



POLICY STATEMENT

The Government of Nunavut (GN), under the authority of the *Financial Administration Act*, may provide operating grants and contributions to assist municipal corporations in the delivery of municipal programs and services to their residents.

PRINCIPLES

This policy is based on the following principles:

- The GN is committed to providing programs, which facilitate local government, to promote greater local autonomy and accountability.
- Funding provisions should be based upon standardized criteria.
- Municipal corporations should raise revenue locally to the best of their abilities.
- Funding formulae should provide a consistent and equitable method for distributing available funding to municipal corporations.

SCOPE

This policy applies to all cities, towns, villages, and hamlets.

DEFINITIONS

Community

A body of people living in the same locality and governed by a municipal corporation.

Contribution

For the purposes of this policy, a transfer payment, made to a municipal corporation by the GN, for municipal purposes, subject to audit, and for which the GN will not receive any goods or services.

Equalization Grant

A payment provided to each tax-based municipal corporation to assist in the delivery of municipal programs and services.

Equalized Assessment

The process by which property assessments of different tax-based municipal corporations are related to a common base year.



Municipal Corporation

A community governing body incorporated under the *Cities, Towns and Villages Act*, or the *Hamlets Act*.

Municipal Taxing Authority

A city, town or village established under the *Cities, Towns and Villages Act* or a hamlet established under the *Hamlets Act* that has been designated as a municipal taxing authority in accordance with the *Property Assessment and Taxation Act*.

Municipality

A municipal corporation's geographic area of jurisdiction.

Non-Tax-Based Municipal Corporation

A hamlet as established under the *Hamlets Act*.

Northern Cost Index (NCI)

A factor used to account for variations in community-specific costs, derived from relative transportation costs, fuel costs, cost of living and climatic factors of each community, using the City of Yellowknife as the base.

Tax-Based Municipal Corporation

A city, town or village as established under the *Cities, Towns and Villages Act*.

AUTHORITY AND ACCOUNTABILITY

1. Department of Finance

The Department of Finance may review the municipal funding formula, the equalization grant formula, and block funding contribution agreements developed for city funding under Provision 4, and contribution agreements developed for municipal taxing authority under Provision 5.

2. Minister

The Minister of CGS:

- (a) is accountable to Cabinet for the implementation of this policy; and
- (b) may set and amend the municipal funding formula and the equalization grant formula.



3. Deputy Minister

The Deputy Minister of CGS:

- (a) is responsible for the administration of all provisions pursuant to this policy;
- (b) applies the municipal formula for the allocation of funding provided to all non-tax-based municipal corporations for the delivery of municipal programs or services; and
- (c) applies the formula for the allocation of the equalization grant provided to all tax-based municipal corporations for the delivery of municipal programs or services.

PROVISIONS

1. Eligibility

- (a) Non-tax-based municipal corporations are eligible for contributions on the basis of a municipal funding formula under this policy
- (b) Tax-based municipal corporations are eligible for an equalization grant under this policy.

2. Municipal Funding Formula

- (a) Contributions are provided to all non-tax-based municipal corporations to assist in the costs of delivering municipal programs and services. A formula is used to provide an equitable distribution of available funding for non-tax-based municipal corporations.
- (b) Funding is representative of the cost of providing specific municipal programs and services, including:
 - (i) general government services;
 - (ii) general works;
 - (iii) protective services;
 - (iv) transportation;
 - (v) building maintenance;
 - (vi) utilities;
 - (vii) recreation facilities;



- (viii) land administration;
 - (ix) community planning administration; and
 - (x) recreation.
- (c) The amount of the contribution to each non-tax-based municipal corporation shall be calculated annually. This amount is obtained by:
- (i) allocating a basic grant to community based on small, medium and large sized populations. Small is 0 – 600, medium is 600 to 1000, and large is any municipality with a population over 1000. then
 - (ii) applying a community uniqueness factor to each municipal corporation, which includes factors such as road length, Northern cost index and settlement allowances which are distinctive to each municipality and
 - (iii) adding in any forced growth funding approved from time to time which will be applied to each community after the basic grant and community uniqueness factors are calculated.
- (d) Community uniqueness factors will be reviewed every five years to determine if there are any changes in community circumstances that require an adjustment.

3. Equalization Funding

- (a) Equalization grants are provided to tax-based municipal corporations to assist them in maintaining effective levels of operating revenue. An equalization formula is used to provide an equitable distribution of available funding for tax-based municipal corporations.
- (b) The amount of the equalization grant provided to each tax-based municipal corporation shall be based on:
 - (i) The ability of each tax-based municipal corporation to raise revenue through property taxes is determined, using factors such as the number of dwelling units and equalized assessment in each municipality, and modified by the differential costs of providing services as measured by the NCI when required.



- (ii) The percentage share for each tax-based municipal corporation of the total for all eligible tax-based municipal corporations is then calculated.
- (iii) Each municipal corporation's percentage share of the total is then multiplied by the total annual funding appropriated by the Legislative Assembly for municipal equalization payments.

4. City Funding

The Minister of CGS may identify Operation and Maintenance funding under this policy and include it as part of a contribution made under a block funding contribution agreement with that city.

5. Municipal Taxing Authorities

The Minister of CGS may adjust the contribution to a municipal taxing authority in relation to property tax revenues retained by that authority, as determined by the formula.

6. Method of Payment

Cities, towns, villages, and hamlets will be provided quarterly advances, conditional upon demonstrating in a timely manner that they are maintaining a sound financial position. Failing to do so, they will receive monthly advances.

FINANCIAL RESOURCES

Financial resources required under this policy are conditional on approval by the Legislative Assembly and on the availability of funds in the appropriate budget.

PREROGATIVE OF CABINET

Nothing in this policy shall in any way be construed to limit the prerogative of Cabinet to make decisions or take action respecting the provision of municipal operating assistance, outside the provisions of this policy.



**DEPARTMENT OF COMMUNITY AND
GOVERNMENT SERVICES (CGS)**

MUNICIPAL FUNDING PROGRAM POLICY

SUNSET CLAUSE

This policy shall be in effect from the date of the signature until June 30, 2011.