

Communities Matter

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Speak up for your Northwest Territories community

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Our communities matter!

Home

Our 33 communities are the lifeblood of the Northwest Territories. They are where we live our lives, where we connect with family and friends, and in large part, they define who we are. Our communities are our homes! Our attachment to communities is as strong as our connection to the land and our cultures. **Northerners are hometown proud!**

Great services we often take for granted

All 33 local governments contribute to making our Northwest Territories communities great places to live. These governments deliver essential services that keep residents safe and healthy, and they develop our communities and plan for the future.

ANNUAL FUNDING
SHORTFALL OF ALMOST

\$40
MILLION

NWT community governments are struggling to survive an annual funding shortfall of almost \$40 million for operating costs, infrastructure and water & sewer funding – 37% less than what is needed. This puts our communities in crisis!



"I appreciate the hamlet programs because they help me see a side of life I would never see without it, such as meeting new people and seeing what other opportunities there are outside Fort Liard, which inspires me to go further in life."

– Ross Duntra, Fort Liard

NWT COMMUNITY GOVERNMENTS PROVIDE PROGRAMS AND SERVICES THAT IMPACT EVERY RESIDENT OF THE TERRITORY.

NWT community governments employ 1,481 people across all our communities – that's about

17%
OF PEOPLE

WORKING FOR ALL LEVELS OF GOVERNMENT IN THE NWT

Some NWT communities have learned tough lessons already – if community governments lack adequate funding to address issues, Town Halls are closed and recreation facilities are condemned.

**MY COMMUNITY
[MATTERS]**

Safe roads, fresh, clean drinking water, well-managed garbage and sewage disposal, arenas, pools, community halls, programs and sports that keep us mentally and physically healthy – thanks to community governments. Our community governments also employ a lot of people in every community to deliver these great services.

The tipping point

An evaluation of the current funding formula undertaken by the Department of Municipal and Community Affairs (MACA), supported by the Northwest Territories Association of Communities (NWTAC) found that communities in the territory are underfunded by a startling \$ 40 million annually. This represents a shortfall of 37%, making it difficult for communities to effectively deliver essential services, maintain infrastructure and assets, and be resilient for future challenges.

Our community governments are facing a crisis. They need adequate funding to be able to provide core services and deal with a growing list of challenges; social issues, environmental impacts, climate change, energy planning, regulatory requirements, infrastructure maintenance and construction needs. We want our communities to be resilient, to be able to manage effectively, and to respond to issues that arise.

Current funding falls short of community needs and is getting

worse. In infrastructure alone, community governments are desperately trying to manage a shortfall of \$23.4 million every year. Operating costs to deliver programs and services are underfunded by \$7.6 million, and \$8.4 million in water and sewer.

Although in recent years, the scope of issues that community governments deal with has grown, their funding has not. The current funding approach has seen no changes for 8 years - since 2007, when the “New Deal” for NWT community governments was implemented.

As MACA Minister Robert C. McLeod highlighted in an address to the Legislative Assembly on March 2, 2015, communities have been patient and have given due consideration to the fiscal restraints facing the Government of the Northwest Territories (GNWT):

“ We had a committee of 15 with representatives from ... communities across the Northwest Territories. They put a lot of work into this and they came up with recommendations, and now the next step is to find the money...The work is complete...the next part of it is finding the funding.”

The Hon. Robert C. McLeod

The time to act is now!

As Northerners, there are a lot of things we can do. If we value the programs and services our community governments can and should provide, then it's important to reaffirm this to government decision-makers. We must let the GNWT know that sustainable, functioning community governments are critically important.

Quick action is needed to start making a positive difference. A

planned approach that phases in funding can work, given fiscal pressures facing governments.

Community governments have been patient, but now it's time to address their longstanding needs. **It's time** to make urgently-needed changes that will avert a funding crisis, and stabilize our community governments so that they are resilient in the face of challenge and change.



Current MLAs need to push for these changes right away. As well, candidates who run for MLA in the November 2015 territorial election need to state their position on supporting community governments and fixing this funding crisis in the long term.

Chief Leonard Kenny notes the need for funding to make municipal improvements in garbage clean-up:

“*In Deline, everyone takes pride in keeping our community clean. We all chip in to pick up garbage, and we count on our municipal services to make sure the garbage we collect is disposed of safely. We work together to keep Deline clean.***”**



For community governments to survive and thrive, GNWT needs to:

- ▶ Increase the overall amount of funding provided to community governments based on demonstrated need;
- ▶ Modernize the community government funding formulas, based on recommendations from the 2014 funding review which MACA undertook in partnership with the NWT Association of Communities (NWTAC);
- ▶ Commit to indexing community government funding, similar to what has been done for Gas Tax funding; and
- ▶ Continue to build and support community government capacity to ensure our communities are resilient, vibrant, safe and attractive places to live.

COMMUNITY GOVERNMENTS
ARE UNDER-FUNDED
BY ALMOST

\$40
MILLION
ANNUALLY



There's a lot at stake

\$40 million

The \$40 million shortfall – 37% less than what communities need – means programs, operating costs, infrastructure, administration, and water and sewer services are negatively impacted and under enormous financial pressure. Cut backs to programs, services and infrastructure mean that community residents are facing real consequences.

It's time to increase funding and modernize the funding framework

Community governments in the NWT require an increase in funding to meet their ongoing needs and to ensure that the communities are

vibrant, effective and resilient against future challenges.

As well, the funding framework for community governments needs to be modernized, incorporating data that's emerged since the current funding formulas were implemented in 2007. Doing this will ensure fair, predictable, stable, needs-based funding so that:

- Communities have the core services, facilities and infrastructure that are appropriate for their size;
- Facilities and assets are maintained;
- There is no accumulated debt, other than planned borrowing;
- Communities have capacity, are well-governed, and can meet



What would you do?

Community finances are no different from personal finances. If you work hard, but bring in less money than you need to feed and clothe your family and keep a roof over your head – say, 37% less - you're headed for a disaster. You may cut back on unnecessary items, and consider borrowing, but you can only stay afloat for so long before things become unsustainable. Soon, your credit cards are maxed out, as are loans, line of credit, mortgages—leaving you scrambling to make ends meet. You don't make these choices because you want to, you make them because you have no other option.

legislative standards and the new Accountability Framework;

- Communities are safe resilient, and lives and property are protected; and
- Residents have a good quality of life.

Insufficient funding and outdated funding formulas mean that community governments have no choice but to make imprudent, short-term, reactive decisions based on the inadequate resources they have. For example, lack of funding to undertake preventative maintenance on facilities and vehicles will result in higher repair costs down the road. This is a major problem that will get worse if it's not dealt with right away.

The GNWT needs to continue to support community capacity building through training, development and other learning tools. This is a demonstrated excellent long-term investment, and will continue to show positive results moving forward.

An indexed approach

Indexing means that funding levels are reflective of the cost of living. Consumer Price Index (CPI) for example, tracks the cost of standard items that most people buy to see about the changes, either up or down, in their cost of living. Many employers provide indexing to salaries each year; for example, the Union of Northern Workers negotiated annual increases during bargaining talks in 2012. Members of Legislative

Assembly (MLAs) receive annual salary increases that are the same as the changes in CPI.

Operations funding from the GNWT is not indexed to respond to the rising costs of providing services. Over the years, the GNWT has provided community governments with some increases for fixed costs, like electricity, but overall operating funding has not been indexed. It's important to note that Canada indexes the Gas Tax funding it provides provinces and territories for infrastructure, which demonstrates the importance of indexing in the provision of fair, adequate funding.

Federal infrastructure funding

Since it was implemented in 2005, federal Gas Tax and Building Canada Plan funding has contributed considerably to addressing the community infrastructure deficit in the NWT. The federal government provides this funding for communities through provincial and territorial governments, with clear stipulations on its use.

In particular, the Gas Tax Agreement between Canada and the GNWT confirms that funding is intended as a top-up to complement territorial government funding support. Moreover, the GNWT has committed to not reduce, eliminate or claw back its infrastructure funding to communities. This infusion of funding has helped, but it does not address core needs.

Tsiigehtchic Chief Phillip Blake said a new funding formula will benefit smaller communities like his.

– Communities Underfunded by \$40Million, News North Monday April 6, 2015

Operating funds for community governments have remained static, with only minimal increases for fuel and electricity, even though community governments have taken on greater responsibilities.

**MY COMMUNITY
[MATTERS]**

NWT community governments own facilities and infrastructure valued at over

**\$2.6
BILLION**

**WHICH, IF POORLY
MAINTAINED, WILL
BE AN INCREASINGLY
CATASTROPHIC BURDEN**



WTF! Where's The Funding?

GNWT has a responsibility

MACA has been a strong ally and partner to communities, and has a mandate to make sure community governments have *"sufficient authority and resources to carry out community responsibilities, to provide their public programs and services essential to good community life and to deal effectively with other governments and organizations."*

Issues with the current funding framework identified by communities and MLAs prompted MACA to start a comprehensive review in 2013. MACA, with the support of the NWTAC, developed a working group to review community government

funding. This group included elected Mayors, Councilors and Senior Administrative Officers (SAOs), as well as financial, policy and program experts. MACA's review looked at the current funding formulas for operations and maintenance (O&M), infrastructure, water and sewer, which were implemented in 2007, as well as the federal Gas Tax and Building Canada Plan funds.

Current analysis proves the need

The working group looked at current challenges facing community governments and the steps necessary to better meet community government needs. Highlights of these challenges include:

An investment in communities promises more bang for the buck

There are a lot of compelling reasons for the GNWT to make changes now to how it funds community governments. It's time.

Supporting community governments yields more bang for the buck:

► **Everyone benefits from vibrant, sustainable, resilient communities.**

Residents are healthy and happy, and the GNWT's priorities of population growth and decentralization are supported.

► **The MACA-driven analysis proves the need.** Before the funding review, communities

struggles were merely anecdotal. Now, based on a proven and documented evaluation, all Northerners can see that community governments are in crisis.

► **The GNWT sees the value of investment in infrastructure.** The GNWT's investment in public infrastructure has more than doubled over the past four years, but its

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- Infrastructure funding does not reflect real needs and is not linked to federal Gas Tax funding or the operations funding needed to support new facilities;
- Operations funding does not meet salary and capacity building needs, and is not tied to cost drivers including legal costs and insurance;

- Water and sewer funding formula standard costs are out of sync with real costs and do not reflect real need (especially own source revenue offsets);
- Factors are inconsistent between the funding formulas; and
- The size of the funding pie is simply not enough.

“Need” was determined

for each type of funding using an approach that all participants agreed was fair and equitable. Funding provided by GNWT should be the total amount needed to deliver key core programs, less any revenues community governments get from other sources. Based on detailed analysis, the working group determined the almost-\$40 million gap as follows:

| | Current Funding | Funding Need | Difference |
|---|---|------------------------|-----------------------|
| Operation & Maintenance | \$47.7 million | \$55.3 million | \$7.6 million |
| Infrastructure <i>(GNWT funding and federal Gas Tax/ Building Canada Funding)</i> | \$28 million GNWT \$14.5 million Federal \$42.5 million | \$65.6 million | \$23.4 million |
| Water & Sewer | \$15.9 million | \$24.3 million | \$8.3 million |
| Total | \$106.4 million | \$145.2 million | \$39.3 million |

investment in community infrastructure has remained the same; \$28 million since 2007.

- **The GNWT's own spending has increased in response to higher costs.** Since 2012, the GNWT's operations and maintenance (O&M) budget has increased by 16.7%, and its infrastructure spending has increased by 223%. Comparatively,

community government increases for operations and maintenance of 5.7% and **zero increase for infrastructure.**

- **Investing in infrastructure is a smart thing to do.** When assets haven't been properly maintained for years, it makes them more expensive to operate and shortens their lifespan.

- **Acting now will minimize or even prevent big financial costs down the road.** Deferred maintenance is a ticking time bomb that will cost significantly more in the long run.

- **Community governments employ people in all 33 communities.** Almost 1,500 people work for local governments in the public sector; that's 17%

of people working for all levels of government in the NWT.

- **Supporting communities means results!** For every \$1 million of output, **10.7 community governments jobs are created**, and this is greater than the jobs created at the federal or territorial level with the same investment (6.0 and 5.3 jobs created, respectively).

10.7
COMMUNITY
GOVERNMENT JOBS
ARE CREATED FOR EVERY
\$1 MILLION
DOLLARS OF OUTPUT

(Compared to 6 federal jobs &
5.3 Territorial Jobs)

Everyone benefits from vibrant, sustainable resilient communities

Quite simply, a well-managed, well-maintained community with good programs, services, infrastructure and resources is an attractive place to live, work and raise a family. Current residents will like where they live, and choose to stay. New residents will be attracted by consistently good services, recreation opportunities and attractive, well-maintained surroundings.

The GNWT is clear that increasing the overall NWT population, attracting new people to the Territory and encouraging growth in all communities is a priority. People want to live in healthy, well-maintained, vibrant communities, so GNWT support for community governments also advances its own goals.

Economic research proves that supporting communities increases employment opportunities.

The NWT Bureau of Statistics collects data on economic multipliers which shows that for every \$1 million spent by local governments, 10.7 community jobs are created. This is considerably more than the jobs created at the federal (6.0) or territorial (5.3) government levels for the same amount of money.

It has also been proven that crime rates, vandalism and poor health indicators decrease in healthy vibrant communities where there are things to do and programs to enjoy.

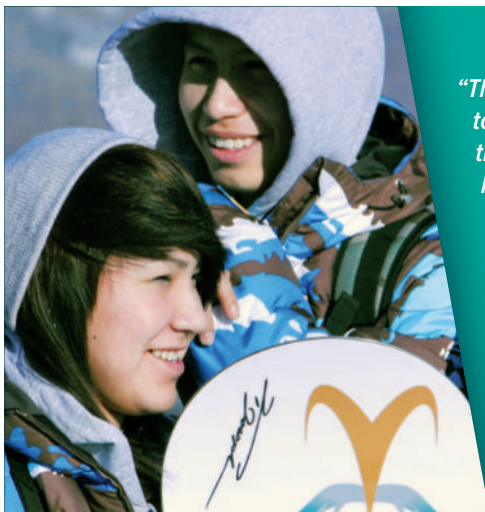
Adequate, predictable funding also translates into less turnover in council and staff; a common problem for our northern communities. Leaders and employees are optimistic that they can make a difference and plan for positive change when properly resourced.

Comprehensive analysis proves the need

The working group established by MACA, in partnership with the NWTAC, undertook an in-depth analysis of the current funding formula and its impact on communities. This included incorporating data on the current state of community infrastructure from Northern Communities Insurance Exchange (NORCIX). This is the insurance program for community governments, which maintains detailed records on the condition of all the community facilities it insures.

Before this analysis, there were only anecdotes about

MY COMMUNITY
[MATTERS]



"The hamlet programs matter to my community because the younger and older youth have the opportunity to experience different things with different types of sports and travel. It really helps them to keep doing what they enjoy doing and see them do a lot more in the future."

— Alinda Edda, Fort Liard

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the financial struggles communities are facing. Now, based on proven, documented results, all Northerners can see that community governments are in crisis.

It's been 8 years since the current funding formulas were implemented, with no real change since then. At the time in 2007, the formulas were designed to provide stable, predictable funding. Communities appreciated that, but the time has come to make adjustments, using accumulated data, to respond to the current realities community governments are facing.

Funding policies must respond to growing demands including the GNWT's new Accountability Framework for Community Governments, so that they are funded sufficiently to meet these standards.

The GNWT's own spending has increased

The GNWT's budget has risen to respond to mounting pressures and forced growth. Community governments are facing many of the same pressures that the GNWT does. It's fair that GNWT recognize this, and increase funding for communities as well.

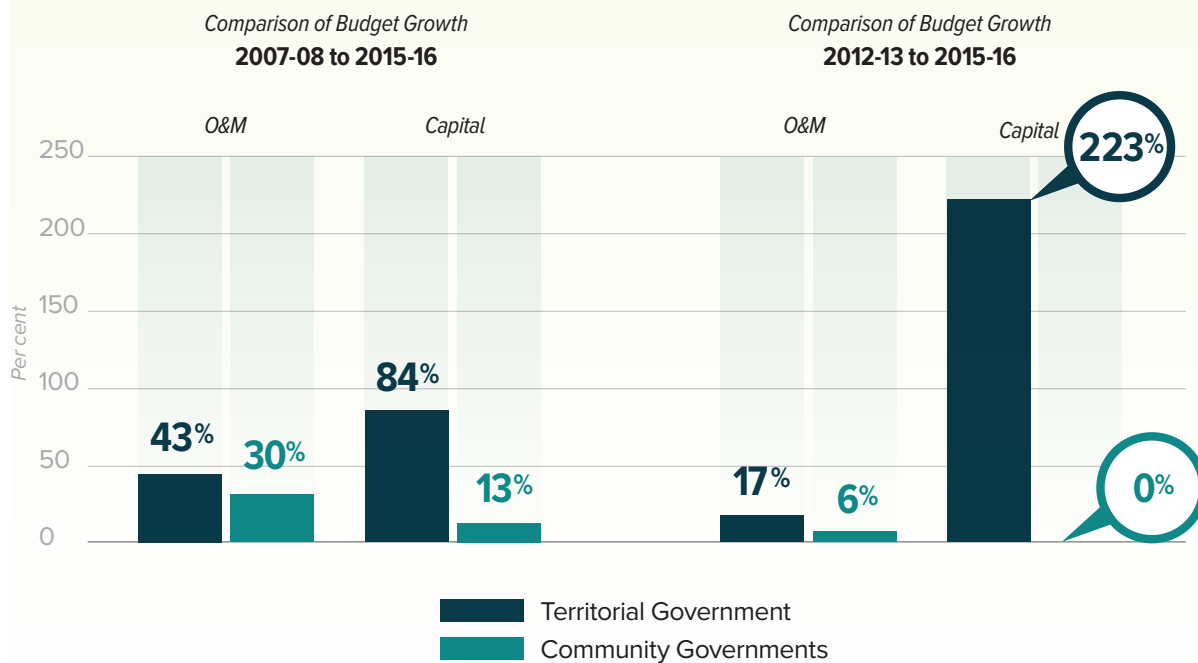
NWT COMMUNITY GOVERNMENTS NEED

\$65.6 MILLION

annually to sustain community infrastructure, but GNWT and federal funding for infrastructure totals only \$42.5 million – a

\$23.4 MILLION SHORTFALL

GNWT and Community Government Budget Growth – Comparison



Investing in infrastructure is a smart thing to do

Planned, proactive investment in building and maintaining infrastructure is much better than having to react urgently to an unplanned collapse that endangers lives, costs more to fix, and will mean higher insurance costs in the future.

Experts agree that, to remain economically strong and competitive, governments must invest in maintaining, renewing

and developing infrastructure. The move by our federal government to do this kept Canada reasonably stable and avoided a depression during the 2008 economic slump, and demonstrates the rationale behind this principle.

Experts also agree that public infrastructure provides a good return on investment. For example, an April, 2013 report by the Conference Board of Canada found that each dollar invested in public infrastructure in Ontario raises gross domestic product by \$1.14 in the short term.

The GNWT knows that money spent on infrastructure is a good move. It has strategically planned an increase in infrastructure spending to address gaps and reduce risk, from \$124 million in 2012-13 to \$277 million in 2015-16. This represents more than doubling the amount of investment. GNWT's commitment to stable, predictable infrastructure funding for our 33 communities is good, but \$28 million per year for all 33 communities – the same since 2007 - is woefully inadequate.

The GNWT's support for community infrastructure has remained the same since 2007

\$28
MILLION

The GNWT's investment in Territorial infrastructure has increased from

\$150
MILLION IN
2007 TO **\$277**
MILLION IN 2014



The GNWT recognizes the importance of capital investment, and has sought increases to the borrowing limit to be able to significantly increase funding for its own infrastructure

Communities Matter **Speak up for your Northwest Territories community**

Acting now will minimize or even prevent big financial costs down the road

Putting off a debt or delaying in fixing something that's broken in your home doesn't make it go away; in fact, the problem usually gets bigger and costs more in interest or repairs. Deferred maintenance is a major issue that both the federal and territorial governments have recognized, and want

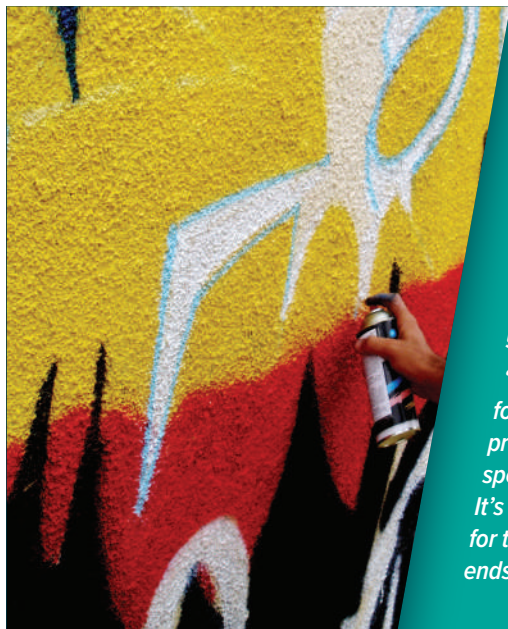
community governments to address. However, if the GNWT does not act to change funding formulas and increase funding to community governments, the problem cannot improve.

Well-maintained facilities with little risk of problems mean fewer claims and lower insurance costs for community governments. As well as avoiding having to replace buildings sooner, well-maintained buildings have fewer surprise issues that require immediate, unplanned funds to fix.

Fort Simpson Mayor Sean Whelly talked to News/North, April 6, 2015, about the impacts of underfunding:

“ *A lot of our buildings haven't been properly maintained for years and it's making them more expensive to operate and shortening their lifespan.* **”**

“There is a backlog,” says Sean Whelly, Mayor of Fort Simpson. “All of the buildings need a lot of mechanical work inside of them, heating and cooling systems in the buildings need a lot of work. The recreation centre, there is a lot of work to be done there. Nothing is working exactly the way it's supposed to because they've been tinkered with over the years to keep running. It's going to cost quite a bit to get it back to the way it's supposed to work.”



In Aklavik, the justice system has not seen a single young offender in two years. According to the community's Justice Coordinator, Jayneta Pascal, this is because of the Hamlet of Aklavik's efforts to provide activities for young people.

“We work hard to find activities for young people; music programs, youth night, fishing, special events...things like that. It's a matter of finding funding for these small programs that ends up having big results

because we never see youth crime anymore” says Jayneta.

Youth in Aklavik are less likely to get into trouble because they're busy. The community government identifies things that appeal to young people, and provides opportunities for them to learn new skills, try new activities, and spend time together in a safe and interesting environment. These targeted initiatives are important to Aklavik, and they make youth less likely to turn to crime.



Core municipal Infrastructure

Mayor Whelly says “[increased] funds would likely go toward improving maintenance and replacing water and sewer lines that are around 40 years old. As those issues are addressed, money would be set aside for larger capital projects, such as landfill reclamation,” he said.

“The recreation complex, fire hall, library, town garage and visitor’s centre, where the village offices are currently located, are in dire need of work, but because of the pricey laundry list of needs for the facilities, no steps have been taken to estimate the costs, outside of the \$40,000 estimate of work for the visitor’s centre.”

“...The next step is to find the money...”

NWT community governments are facing a crisis, and steps must be taken now to adequately fund communities for the many responsibilities they undertake; things that keep us healthy, happy, and safe. The GNWT has long been a key ally and supporter of community governments, but years of status quo funding have caught up, meaning communities are scrambling to stay afloat with no resiliency or ability to plan for the long term. It is now time for the GNWT to increase its level of support to reflect current realities, both in terms of overall

amount of funding as well as modernizing the funding framework. Actions to implement this need to start now! This cannot wait until after the November 2015 territorial election, as some GNWT representatives have indicated. As Minister Robert C. McLeod stated, “now the next step is to find the money”.

GNWT must work with community governments to prevent further crisis by proactively addressing the funding formulas, and by also increasing the amount of funding available.

It’s time to speak up for our communities!

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