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Final Report

Price Waterhouse



Study of Governance Costs in Smaller Scale Municipal and Provincial/Territorial Governments

Price Waterhouse



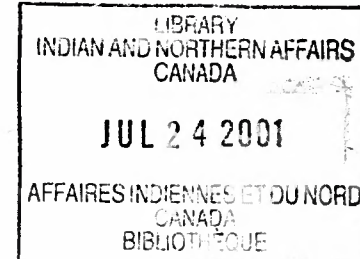
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Department of Indian and Northern Affairs Canada.*

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Final Report

1. Introduction

■ Background

- The Government has formally launched the negotiating process which will enable Aboriginal peoples to implement their inherent right of self-government. The Department of Indian and Northern Affairs Canada is therefore looking to determine the extra cost that may be required for Aboriginal governments to expand their authority to cover functions currently performed by other governments.
- Determining any extra cost of governance will provide Indian and Northern Affairs Canada with the information needed to effectively negotiate and support the move toward self-government.

■ Objectives

- The purpose of this study was to quantify the expenditures related to the performance of governance functions in selected smaller scale municipal and provincial/territorial governments. The goals of the project were:
 - to develop a quantifiable range of the governance portion of costs as a percentage of total program expenditures.
 - to develop and test a methodology for identifying governance costs that could be applied to a larger sample.

1. Introduction (continued)

■ Scope

- For the purpose of this study, governance costs are those associated with the exercise of law-making powers. In particular, governance costs include support for the law-making body or "core institution", and the development, maintenance, and enforcement of laws, including obtaining related professional and legal advice.
- Administrative and program costs were not included in the scope of this study. Administrative and program costs are considered operational costs and are not part of governance per se.
- The statement of work indicated that four non-Aboriginal governments should be selected for the study including:
 - one smaller province;
 - one territory; and
 - two municipalities with a population of less than 5,000.

2. Approach

- Phase 1: Developing the definition of governance

- Governance is a complex concept that can mean different things to different people and organizations.
- A working definition of governance was developed at the outset of the study, and was modified during the course of the study. This was done to ensure that data used was comparable, and that it captured the essence of the governance function in the governments participating in the study. The Steering Committee for this project agreed to this working definition. The definition and how it has been applied are discussed later in this report.

- Phase 2: Selecting the governments for inclusion

- The non-Aboriginal governments chosen for this study were:
 - Province: Prince Edward Island
 - Territory: Yukon
 - Municipalities: Town of Jaffray Melick and the Town of Smooth Rock Falls.
- Prince Edward Island was chosen due to its small size and population.
- The Yukon was chosen over the Northwest Territories due to the extraordinary governance needs in the N.W.T., which could affect the usefulness of the data. These include:
 - the pending division of the N.W.T. into Nunavut and a new western territory;
 - outstanding constitutional issues in the western N.W.T.; and
 - the multiplicity of official languages in the N.W.T.
- Municipal governments were chosen from Ontario because it has a standardized system of municipal financial reporting. The towns of Jaffray Melick and Smooth Rock Falls were chosen due to their northern/remote locations, small populations of less than 5,000, ability to provide detailed financial information, and their status as single tier governments.
- More detailed statistics on each of the governments are presented in section 5.

2. Approach (continued)

■ Phase 3: Obtaining financial information

- Various data sources were obtained for the purposes of this study including:
 - 1994/95 Public Accounts from Prince Edward Island;
 - 1994/95 Public Accounts from the Yukon;
 - 1994/95 Public Accounts from the Ontario Ministry of Municipal Affairs;
 - 1995 Financial Information Return from the Town of Jaffray Melick; and
 - 1995 Financial Information Return from the Town of Smooth Rock Falls.
- Interviews were conducted with people in the treasury and finance functions of each of the governments selected for review to:
 - obtain a detailed breakdown of the information presented in their functional reports;
 - develop a solid understanding of the types of activities represented by various line items; and
 - determine how these activities and costs relate to governance functions.
- Cooperation from each of the governments included in this study was critical for obtaining the information required. We received good support from representatives of each of these governments. A list of contacts is provided in Appendix A.

■ Phase 4: Analyzing the information

- The following steps were taken to analyze the financial data obtained and information resulting from the interviews:
 - the definition was applied to the financial statements of each government;
 - common categories of expenditures were identified to enable comparison of the data; and
 - spreadsheets were created to capture relevant costs and to generate appropriate calculations (i.e., governance costs as a percentage of total expenditures).

3. Defining governance

Costs included

- Costs identified for inclusion in the study consisted of:
 - The Legislature or Municipal Council, including party caucus and member's offices. At the municipal level, this includes the municipal staff, to the extent that they provide procedural support to the Council. This also includes costs related to activities such as the holding of elections.
 - The Executive, including the offices of the Premier or Mayor and the Cabinet as a whole.
 - Legal and other professional advice to the core institution, or in relation to the drafting of laws. It was assumed that this included both external services and those provided by departments of Justice or municipal solicitors, to the extent that their governance-related functions can be separated from those related to the delivery of programs.
 - Inspection and regulatory activities of regulatory bodies with a quasi-judicial role.
 - Costs related to "central agency like" functions were also included in the study but identified separately. This included activities related to the development of administrative policy for the government as a whole, but not for provision of common services to government departments (e.g., it would include a Comptroller or Management Board function, but not support services such as cheque cutting or printing).

3. Defining governance

Costs excluded

- Costs identified for exclusion in the study consisted of:
 - Regulatory and inspection programs which are an integral part of line departments, such as meat inspection, frequency spectrum management, elevator inspection, health inspection of restaurants, or the issuance of building permits.
 - Costs related to policing and judicial systems.
 - Costs for activities which are generally part of the Legislature or Executive, but are not associated with the exercise of law-making powers (e.g., Auditor General, Ombudsman, offices of individual Cabinet Ministers).

4. Applying the definition Province/Territory

- Included in governance costs
 - A portion of costs related to the Legislative Assembly. This includes items such as members salaries, legislative services, elections and retirement allowances.
 - A portion of costs related to the Executive Council. This includes items such as the Premier's and Cabinet offices and related support.
 - Legal costs related to the governance function. These costs are not identified separately as they are contracted out and are included as part of "Other" costs.
 - Central agency "like" costs. This includes a portion of costs in departments such as the Treasury Board.
- Not included in governance costs
 - The provision of services to departments, such as language services or statistics, which were included by the government in its Public Accounts under Executive Council, but which do not relate to governance as defined.
 - Costs related to the production of Hansard. Hansard is considered a governance activity, however, this information is not available in PEI for 1994/95. The 1994/95 cost for the Yukon is \$420,000.
 - Capital expenditures. The management of capital expenditures were not considered to be governance related activities. Also, capital expenditures vary greatly between governments therefore making them difficult to compare.
- Spreadsheets
 - The spreadsheets on the following pages present the calculation of governance and central agency costs for Prince Edward Island and the Yukon.
- Calculation of total expenditures for the governments under review
 - Includes total government operations and capital expenditures. Capital expenditures are included in this calculation in order to compare governance costs as a percentage of *total* government expenditures.
 - Total expenditures for these two governments are outlined in Appendix B.

PRINCE EDWARD ISLAND - GOVERNANCE COSTS

| | 1994/1995 Actual | % In Support of Governance | Governance Cost | Comments |
|--|---------------------|-------------------------------|--------------------|--|
| LEGISLATIVE ASSEMBLY | | | | |
| Legislative Services | | | | Costs associated with functioning of the Clerk's and Speaker's Office, and the annual Session of the Legislature.* |
| Salaries and Wages | \$497,550 | 100% | \$497,550 | 16 full-time staff, includes benefits. |
| Other | \$233,537 | 100% | \$233,537 | Administration, equipment, materials, supplies, travel, training, professional and contract services. |
| Less: Grants | (\$107,432) | 100% | (\$107,432) | Given to Opposition Members Office, Commonwealth Parliamentary Association, and Gov't Members Office. |
| Sub Total | \$623,655 | 100% | \$623,655 | |
| Members | | | | Remuneration for Members of the Legislative Assembly.* |
| Salaries and Wages | \$1,340,641 | 100% | \$1,340,641 | 32 elected officials, includes benefits. |
| Other | \$71,916 | 100% | \$71,916 | Travel and training. |
| Sub Total | \$1,412,557 | 100% | \$1,412,557 | |
| Elections | | | | Appropriations provided for all operational costs associated with the Elections Office.* |
| Salaries and Wages | \$61,873 | 100% | \$61,873 | 1 full-time staff, includes benefits. |
| Other | \$245,584 | 100% | \$245,584 | Administration, equipment, travel, training, professional and contract services. |
| Sub Total | \$307,457 | 100% | \$307,457 | |
| Retirement and Death Benefit Allowances | | | | Provides funding for retirement allowances, severance payments, and death benefit payments.* |
| Salaries and Wages | \$165,437 | 100% | \$165,437 | Contribution made by the province to the retirement/pension plan. |
| Other | \$0 | 100% | \$0 | |
| Sub Total | \$165,437 | 100% | \$165,437 | |
| TOTAL LEGISLATIVE ASSEMBLY | \$2,509,106 | | \$2,509,106 | |

*Appendix A contains detailed definitions of the functions and activities.

Note: Cost of Hansard not included but will likely be a cost to Aboriginal governments.

PRINCE EDWARD ISLAND - GOVERNANCE COSTS

| | 1994/1995 Actual | % In Support of Governance | Governance Cost | Comments |
|-----------------------------------|---------------------|-------------------------------|--------------------|--|
| EXECUTIVE COUNCIL | | | | |
| Premiers Office | | | | Appropriations provided for the operation of offices in Charlottetown and Summerside to support the Premier.* |
| Salaries and Wages | \$380,163 | 100% | \$380,163 | 1 elected official, includes benefits. |
| Other | \$85,611 | 100% | \$85,611 | Administration, equipment, materials, supplies, travel and training. |
| Sub Total | \$465,774 | 100% | \$465,774 | |
| Executive Council Office | | | | Provides staff support to the Executive Council, promulgates the official decisions, and maintains records.* |
| Salaries and Wages | \$864,271 | 100% | \$864,271 | 7 full-time staff, includes benefits. |
| Other | \$63,071 | 100% | \$63,071 | Administration, equipment, materials, supplies, travel, training, professional and contract services. |
| Sub Total | \$927,342 | 100% | \$927,342 | |
| Planning and Research Fund | | | | Provides for the undertaking of special projects, studies, consultations or commissions.* |
| Salaries and Wages | \$0 | 100% | \$0 | |
| Other | \$36,947 | 100% | \$36,947 | Professional and contract services. |
| Sub Total | \$36,947 | 100% | \$36,947 | |
| Lieutenant Governor Office | | | | Provides the Lieutenant Governor with administrative support services.* |
| Salaries and Wages | \$62,333 | 100% | \$62,333 | 1 full-time staff, includes benefits. |
| Other | \$12,480 | 100% | \$12,480 | Administration, equipment, materials, supplies, travel, training, professional and contract services. |
| Sub Total | \$74,813 | 100% | \$74,813 | |
| Intergovernmental Affairs | | | | Ensures the corporate interests and priorities of the Province are reflected in relationships with other governments.* |
| Salaries and Wages | \$150,760 | 100% | \$150,760 | 3 full-time staff, includes benefits. |
| Other | \$36,627 | 100% | \$36,627 | Travel and training. |
| Less: Grants | (\$6,100) | | (\$6,100) | Canadian Intergovernmental and Conference Secretariat grants. |
| Sub Total | \$181,287 | 100% | \$181,287 | |
| Planning ERDA | | | | Federal Program - money allocated to various regional economic development projects.* |
| Salaries and Wages | \$12,960 | 0% | \$0 | 1 part-time staff, includes benefits. |
| Other | \$186,058 | 0% | \$0 | Administration, equipment, materials, supplies, travel, training, professional and contract services. |
| Sub Total | \$199,018 | 0% | \$0 | |
| TOTAL EXECUTIVE COUNCIL | \$1,885,181 | | \$1,686,163 | |
| TOTAL GOVERNANCE COST | \$4,394,287 | | \$4,195,269 | |

*Appendix A contains detailed definitions of the functions and activities.

PRINCE EDWARD ISLAND - CENTRAL AGENCY COSTS

| | 1994/1995 Actual | Modified | Comments |
|------------------------------------|---------------------|--------------------|---|
| Provincial Treasury | | | |
| Department of Provincial Treasury* | \$15,859,130 | \$1,585,913 | In discussions with the Comptroller, it was decided that 10% involves Central Agency "like" activities. |
| Employee Benefits | \$10,328,978 | \$0 | Benefits fund for all of government - not included. |
| General Government | \$3,827,920 | \$418,523 | Only this portion is Central Agency "like" - includes admin., professional/contract services, travel, training. |
| Council of Maritime Premiers | \$189,700 | \$0 | Not included - cost reflects grants given to this Council. |
| TOTAL CENTRAL AGENCY COST | \$30,205,728 | \$2,004,436 | |

* Administration; Economics, Statistics and Federal Fiscal Relations; Fiscal Management; Policy and Evaluation; Supply and Services; Taxation and Property Records; and Human Resources.

YUKON - GOVERNANCE COSTS

| | 1994/1995 Actual | % in Support of Governance | Governance Cost | Comments |
|--|---------------------|-------------------------------|--------------------|---|
| LEGISLATIVE ASSEMBLY | | | | |
| Legislative Services | | | | Provides statutory payments, other payments and support services to Members of the Legislative Assembly.* |
| Salaries and Wages | \$1,307,000 | 100% | \$1,307,000 | 5 full-time staff, includes benefits. |
| Other | \$265,000 | 100% | \$265,000 | Administration, equipment, materials, supplies, travel, training, professional and contract services. |
| Sub Total | \$1,572,000 | 100% | \$1,572,000 | |
| Legislative Assembly Office | | | | Provides parliamentary research and advice to the Presiding Officers and Members of the Legislative Assembly.* |
| Salaries and Wages | \$348,000 | 100% | \$348,000 | 17 elected officials, includes benefits. |
| Other | \$89,000 | 100% | \$89,000 | Administration, equipment, materials, supplies, travel, training, professional and contract services. |
| Sub Total | \$437,000 | 100% | \$437,000 | |
| Elections | | | | Maintains the elections administrative structure in a state of readiness for the call of an election.* |
| Salaries and Wages | \$72,000 | 100% | \$72,000 | 1 full-time staff, includes benefits. |
| Other | \$66,000 | 100% | \$66,000 | Administration, equipment, materials, supplies, travel, training, professional and contract services. |
| Sub Total | \$138,000 | 100% | \$138,000 | |
| Retirement and Death Benefit Allowances | | | | Provides funding and support services for retirement allowances, severance payments, and death benefit payments.* |
| Salaries and Wages | \$708,000 | 100% | \$708,000 | Benefit contribution by the Yukon made to the retirement/benefits plan. |
| Other | \$4,000 | 100% | \$4,000 | Annual consultant fee - development of benefit plan and benefit policies. |
| Sub Total | \$712,000 | 100% | \$712,000 | |
| TOTAL LEGISLATIVE ASSEMBLY | \$2,859,000 | | \$2,859,000 | |

*Appendix A contains detailed definitions of the functions and activities.

Note: Cost of Hansard not included but will likely be a cost to Aboriginal governments.

YUKON - GOVERNANCE COSTS

| | 1994/1995 Actual | % In Support of Governance | Governance Cost | Comments |
|---|---------------------|-------------------------------|--------------------|---|
| EXECUTIVE COUNCIL | | | | |
| Cabinet and Management Support | | | | Supports government decision making by providing advice and operational support to Cabinet and Ministers. * |
| Salaries and Wages | \$637,000 | 50% | \$318,500 | 8 full-time and 2 part-time staff, includes benefits. |
| Other | \$164,000 | 50% | \$82,000 | Administration, equipment, materials, supplies, travel, training, professional and contract services. |
| Sub Total | \$801,000 | 50% | \$400,500 | |
| Policy and Communications | | | | Analyzes policies proposed for Cabinet's approval and to coordinate policy development on intergovernmental activities. |
| Salaries and Wages | \$877,000 | 75% | \$657,750 | 12 full-time staff, includes benefits. |
| Other | \$139,000 | 75% | \$104,250 | Administration, equipment, materials, supplies, travel, training, professional and contract services. |
| Sub Total | \$1,016,000 | 75% | \$762,000 | |
| Cabinet Offices | | | | Provides the Members of the Executive Council with planning and administrative services. * |
| Salaries and Wages | \$1,074,000 | 100% | \$1,074,000 | 16 full-time staff, includes benefits. |
| Other | \$113,000 | 100% | \$113,000 | Administration, equipment, materials, supplies, travel, training, professional and contract services. |
| Sub Total | \$1,187,000 | 100% | \$1,187,000 | |
| Office of the Commissioner | | | | Provides the Commissioner with administrative support services. * |
| Salaries and Wages | \$56,000 | 100% | \$56,000 | 1 full-time staff, includes benefits. |
| Other | \$54,000 | 100% | \$54,000 | Administration, equipment, materials, supplies, travel, training, professional and contract services. |
| Less: Transfer payments | (\$5,000) | | (\$5,000) | Entertainment allowance from the territory-augments Federal contributions to this Federally appointed and paid position. |
| Sub Total | \$105,000 | 100% | \$105,000 | |
| Land Claims Secretariat | | | | Represents Yukon interests in the negotiation of land claims and self-government agreements with First Nations. * |
| Salaries and Wages | \$12,960 | 0% | \$0 | 20 full-time staff, includes benefits. |
| Other | \$186,058 | 0% | \$0 | Administration, equipment, materials, supplies, travel, training, professional and contract services. |
| Sub Total | \$199,018 | 0% | \$0 | |
| Bureau of Management Improvement | | | | Provides audit services to government departments and advises on management improvement and effectiveness issues. * |
| Salaries and Wages | \$210,000 | 0% | \$0 | 3 full-time staff, includes benefits. |
| Other | \$24,000 | 0% | \$0 | Administration, equipment, materials, supplies, travel, training, professional and contract services. |
| Sub Total | \$234,000 | 0% | \$0 | |
| Aboriginal Language Services | | | | Supports the language needs of the Yukon's aboriginal communities and provides public service in aboriginal languages. * |
| Salaries and Wages | \$631,000 | 0% | \$0 | 10 full-time staff, includes benefits. |
| Other | \$559,000 | 0% | \$0 | Administration, equipment, materials, supplies, travel, training, professional and contract services. |
| Sub Total | \$1,190,000 | 0% | \$0 | |
| French Language Services | | | | Coordinates the development and implementation of French programs and services for the Francophone community. * |
| Salaries and Wages | \$795,000 | 0% | \$0 | 12 full-time staff, includes benefits. |
| Other | \$671,000 | 0% | \$0 | Administration, equipment, materials, supplies, travel, training, professional and contract services. |
| Sub Total | \$1,466,000 | 0% | \$0 | |
| Bureau of Statistics | | | | Develops information to support gov't decision making and collaborates with departments on statistical/research projects. * |
| Salaries and Wages | \$778,000 | 0% | \$0 | 3 full-time staff, includes benefits. |
| Other | \$202,000 | 0% | \$0 | Administration, equipment, materials, supplies, travel, training, professional and contract services. |
| Sub Total | \$980,000 | 0% | \$0 | |
| TOTAL EXECUTIVE COUNCIL | \$6,068,960 | | \$2,454,500 | |
| TOTAL GOVERNANCE COST | \$7,927,960 | | \$6,313,500 | |

*Appendix A contains detailed definitions of the functions and activities.

YUKON - CENTRAL AGENCY COSTS

| | 1994/1995 Actual | Modified | Comments |
|---|---------------------|--------------------|--|
| FINANCE | | | |
| Administration | | | In discussion with the Director of Finance and Administration, it was decided that 48% of total expenditures for Finance is related to Central Agency "like" activities. |
| Fiscal Relations and Mgmt Board Secretariat | | | |
| Financial Operations and Revenue Services | | | |
| Sub Total | \$3,745,016 | \$1,797,608 | |
| GOVERNMENT SERVICES | | | |
| Policy and Planning | | | In discussions with the Financial Officer, it was decided that 6% of total expenditures for Government Services is related to Central Agency "like" activities. |
| Finance and Administration | | | |
| Supply Services | | | |
| Fleet Vehicle Agency | | | |
| Information Services | | | |
| Property Management Agency | | | |
| Agency Information and Information | | | |
| Realty and Regional Services | | | |
| Sub Total | \$23,235,632 | \$1,394,138 | |
| PUBLIC SERVICE COMMISSION | | | |
| Public Service Commission Office | | | In discussions with the Director, it was decided that all activities performed by Planning and Research are Central Agency "like" activities. A small percentage of the other functions also perform Central Agency "like" activities. Overall, 10% of expenditures are Central Agency "like". |
| Finance and Administration | | | |
| Corporate Human Resource Services | | | |
| Planning and Research | | | |
| Staff Relations | | | |
| Pay and Benefits Management | | | |
| Staff Development | | | |
| HRIS Project Office | | | |
| Sub Total | \$8,869,279 | \$886,928 | |
| TOTAL CENTRAL AGENCY COST | \$35,849,927 | \$4,078,674 | |

4. Applying the definition Municipalities

- Included in governance costs
 - Costs related to Municipal Council
 - 100% of costs related to council members. This includes salaries, wages, benefits and expenses for 6 part-time council members and 1 part-time mayor in each municipality.
 - A portion of general administrative costs reflecting costs incurred in support of Council. This includes salaries, wages, benefits and expenses for 3-6 full-time staff. The cost to be included was based on discussions with the municipal Treasurer in each municipality.
 - Central agency "like" costs. This includes a portion of costs from the Policy and Planning Division of the Ministry of Municipal Affairs. The Ministry sets "blanket" policies for all Municipalities in Ontario.
- Not included in governance costs
 - Costs such as tax write-offs, donations and grants related to Municipal Council. These costs were not comparable between governments.
 - Legal costs. By-laws for the municipalities involved in the study are patterned after the by-laws of other municipal governments, so legal costs related to the governance function are not incurred. However, it can be assumed that zoning challenges and by-law development will be a cost to Aboriginal governments. This can be attributed to the fact that the municipalities considered in this study are mature governments and the newly structured Aboriginal governments will not be.
 - Capital expenditures. The management of capital expenditures were not considered to be governance related activities. Also, capital expenditures vary greatly between governments therefore making them difficult to compare.

4. Applying the definition Municipalities (continued)

- Spreadsheets

- The spreadsheets on the following pages present the calculation of governance and central agency costs for the two municipalities.

- Calculation of total expenditures

- Includes total municipal operations and capital expenditures. Capital expenditures are included in this calculation in order to compare governance costs as a percentage of *total* government expenditures.
- Operations expenditures includes transfers to boards and agencies. These budgets are set by the municipality and paid for through taxes raised by the municipality.
- Includes allocation of costs from the Ministry of Municipal Affairs that are not part of the budget of the Municipalities.
- Total expenditures for both municipalities are outlined in Appendix B.

JAFFRAY MELICK - GOVERNANCE COSTS

| | 1995 Actual | % In Support of Governance | Governance Cost | Comments |
|--|------------------|-------------------------------|--------------------|---|
| MUNICIPAL COUNCIL | | | | |
| Members of Council | | | | |
| Salaries and Wages | \$32,771 | 100% | \$32,771 | 6 part-time elected positions and 1 part-time Mayor, includes benefits.* |
| Sub Total | \$32,771 | 100% | \$32,771 | |
| Materials, Services, Rents, and Financial Expenses | \$34,140 | 100% | \$34,140 | e.g. supplies, equipment, dues, building maintenance, cleaning, advertising, insurance, travel, benefits, etc. |
| Less: Donations, grants, and contributions | \$9,424 | 0% | \$0 | Not Included - varies greatly between governments |
| Sub Total | \$43,564 | | \$34,140 | |
| General Administration | | | | |
| Salaries and Wages | | | | 6 full-time positions, includes benefits. |
| Clerk Administrator | \$66,864 | 80% | \$53,491 | In discussions with the Treasurer of Jaffray Melick, it was stated that the general administration staff is not involved in governance related duties 100% of the time. The proportion of time devoted to governance related duties varies depending on the position. |
| Treasurer | \$65,174 | 25% | \$16,294 | |
| Deputy Clerk | \$43,812 | 25% | \$10,953 | |
| Executive Secretary | \$33,850 | 50% | \$16,925 | |
| Tax Clerk | \$30,546 | 5% | \$1,527 | |
| Receptionist | \$32,200 | 20% | \$6,440 | |
| Sub Total | \$272,446 | 39% | \$105,630 | |
| Materials, Services, Rents, and Financial Expenses | \$122,832 | 39% | \$47,623 | Same as above for Materials, etc. plus telephone, postage, legal, rental agreements, bank service charges, etc. |
| Less: Interest on temporary loans | (\$36,066) | 39% | (\$13,983) | Not Included - varies greatly between governments. |
| Tax write-offs | (\$4,778) | 39% | (\$1,852) | Not Included - not applicable to Aboriginal governments. |
| Sub Total | \$81,988 | 39% | \$31,787 | |
| TOTAL GOVERNANCE COST | \$430,769 | | \$204,328 | |

*Appendix A contains detailed definitions of the functions and activities.

SMOOTH ROCK FALLS - GOVERNANCE COSTS

| | 1995 Actual | % In Support of Governance | Governance Cost | Comments |
|---|------------------|-------------------------------|--------------------|---|
| MUNICIPAL COUNCIL | | | | |
| Members of Council | | | | |
| Salaries and Wages | \$27,041 | 100% | \$27,041 | 6 part-time elected positions and 1 part-time Mayor, includes benefits.* |
| Sub Total | \$27,041 | 100% | \$27,041 | |
| Materials, Services, Rents, and Financial Expenses | \$22,508 | 100% | \$22,508 | Supplies, memberships, auditor fees, legal fees, travel, insurance, health benefits, bank charges, etc. |
| Less: Interest on temporary loans | (\$1,527) | 100% | (\$1,527) | Not included - varies greatly between governments. |
| Tax write-offs | (\$2,586) | 100% | (\$2,586) | Not included - not applicable to Aboriginal governments. |
| Student administration | (\$563) | 100% | (\$563) | Not included - specific to this government. |
| Retirement treasurer | (\$4,621) | 100% | (\$4,621) | Not included - non-recurring expense. |
| Sub Total | \$13,211 | 100% | \$13,211 | |
| General Administration | | | | |
| Salaries and Wages | \$189,469 | 25% | \$47,367 | 3 full-time positions, includes benefits. Based on discussions with the Treasurer, it was stated that for |
| Sub Total | \$189,469 | 25% | \$47,367 | general administration staff, only 25% of their time is devoted to governance related duties. |
| Materials, Services, Rents, and Financial Expenses | \$157,706 | 25% | \$39,427 | Supplies, memberships, auditor fees, legal fees, travel, insurance, health benefits, bank charges, etc. |
| Less: Interest on temporary loans | (\$10,699) | 25% | (\$2,675) | Not included - varies greatly between governments. |
| Tax write-offs | (\$18,121) | 25% | (\$4,530) | Not included - not applicable to Aboriginal governments. |
| Student administration | (\$3,941) | 25% | (\$985) | Not included - summer grant specific to this government. |
| Retirement treasurer | (\$32,379) | 25% | (\$8,095) | Not included - non-recurring expense for an early retirement package. |
| Sub Total | \$92,566 | 25% | \$23,142 | |
| TOTAL GOVERNANCE COST | \$322,287 | | \$110,761 | |

*Appendix A contains detailed definitions of the functions and activities.

JAFFRAY MELICK AND SMOOTH ROCK FALLS - CENTRAL AGENCY "LIKE" COSTS

| | 1994/1995 Actual | % In Support of Governance | Governance Cost | Comments |
|--------------------------------------|---------------------|-------------------------------|--------------------|--|
| MINISTRY OF MUNICIPAL AFFAIRS | | | | |
| Planning and Policy Division* | | | | In discussions with the Financial Advisor, it was decided that all activities performed by Policy |
| Salaries and Wages | \$3,941,584 | 0.12% | \$4,749 | and Planning are Central Agency "like" activities. Policy and Planning develop policies, legislation and |
| Other | \$1,619,236 | 0.12% | \$1,951 | regulations related to municipal government structure, municipal finances, and land use planning. |
| TOTAL CENTRAL AGENCY COST | \$5,560,820 | | \$6,700** | |

* Appendix A contains detailed definitions of the functions and activities.

** The number of Ontario municipalities reported in 1995 was 830. Therefore, in order to calculate the central agency cost per municipality, the total expenditures were multiplied by 1/830 or .12%.

5. Findings and analysis

- This section provides an analysis of governance costs and central agency costs as a percentage of total government expenditures. Also provided are analyses of total governance costs in relation to certain government statistics such as population and tax base.
- Findings
 - Governance costs
 - Governance costs, as a percent of total expenditures, ranged from 0.5% to 1.2% for PEI and the Yukon.
 - Governance costs, as a percent of total expenditures, were higher for the municipalities, ranging from 4% to 7% for Smooth Rock Falls and Jaffray Melick.
 - No other trends could be identified (e.g., that governance costs increase or decrease in relation to population, tax base, total expenditures, etc.). This is likely because of the small sample size used in this study.
 - Central agency "like" costs
 - Central agency 'like' costs, as a percent of total expenditures, ranged from .24% to .93% for PEI and the Yukon.
 - Central agency 'like' costs, as a percent of total expenditures, were lower for the municipalities, ranging from .23% to .24% for Jaffray Melick and Smooth Rock Falls.
- Limitations of the study
 - The findings are based on a sample size of 4 governments. Broad conclusions should not be drawn from such a small sample size.
 - Municipal governments were selected from Ontario only. There may be differences in governance costs for municipalities in other provinces.
 - The governments studied are mature governments. Aboriginal governments will be evolutionary in nature, well beyond the initial period for which start-up funding may be provided.

5. Findings and analysis

■ Applications for the study

- One of the objectives of the study was to develop and test a methodology for identifying governance costs that could be applied to a larger sample.
- The study has shown that the methodology does work, and that additional information on governance costs would be useful in confirming the range of governance costs and determining whether there are any trends.
- The interview process should be a key component of any further work.
- Financial Statements and Public Accounts provide a good overview of how the governments are structured, and what their total expenditures are, but are not useful in and of themselves for determining governance costs.
 - Interviews with officials from the governments studied are essential for applying the definition of governance and obtaining the detailed information necessary to compute governance costs. Further studies using this methodology might include:
 - municipal and local governments across provinces. Municipal governments share a similar structure to some Aboriginal governments due to their relatively small populations and cost structures;
 - regional governments;
 - provincial and territorial governments to further ascertain the difference between them; and
 - existing Aboriginal governments in order to fully understand and document their cost structures.

■ Spreadsheets

- The spreadsheets on the following pages outline
 - total governance costs, for each of the governments included in this study, as a percentage of total expenditures.
 - central agency costs, for each of the governments included in this study, as a percentage of total expenditures.
 - profiles for each government included in this study, and governance costs in relation to profile statistics.

GOVERNANCE COSTS AS A PERCENTAGE OF TOTAL EXPENDITURES

| Government | Prince Edward Island | | Yukon | | Town of Jaffray Melick | | Town of Smooth Rock Falls | |
|---|----------------------|-------------------------|--------------|-------------------------|------------------------|-------------------------|---------------------------|-------------------------|
| | Expenditures | | Expenditures | | Expenditures | | Expenditures | |
| | \$ | % of Total Expenditures | \$ | % of Total Expenditures | \$ | % of Total Expenditures | \$ | % of Total Expenditures |
| Legislative Assembly/ Municipal Council | \$2,509,106 | 0.31% | \$2,859,000 | 0.65% | \$204,328 | 7.09% | \$110,761 | 4.02% |
| Executive Council | \$1,686,163 | 0.21% | \$2,454,500 | 0.56% | | | | |
| Total Governance Cost (excluding Central Agencies) | \$4,195,269 | 0.51% | \$5,313,500 | 1.21% | \$204,328 | 7.09% | \$110,761 | 4.02% |
| Central Agency Costs | | | | | | | | |
| Finance | | | \$1,797,608 | 0.41% | | | | |
| Government Services | | | \$1,394,138 | 0.32% | | | | |
| Public Service Commission | | | \$886,928 | 0.20% | | | | |
| Provincial Treasury | \$2,004,436 | 0.24% | | | \$6,700 | 0.23% | \$6,700 | 0.24% |
| Policy and Planning-Municipal Affairs | | | | | | | | |
| Total Central Agency Cost | \$2,004,436 | 0.24% | \$4,078,674 | 0.93% | \$6,700 | 0.23% | \$6,700 | 0.24% |
| Total Governance Cost (Including Central Agencies) | \$6,199,705 | 0.76% | \$9,392,174 | 2.14% | \$211,028 | 7.32% | \$117,461 | 4.26% |

| | | | | | | | | |
|---------------------|---------------|--|---------------|--|-------------|--|-------------|--|
| Total Expenditures* | \$820,408,805 | | \$438,075,358 | | \$2,881,059 | | \$2,756,191 | |
|---------------------|---------------|--|---------------|--|-------------|--|-------------|--|

* includes capital expenditures

PROVINCIAL, TERRITORIAL, AND MUNICIPAL PROFILES

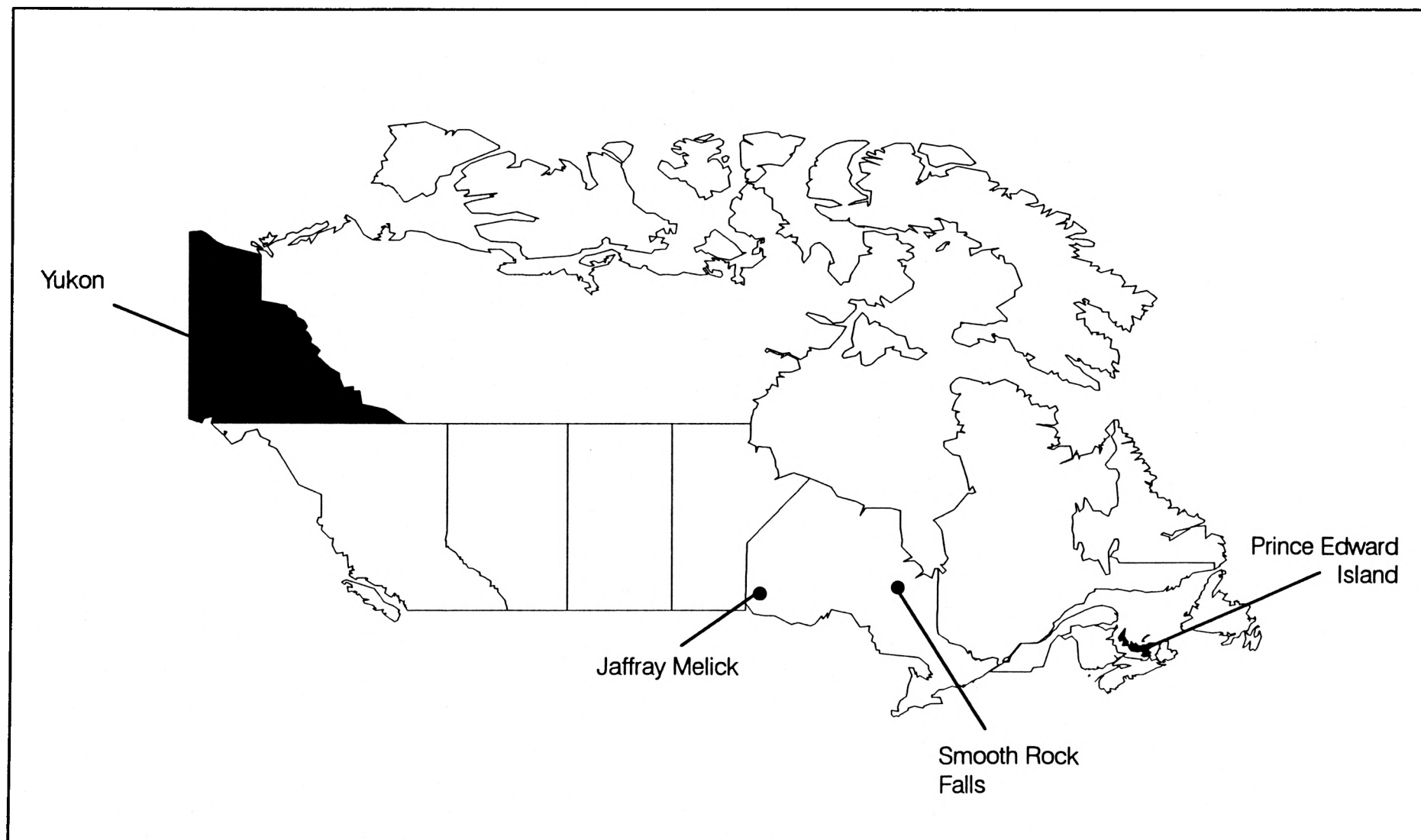
| 1995 Statistics | Government | | | |
|--|-------------------------|---------------|-------------------|----------------------|
| | Prince Edward Island | Yukon | Jaffray Melick | Smooth Rock Falls |
| Population | 136,100 | 31,778 | 4,012 | 1,877 |
| Number of Households | 44,480* | 9,915* | 1,648 | 793 |
| Land Size (hectares) | 566,611 | 47,921,523 | 22,000 | 20,000 |
| Tax Base | \$333,984,442 | \$59,334,645 | \$3,444,644 | \$3,820,732 |
| Number of Government Employees** | 4,920 | 3,184 | 16 | 16 |
| Gross Domestic Product (GDP) at Market Prices | \$2,591,000,000 | \$947,000,000 | N/A*** | N/A*** |

* 1991 census data

** Based on full-time equivalents (FTEs)

*** This information was not readily available at the municipal level.

Provincial, Territorial and Municipal Government Locations



TOTAL GOVERNANCE COST ANALYSIS BASED ON PROFILE STATISTICS

| Indicators | Government | | | |
|---|----------------------|----------|----------------|-------------------|
| | Prince Edward Island | Yukon | Jaffray Melick | Smooth Rock Falls |
| Governance cost per capita | \$46 | \$296 | \$53 | \$63 |
| Governance cost per household | \$139 | \$947 | \$128 | \$148 |
| Governance cost per hectare | \$11 | \$0.20 | \$10 | \$6 |
| Governance cost as a percentage of tax base | 1.86% | 15.83% | 6.13% | 3.07% |
| Governance cost per government employee | \$1,260 | \$2,950 | \$13,189 | \$7,341 |
| Gross Domestic Product (GDP) per capita | \$19,038 | \$29,801 | N/A* | N/A* |

* This information was not readily available at the municipal level.

Appendix A

List of contacts

Provincial/Territorial and Municipal Contacts

| Government | Contact Name | Title |
|-------------------------------|------------------|--|
| Prince Edward Island | Beve MacIntyre | Budget Analyst, Fiscal Management Division |
| | Ken Ducet | Budget Manager, Fiscal Management Division |
| | Brian Mac Vicar | Chief Accountant, Expenditure Management Section |
| | Frank Chaisson | Maintenance Manager, Transportation and Public Works |
| | Lynn Ellsworth | Clerk Assistant of the Executive Council |
| Yukon | Bonnie Love | Director, Cabinet and Management Support |
| | Jane Steele | Administrative Officer, Legislative Assembly |
| | Joanna Reynolds | Budget Director, Finance |
| | Lucy Coulthard | Director, Finance and Administration |
| Jaffray Melick | Jerry Labossiere | Treasurer |
| Smooth Rock Falls | Pat Cyr | Treasurer |
| Ministry of Municipal Affairs | Donna Mohan | Financial Advisor |

Appendix B

Total expenditures

TOTAL EXPENDITURES BY P.E.I. GOVERNMENT

| Department | 1994/1995 Actual |
|---|----------------------|
| Agriculture, Fisheries and Forestry | \$20,871,367 |
| Education and Human Resources | \$129,216,122 |
| Higher Education, Training and Adult Learning | \$45,478,069 |
| Environmental Resources | \$9,218,293 |
| Executive Council | \$1,816,198 |
| Provincial Treasury | \$30,645,657 |
| Economic Development and Tourism | \$57,969,327 |
| Health and Social Services | \$286,059,219 |
| Provincial Affairs and Attorney General | \$28,783,957 |
| Legislative Assembly | \$2,389,372 |
| Transportation and Public Works | \$42,229,243 |
| Auditor General | \$969,231 |
| Human Resources Management Inc. | \$400,000 |
| Staffing and Classification Board | \$675,354 |
| Interest Charges on Debt | \$118,228,008 |
| Capital Expenditures | \$45,460,388 |
| TOTAL EXPENDITURES | \$820,409,805 |

TOTAL EXPENDITURES BY YUKON GOVERNMENT

| Department | 1994/1995 Actual |
|---------------------------------------|----------------------|
| Legislative Assembly | \$2,859,070 |
| Executive Council Office | \$8,635,337 |
| Community and transportation services | \$61,339,114 |
| Economic development | \$3,100,444 |
| Education | \$72,547,165 |
| Finance | \$3,745,016 |
| Government services | \$23,235,632 |
| Health and social services | \$89,952,602 |
| Justice | \$27,887,871 |
| Public service commission | \$8,869,279 |
| Renewable resources | \$12,505,115 |
| Tourism | \$7,019,113 |
| Women's directorate | \$395,053 |
| Interest on loans | \$628,742 |
| Housing corporation | \$3,023,800 |
| Capital Expenditures | \$112,332,005 |
| TOTAL EXPENDITURES | \$438,075,358 |

TOTAL EXPENDITURES BY MUNICIPAL GOVERNMENTS

| Municipal Functions | JAFFRAY MELICK | SMOOTH ROCK FALLS |
|---|--------------------|----------------------|
| General government | \$538,232 | \$569,859 |
| Protection to persons and property | \$245,954 | \$71,807 |
| Transportation services | \$707,869 | \$725,736 |
| Environmental services | \$581,622 | \$658,468 |
| Health services | \$58,986 | \$38,889 |
| Social and family services | \$478,327 | \$210,890 |
| Recreation and cultural services | \$216,835 | \$446,299 |
| Planning and development | \$46,534 | \$27,543 |
| Municipal Affairs - Policy and Planning Div.* | \$6,700 | \$6,700 |
| TOTAL EXPENDITURES | \$2,881,059 | \$2,756,191 |

* This is not a direct cost of the municipal governments. It is a cost incurred by the provincial government but is reflected here as a part of total expenditures due the inclusion of central agency 'like' costs in the study.

Appendix C

Detailed definitions

Definitions - Price Edward Island

LEGISLATIVE ASSEMBLY

The Legislative Assembly is a unicameral Parliament responsible for the enactment of legislation and providing financial supply for the Government of Prince Edward Island within the areas of jurisdiction provided under the Canadian Constitution (Constitution Act). An assembly is elected for a statutory term of five years but may be dissolved at any time within that period by the Lieutenant Governor on the advice of the Premier.

Legislative Services

- Includes all costs associated with the general functioning of the Clerk's Office, the Speaker's Office, and the operation of the annual Session of the Legislature.
- Also includes telephone costs and salaries for the staff of the government Members' and Opposition Members' offices, and the annual operating grants given to Government Members' and Opposition Offices.

Members

- Includes payment of remuneration to Members of the Legislative Assembly, including basic indemnity, expense allowance, and additional honoraria, as determined by the Indemnities and Allowances Commission.
- Also includes honoraria and meeting expenses of the Commission.

Definitions - Price Edward Island

Elections

- Includes all operational costs associated with the Elections Office.
- Also includes costs from outside professional services required to conduct the election.

Retirement and Death Benefit Allowances

- Provides funding for retirement allowances, severance payments, and death benefit payments.

EXECUTIVE COUNCIL

The Executive Council is the executive branch of the government and decides on the policy and direction which the government of the day will take. The Executive Council consists of the Ministers of the Crown who advise the Lieutenant Governor. Ministers are appointed to the Executive Council by the Lieutenant Governor on the advice of the First Minister, who is leader of the political party having the confidence of the Legislative Assembly. The Ministers are usually appointed as heads of the various departments of government, but it is not uncommon to appoint a Minister without Portfolio having no specific departmental responsibility. The terms "Premier" and "Cabinet" are used in popular speech to refer to the First Minister and the Executive Council.

Premiers Office

- Costs include the operation of offices in Charlottetown and Summerside to support the Premier in carrying out the responsibilities as leader of Government and President of Executive Council.
- Members of the office staff provide program and policy advice, liaison with the public and the media, and co-ordination of protocol arrangements.

Definitions - Price Edward Island

Executive Council Office

- Provides staff support to the Executive Council.
- Processes reports and memoranda intended for the consideration of Executive Council and promulgates the official decisions of the Executive Council.
- Maintains the various records associated with the Province's executive arm.
- Assures that departments and agencies are informed of decisions of Council.
- Provides research, analysis and advice on economic and social policy.
- Responsible for the intergovernmental affairs function.

Planning ERDA (Economic Regional Development Association)

- Includes money from the federal government, and matched by the provincial government, which is allocated to various economic development projects.

Planning and Research Fund

- Includes appropriations provided for the undertaking of special projects, studies, consultations or commissions.
- Also includes a Provincial Planning Fund and a Federal-Provincial Fund.

Definitions - Price Edward Island

Intergovernmental Affairs

- Ensures that the business interests and priorities of the Province are reflected in relationships with other governments by providing advice and information on strategic issues to the Premier's Office and line Departments.

Lieutenant Governor Office

- Provides the Lieutenant Governor with administrative and support services.
- Includes support staff salaries and benefits, administration, materials, supplies, etc.. Does not include Federally paid salaries or expenses, housing costs, or housing maintenance.

PROVINCIAL TREASURY

- Functions of the Provincial Treasury include the levying and the receiving of provincial revenues. As Provincial Treasurer it acts as custodian of provincial funds and makes the disbursements of provincial monies.

Definitions - Yukon

LEGISLATIVE ASSEMBLY

The Yukon Legislative Assembly is the parliament of the Yukon, consisting of Members who are elected by the people of the Yukon to make territorial laws and provide money needed by the Government of the Yukon for the present and future good of the people of the territory.

Legislative Services

- Provides statutory payments, other payments and support services to the Members of the Yukon Legislative Assembly.
- Provides research, clerical and other support services to caucuses and to government and opposition private members.
- Provides research and other support services to legislative committees.
- Provides funding and support services for the activities of the Yukon Branch of the Commonwealth Parliamentary Association.

Legislative Assembly Office

- Provides parliamentary research and advice to the Presiding Officers and Members of the Yukon Legislative Assembly.
- Produces official records of the proceedings of the Yukon Legislative Assembly and its committees.

Definitions - Yukon

- Maintains the records and working papers of the Yukon Legislative Assembly and its committees.
- Provides administrative support services to the Yukon Legislative Assembly and the Elections Office.

Elections

- Maintains the elections administrative structure in a state of readiness for the call of an election.
- Conducts by-elections and general elections of members to the Yukon Legislative Assembly.
- Reports to the Yukon Legislative Assembly on election-related matters.
- Conducts elections of members of School Councils and trustees of School Boards pursuant to the education act.
- Provides consultative services and resources regarding election administration to other agencies.

Retirement Allowances and Death Benefits

- Provides funding and support services dedicated to the provision of retirement allowances and severance payments to eligible former Members of the Yukon Legislative Assembly.
- Also provides funding and support services dedicated to the provision of death benefit payments upon the death of former or current Members of the Yukon Legislative Assembly.

Definitions - Yukon

EXECUTIVE COUNCIL

The role of the Executive Council is to facilitate the Cabinet decision-making process by providing advice, analysis, and other services to Cabinet and its committees and by coordinating policy development work and other projects of an interdepartmental nature.

The Executive Council also coordinates corporate management issues by managing internal review bodies, including Deputy Ministers' Review Committee and its subcommittees; by coordinating corporate work on government priorities, strategies, organization, and renewal; and by providing corporate programs.

The Executive Council is also responsible for fostering effective intergovernmental relations with the governments of Canada, the provinces, the state of Alaska and other jurisdictions, and with Yukon First Nation governments, both before and after the implementation of self-government.

As well, the Council promotes the constitutional advancement of the Yukon through the negotiation and implementation of land claims and self-government agreements and the transfer of federal responsibilities to the Yukon Government.

Definitions - Yukon

Cabinet and Management Support

- Supports government decision making by providing advice and operational support to Cabinet and Ministers.
- Coordinates and manages the Yukon Government's activities related to the devolution of provincial-type responsibilities from the federal to the Yukon Government.
- Coordinates corporate management issues and provides leadership for the effective management and functioning of government.
- Provides management, personnel, financial and operational support for the department and its branches.

Policy and Communications

- Analyzes policies proposed for Cabinet's approval and to coordinate policy development on intergovernmental and interdepartmental activities.
- Ensures effective communications with the public on government programs, policies and activities.

Bureau of Management Improvement

- Provides audit services to government departments and advises on management improvement and program effectiveness issues.

Definitions - Yukon

Office of the Commissioner

- Provides the Commissioner with administrative support services.
- Includes support staff salaries and benefits, administration, materials, supplies, etc.. Does not include Federally paid salaries or expenses, housing costs, or housing maintenance.

Cabinet Offices

- Provides the Members of the Executive Council with planning and administrative services.

Aboriginal Language Services

- Supports the language needs of the Yukon's aboriginal communities and provides public service in aboriginal languages towards the preservation, development and enhancement of the Yukon's aboriginal languages.

French Languages Services

- Coordinates the development and implementation of French language programs and services for the Yukon's Francophone community in accordance with the Languages Act.

Bureau of Statistics

- Develops timely and relevant statistical information to support government decision making.
- Collaborates with departments and agencies on statistical and research projects.

Definitions - Yukon

Land Claims Secretariat

- Represents and promotes Government of the Yukon interests in the negotiation of comprehensive land claims and self-government agreements with Yukon First Nations.
- Coordinates Government of the Yukon responsibilities in the implementation of First Nation land claim and self-government agreements.

FINANCE

- Ensures that the financial resources of the Government of Yukon are managed in a manner that meets the priorities of the Government and complies with the statutes.

GOVERNMENT SERVICES

- Provides technical expertise, advice and assistance in acquisition, building and information services which support departments and crown corporations in achieving government goals and objectives.

PUBLIC SERVICE COMMISSION

- Provides corporate personnel services to the Government of the Yukon in a partnership with departments, employees and the Yukon community.

Definitions - Municipalities

MUNICIPAL COUNCIL

General Government - Members and General Administration

- Includes members of council (including ward offices, and administrative support allocated exclusively to council members)
- Also includes officers and departments primarily involved in general administration and whose expenses cannot readily be allocated to any other functions (for example, chief administrative officer, clerk, treasurer)
- Functions performed include elections, audit, conventions and delegations, public receptions, tax billing and collection costs, and restructuring studies.

MINISTRY OF MUNICIPAL AFFAIRS

Municipal Operations Program, Planning and Policy Division

- Develops, policies, legislation and regulations related to municipal government structure, municipal finances, and land use planning.
- Develops policies, legislation and regulations to facilitate the creation and maintenance of efficient and accountable local government.
- Promotes effective government through structural and organizational change.