
To be eligible for this funding the community government must have enacted a bylaw or resolution that calculates and sets out the economic rate for the community government and the rates to be charged to any category of user within the community.

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 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 Government Water and Sewer Services Funding

To determine the Non Volume-dependent Costs:

Total Non Volume-dependent Costs = SC of Water Treatment Plant + SC of Sewage Treatment Facility + SC of Trucked Water Delivery + SC for Trucked Collection

To determine the Volume-dependent Costs:

For trucked systems

Total # of Litres/Year = Population x 90 litres/person/day x 365

Total Fuel Cost = Total # of Litres/Year x Fuel cost

1437

Volume-dependent Costs = Total Fuel Cost

For piped systems

Total # of Litres/Year = Population x 225 litres/person/day x 365

Total Fuel Cost = Total # of Litres/Year x Fuel Cost

3773

Total Power Cost = Total # of Litres/Year x Power Cost

0.0021

Total Volume-dependent Costs = Total Fuel Cost + Total Power Cost

To determine Total Standard Costs:

Total Standard Costs = (Total Non Volume-dependent Costs + Total Volume-dependent Costs) x 9% Administration Fee



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To determine revenues that could be collected from user fees:

For trucked systems

Total Revenues from User Fees = Total # of Litres x \$0.0083/litre

For piped systems

Total Revenues from User Fees = Total # of Litres x \$0.0033/litre

To determine Total Cost Adjustment (amount of funding to be provided to community governments):

Total Cost Adjustment = Total Standard Costs – Total Revenues from User Fees



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Schedule B

Standard Costs Assumed by the Standard Cost Allocation Mode

Water Treatment Plant Standards

Standard		Filtration		
	Small	Small		
Labour Rate	\$33.00	\$33.00	\$33.00	\$33.00
Hours	2	5	5	8
Litres of Fuel	7,000	12,000	12,000	12,000
Fuel Rate				
Kilowatt hours	\$ 0.70	\$ 0.70	\$ 0.70	\$ 0.70

Water Delivery Standards

Standard	One	Two	Three	Four	Small
Population	200 - 500	500-1000	1000-1500	over 1500	0-200
Labour Rate	\$28.00	\$28.00	\$28.00	\$28.00	\$28.00
Hours	8	8	8	8	4

Volume Dependant

Standard	Trucked	Piped
Litres of Water/Litre of Fuel	1,437	3,773
Power		0.0021

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Sewage Treatment Standards

Standard	Small	Class II
Labour Rate	\$33.00	\$33.00
Hours	2	8
Litres of Fuel		12,000
Fuel Rate		
Kilowatt hours		\$ 0.70

Sewage Collection Standards

Standard	One	Two	Three	Four	Small
Population	200 - 500	500-1000	1000-1500	over 1500	0-200
Labour Rate	\$28.00	\$28.00	\$28.00	\$28.00	\$28.00
Hours	8	8	8	8	4