

Municipal Funding Policy Review

Stakeholder Workshop #2

Agenda

1. Opening Remarks (MACA and NWTAC)
2. Meeting Objectives (Facilitator)
3. Recap of Workshop #1 Discussion (Facilitator)
4. Option Evaluation Criteria (Open Discussion)
5. Options Overview (Facilitator)
6. Option Evaluation (Break Out Groups)
7. Preferred Options (Open Discussion)
8. Preferred Option Development Work (Break Out Groups)
9. Next Steps
10. Closing Comments (MACA and NWTAC)

Workshop Objectives

1. To develop the criteria by which the policy options will be evaluated
2. To review and discuss the policy options presented in the context of the evaluation criteria
3. To identify and discuss possible adjustments to the options presented
4. To select the preferred options for further development
5. To identify the additional research and analysis necessary to make a final decision on options

Recap Workshop #1

Things to Keep

1. Community flexibility to set priorities and allocate funding
2. Stability of funding to facilitate planning and service consistency
3. Keep the focus on the community government's accountability to community residents

Recap Workshop #1

Things to Change

1. Make the funding needs based (e.g. adequate funding) and responsive over time to community cost drivers
2. Improve the “equity” among communities (e.g. funding to provide consistent service levels and similar treatment of Own Source Revenues)
3. Better link the policies to core capacity and essential services
4. Improve linkages between the policies (e.g. CPI and O&M)
5. Increase the consistency between the policies
6. Address legacy infrastructure

Recap Workshop #1

Things to Change (Cont'd)

7. Address “shadow” populations and role of regional centers
8. Make the policies more responsive to the actual circumstances in the communities
9. Simplify the policies
10. Fix the NCI to better reflect community cost structure
11. Create an ongoing policy review process to keep the policies current

Recap Workshop #1

Desired Policy Outcomes

1. Communities have the infrastructure necessary to deliver core programs and services and improve the quality of life in the community
2. CPI (both legacy and new) is well maintained and meets functionality and useful life expectations
3. CPI is energy efficient
4. Communities are planning effectively and are able to set priorities and allocate funding accordingly
5. Communities are healthy (e.g. potable water standards, recreational programming) and safe (e.g. fire protection, by-law and emergency measures)

Recap Workshop #1

Desired Policy Outcomes (cont'd)

6. All regulatory and licensing standards are met and contractual obligations adhered to
7. Core and essential programs and services are always maintained
8. Community residents have equitable access to programs and services
9. Community governments are accountable to their residents
10. O&M funding is responsive to community needs

Recap Workshop #1

Desired Policy Outcomes (cont'd)

11. Communities have the HR capacity to carry out their functions well (e.g. governance and administration)
12. Own Source Revenue (OSR) is equitably factored into funding levels
13. Community debt levels are manageable
14. Communities meet environmental and conservation standards
15. There are adequate supports and checks and balance to assist communities to manage well
16. NCI reflects actual community cost structure
17. Services outside municipal boundaries are provided on a full cost recovery basis

Option Evaluation Criteria

1. How well does the option address the issues?
2. What is the probability that the option will achieve the desired outcomes?
3. Will the option be affordable?
4. Will the option be saleable to communities and decision makers?
5. Is the effort required to implement the option reasonable?
6. Will the option be maintainable?
7. Other ??

Options Overview – O&M

Option 1 – Zero Based Approach

- Step 1 - Establish NWT-Wide Service Level Standards for all significant expenditure areas
- Step 2 - Assess the funding required by each community to meet those standards – Community Expenditure Need (CEN)
- Step 3 - Estimate the amount of revenue each community can raise on its own – Community Own Source Revenue (COSR)
- Step 4 - Funding based on the difference between Community Expenditure Need and “included” Community Own Source Revenue
- Step 5 - Escalate the CEN annually by an index sensitive to price and volume changes. Rebase every 5 years

Options Overview – O&M

Option 2 – Adjusted Actuals Approach

- Step 1 - Take the actual expenditures of each community for 2013 and remove extra-ordinary items, one-time items, third party funded items and non-municipal items
- Step 2 - Calculate the difference between national municipal spending growth over the last 5 or 10 years (from StatsCan National Accounts) and MACA's municipal funding pool growth over the same period.
- Step 3 - Adjust upwards the community actual expenditures by the difference between National Accounts growth and MACA funding pool growth – Community Expenditure Need (CEN)
- Step 4 - Estimate the amount of revenue each community can raise on its own – Community Own Source Revenue (COSR)
- Step 5 - Funding based on the difference between Community Expenditure Need and “included” Community Own Source Revenue
- Step 6 - Escalate the CEN annually by an index sensitive to price and volume changes. Rebase every five years

Option Overview – O&M

Option 3 – Hybrid Approach

- Step 1 – Determine an estimated average useful life for each CPI category (e.g. buildings, equipment, roads, other)
- Step 2 – Using total community CPI replacement value and average useful life estimates calculate an annual O&M requirement based on capital vs O&M ratios
- Step 3 – Determine the national per capita spending on protection and recreation services and adjust it to NWT levels. Multiply the adjusted per capita amounts by community population.
- Step 4 – Take the output of the amended water/sewer policy by community
- Step 5 – Based on analysis of community actual General Government expenditures develop an overhead rate as a percent of non-overhead spending for categories of communities. Apply this rate to the sum of Step 2, Step 3 and Step 4 to determine community overhead funding need – Community Expenditure Need (CEN) then equals the sum of Steps 2 through 5
- Step 6 - Estimate the amount of revenue each community can raise on its own – Community Own Source Revenue (COSR)
- Step 7 - Funding based on the difference between Community Expenditure Need and “included” Community Own Source Revenue
- Step 8 - Escalate the CEN annually by an index sensitive to price and volume changes. Rebase every five years

Option Overview - CPI

Option 1 - 25 Year Capital Needs Assessment Approach

- Step 1 – Determine the current replacement value of each piece of community CPI
- Step 2 – Determine the remaining useful life of each piece of community CPI
- Step 3 – Develop a 25 year Capital Needs Assessment (CAN) for each community
- Step 4 – Determine annual CPI funding for each community based on the communities' CNA

Option Overview - CPI

Option 2 – Average Annual Replacement Rate Approach

Step 1 – Determine the total replacement value of each communities' infrastructure by major category (e.g. buildings, equipment, roads, other)

Step 2 – Develop an average useful life for each major category of infrastructure

Step 3 – Divide the replacement value (Step 1) by the average life (Step 2) to arrive at an annual average CPI replacement requirement for each community. This becomes the annual community infrastructure funding need (CIFN)

Step 4 – Escalate the CIFN annually by the national Construction Price Index

Option Overview - CPI

Option 3 – Relative Needs Distribution Approach (Note: not a needs based approach)

- Step 1 – Determine the total replacement value of each communities' CPI
- Step 2 – Divide the total CPI replacement value for all communities by the CPI replacement value for each community yielding a ratio of community need to total need
- Step 3 – Apply the community ratio from Step 2 to MACA's CPI funding pool for that year to arrive at community CPI funding allocations
- Step 4 – Determine if a base amount should be applied before distribution and if so how the base should be determined

Option Overview – Water/Sewer

Option 1 – Status Quo with Updated Data

- Step 1 – Update the standards (e.g. liters per person per day) and data used in the current formula
- Step 2 – Recalculate representative water charges
- Step 3 – Recalculate community funding levels

Option Overview – Water/Sewer

Option 2 – Include Water/Sewer CPI

- Step 1 – Take the calculations from Option 1
- Step 2 – Remove the water/sewer CPI data from the CPI formula
- Step 3 – Divide the replacement value of each communities' water/sewer CPI by the remaining life of the CPI assets to arrive at an annualized water/sewer CPI rate
- Step 4 – Add the annualized CPI requirement from Step 3 to the calculations from Step 1 to arrive at the new community water/sewer funding levels

Option Overview – Water/Sewer

Option 3 – Update Water/Sewer Data and Add in Garbage Collection and Solid Waste Site Management (with or without CPI). Rename to Environmental Services Policy

- Step 1 – Take the output from Water/Sewer Option 1
- Step 2 – Develop service standards (e.g. number of pick-ups per month) and standard costing for garbage pick-up and solid waste site management (with and without CPI)
- Step 3 – Apply the service standards and standard costing from Step 2 to each communities' circumstances
- Step 4 – Determine an appropriate garbage collection and tipping fee structure
- Step 5 – Add the net cost of adding garbage pick-up and solid waste site management to the water/sewer funding and rename it the water and sanitation funding policy