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Asked by: John Main, MLA for Arviat North-Whale Cove

Asked of: Lorne Kusugak, Minister of Community and Government Services

Number: 16 – 5(2)

Date: November 8, 2018

Subject: Administration of the Municipal Funding Program

Question:

- 1) With respect to the 2015-2016, 2016-2017 and 2017-2018 fiscal years:
 - a. What was the municipal funding formula for each fiscal year?
 - b. What was the equalization grant formula for each fiscal year?
 - c. What was the amount of contribution funding provided during each fiscal year to each non-tax-based municipal corporation in Nunavut under the Municipal Funding Program?
 - d. What was the amount of funding provided to the City of Iqaluit during each fiscal year as an equalization grant?
 - e. Within the meaning of the Municipal Funding Formula that is detailed in subsections 2(a), 2(b) and 2(c) of the Municipal Funding Program Policy, how were these amounts calculated?
 - f. Within the meaning of subsection 2(d) of the Municipal Funding Program Policy, when did the last review of “community uniqueness factors” take place with respect to each of Nunavut’s municipal corporations and what were the specific conclusions of the reviews?

- 2) As of November 8, 2018, what is the status of the review and/or renewal and/or extension of the Municipal Funding Program Policy that was revised on April 22, 2013 and which expired on April 30, 2018?

Response:

1) With respect to the 2015-2016, 2016-2017 and 2017-2018 fiscal years:

a. What was the municipal funding formula for each fiscal year?

The Municipal Funding Program Formula (MFPF), is used to assign operating funds to Nunavut’s 24 non-tax based municipalities. The formula is *closed-ended* in that the sum of the allocations cannot be greater than the total approved Municipal Funding Program budget in a given fiscal year. There have been no changes to the MFPF during the 2016-2018 period.

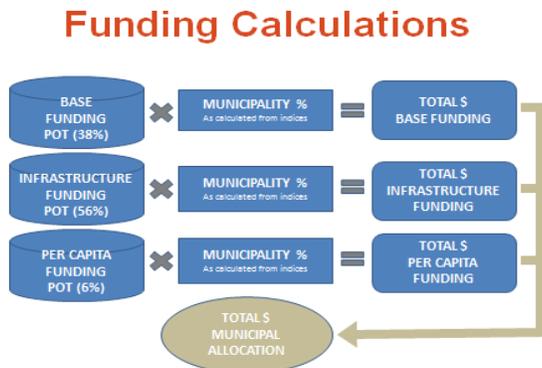
The share of the total annual MFP budget allocated to each municipality is calculated based on three distinct components which include;

- 1) Base Funding
- 2) Infrastructure Funding
- 3) Per Capita Funding

Each component of the MFPF is calculated by developing an index based on the relevant inputs (i.e. “community uniqueness factors”) identified within each respective funding component. Each of these components of the MFPF calculates fixed allocations for inputs to measure an index outcome; the various indices are weighted and combined to come up with a main index for each funding component. The index for each municipality is then used to calculate their percentage share of each of the MFP fund components (Figure 1-MFPF Calculation).

This combined index approach is commonly used in other well-known metrics such as the Consumer Price Index (CPI). The combined index supports calculations where measurements are not all on the same basis such as the MFP-Infrastructure Component which includes measures in square meters, number of units, and road lengths.

Figure 1-MFPF Calculation



The indices for each MFP component are based on calculations which include the following inputs (i.e. Community Uniqueness Factors):

- i. **Base Funding**
 - o Staffing for 11 Core Positions for all municipalities
 - o Growth factor for positions based on population blocks (eg. Difference in salary for an SAO in a community of 1000 residents vs SAO in a community with 1500 residents)
 - o Mandatory employer costs based on unique attributes of specific communities (eg. Northern Allowance, Pensions, MERC)
 - o Reduction for positions eligible to be charged to the Water and Sewage Program.

- ii. **Infrastructure Funding**
 - o Existing infrastructure based on square meters expressed as percentage of the combined total of municipal infrastructure in the territory (eg office space, maintenance garages, parking garage, fire hall, staff housing, play grounds, arena, community hall, road length)
 - o Municipal Cost Index evaluation of air freight costs, sealift costs, passenger travel costs for each respective community. City of Iqaluit costs are used as base (i.e. where Iqaluit=1.0, non-tax based municipalities are multiplied by a factor representative of costs above the Iqaluit rate eg. 1.5)
 - o Utility rates (Heating Fuel, Diesel Fuel, Gasoline, Electrical infrastructure based on are actual area.

- iii. **Per Capita Funding**
 - o An identical base amount for every community plus an incremental increase for each 500 person increase. e.g fixed levels of population from 1-500, 501-1000, 1001-1500, 1501-2000.
 - o The largest allocation is assigned to the smallest population block. The amount assigned for each subsequent block is reduced (See Table 1-Per Capita Block Funding*).
 - o All municipalities within a given block receive the same amount

Table 1-Per Capita Block Funding

Community	First 500	Next 500	Next 500	Total
A) 500 People	\$130,000	N/A	N/A	\$130,000
B) 1000 People	\$130,000	\$80,000	N/A	\$210,000
C) 1500 People	\$130,000	\$80,000	\$20,000	\$230,000

* for illustration purpose only

- b. **What was the equalization grant formula for each fiscal year?**

The City of Iqaluit receives funding under the Equalization Grant condition of the Municipal Funding Policy. Prior to the formation of Nunavut, the equalization formula was designed as a needs based formula to distribute funding “equally” among the then 7 tax based (NWT) municipalities. After the formation of Nunavut the numbers

used for Iqaluit were carried forward and form the basis of the current equalization grant.

Since Iqaluit is currently the only tax based community in Nunavut, there is no basis for comparison to any other tax based municipality. This Department's 2019-20 analysis will consider the Department's existing equalization grant amount in relation to the City's ability to source revenues through taxation and user fees.

c. What was the amount of contribution funding provided during each fiscal year to each non-tax-based municipal corporation in Nunavut under the Municipal Funding Program?

Please see attached Table 2- Municipal Funding Program Allocations Per Community 3 Year Period. This table illustrates:

- Actual funding administered to each community based on the MFPF in 2015/16, 2016/17 and 2017/18.
- Percentage share of the total funding administered to each community in each year
- Totals included in this table include funding provided toward Municipal Liaison Officer Position. (Municipalities chose to provide this position)
- Iqaluit allocation (Equalization Grant) is included in this table for ease of reference

d. What was the amount of funding provided to the City of Iqaluit during each fiscal year as an equalization grant?

The City of Iqaluit has received \$2,031,182 per year in the form of an equalization grant under the MFP program in 2015/16, 2016/17, 2017/18 period. (See Attached Table 2-Municipal Funding Program Allocations Per Community 3 Year Period).

e. Within the meaning of the Municipal Funding Formula that is detailed in subsections 2(a), 2(b) and 2(c) of the Municipal Funding Program Policy, how were these amounts calculated?

Municipal Funding Program allocations are calculated annually by applying most recent community data to the MFP formula described in section 1 (a) of this reply. Community uniqueness factors (CU factors) are reviewed on a five-year cycle to assess the circumstances within municipalities. Additional payments such as forced growth requirements or additional staffing requirements (eg. municipal liaison office) are reviewed on a case by case basis and may be applied as a supplementary payment to the municipality.

- f. **Within the meaning of subsection 2(d) of the Municipal Funding Program Policy, when did the last review of “community uniqueness factors” take place with respect to each of Nunavut’s municipal corporations and what were the specific conclusions of the reviews?**

The last review of the MFP took place in 2011, and “community uniqueness factors” (CU factors) were updated within the formula in 2012. The 2012 update coincided with a \$3M increase to the Municipal Funding Program budget.

In 2017-18, CGS formed a work group consisting of CGS staff, Senior Administrative Officers from different sized communities, and representatives from NAM. The Municipal Funding Advisory Body (MFAB), reviewed updates to the CU factors and their application within the existing MFP formula. The MFAB recognized that at current resource levels, the immediate application of updated CU factors through the MFPF would cause undesirable fluctuations in the funding allocated to some municipalities. Instead, the group agreed to pursue additional financial resources for the MFP and initiate an external review of funding options for the program.

In December of 2018, CGS issued an RFP for a review of its investment into municipalities through the Department’s Grants and Contribution Program. This review will include examination of programs including Municipal Funding Program, Water and Sewage Service Subsidy Program and the Mobile Equipment Fund.

- 2) **As of November 8, 2018, what is the status of the review and/or renewal and/or extension of the Municipal Funding Program Policy that was revised on April 22, 2013 which expired on April 30, 2018?**

CGS has drafted revisions to expired grants and contributions policies including the Municipal Funding Program. Department is planning for approval by 2019-20.

Table 2-Municipal Funding Program Allocations Per Community 3 Year Period						
	2015 - 2016***		2016 - 2017		2017 - 2018	
	Nunavut Municipal Funding Program	% of community MFP allocations	Nunavut Municipal Funding Program	% of community MFP allocations	Nunavut Municipal Funding Program	% of community MFP allocations
QIKIQTAALUK						
Arctic Bay*	\$ 1,691,891.00	3.81%	\$ 1,691,891.00	3.79%	\$ 1,691,891.00	3.79%
Cape Dorset	\$ 2,242,025.00	5.04%	\$ 2,242,025.00	5.02%	\$ 2,242,025.00	5.02%
Clyde River*	\$ 1,374,296.00	3.09%	\$ 1,374,296.00	3.08%	\$ 1,374,296.00	3.08%
Grise Fiord*	\$ 1,056,115.00	2.38%	\$ 1,056,115.00	2.36%	\$ 1,056,115.00	2.36%
Hall Beach*	\$ 1,334,852.67	3.00%	\$ 1,414,186.00	3.17%	\$ 1,414,186.00	3.17%
Igloolik*	\$ 1,933,985.00	4.35%	\$ 1,933,985.00	4.33%	\$ 1,933,985.00	4.33%
Iqaluit**	\$ 2,031,182.00	4.57%	\$ 2,031,182.00	4.55%	\$ 2,031,182.00	4.55%
Kimirut*	\$ 1,357,080.00	3.05%	\$ 1,357,080.00	3.04%	\$ 1,357,080.00	3.04%
Pangnirtung	\$ 1,676,394.00	3.77%	\$ 1,676,394.00	3.75%	\$ 1,676,394.00	3.75%
Pond Inlet*	\$ 2,039,466.00	4.59%	\$ 2,039,466.00	4.57%	\$ 2,039,466.00	4.57%
Qikiqtarjuaq	\$ 1,612,668.00	3.63%	\$ 1,612,668.00	3.61%	\$ 1,612,668.00	3.61%
Resolute Bay*	\$ 1,599,044.00	3.60%	\$ 1,599,044.00	3.58%	\$ 1,599,044.00	3.58%
Sanikiluaq	\$ 1,366,701.00	3.07%	\$ 1,366,701.00	3.06%	\$ 1,366,701.00	3.06%
	\$ 21,315,699.67	47.95%	\$ 21,395,033.00	47.89%	\$ 21,395,033.00	47.90%
KIVALLIQ						
Arviat*	\$ 2,327,662.00	5.24%	\$ 2,408,162.00	5.39%	\$ 2,408,162.00	5.39%
Baker Lake	\$ 2,232,813.00	5.02%	\$ 2,232,813.00	5.00%	\$ 2,232,813.00	5.00%
Chesterfield Inlet*	\$ 1,486,329.00	3.34%	\$ 1,478,966.00	3.31%	\$ 1,478,966.00	3.31%
Coral Harbour*	\$ 1,836,034.00	4.13%	\$ 1,836,034.00	4.11%	\$ 1,836,034.00	4.11%
Nauyasat	\$ 1,583,078.00	3.56%	\$ 1,568,078.00	3.51%	\$ 1,568,078.00	3.51%
Rankin Inlet	\$ 2,329,328.00	5.24%	\$ 2,329,328.00	5.21%	\$ 2,329,328.00	5.21%
Whale Cove	\$ 1,495,007.00	3.36%	\$ 1,500,007.00	3.36%	\$ 1,495,007.00	3.35%
	\$ 13,290,251.00	29.89%	\$ 13,353,388.00	29.89%	\$ 13,348,388.00	29.88%
KITIKMEOT						
Cambridge Bay	\$ 1,965,856.33	4.42%	\$ 2,040,523.00	4.57%	\$ 2,040,523.00	4.57%
Gjoa Haven*	\$ 2,071,101.00	4.66%	\$ 2,071,101.00	4.64%	\$ 2,071,101.00	4.64%
Kugaaruk*	\$ 1,783,342.00	4.01%	\$ 1,783,342.00	3.99%	\$ 1,783,342.00	3.99%
Kugluktuk*	\$ 2,146,173.00	4.83%	\$ 2,146,173.00	4.80%	\$ 2,146,173.00	4.80%
Taloyoak	\$ 1,885,723.00	4.24%	\$ 1,885,723.00	4.22%	\$ 1,885,723.00	4.22%
	\$ 9,852,195.33	22.16%	\$ 9,926,862.00	22.22%	\$ 9,926,862.00	22.22%
	\$ 44,458,146.00	100.00%	\$ 44,675,283.00	100.00%	\$ 44,670,283.00	100.00%
*Allocation includes Municipal Liason Officer funding						
**Equalization Grant						
***2015/16 Approximately \$110K additional funding allocated to specific municipal initiatives (Interim SAO costs, Hamlet Anniversary, and MFP Consultation)						