



GOVERNMENT OF
NEWFOUNDLAND AND LABRADOR

Department of
Municipal and Provincial Affairs
Office of the Minister

CIRCULARS - Engineering Division

April 29, 2005

To: All Municipalities
All Consultants
All Contractors

Re: **Round Table on Administration of
Provincially Funded Municipal Capital Projects**

Since I have been the Minister of Municipal and Provincial Affairs I have heard concerns about how the Department administers the municipal capital projects. In order to better define what was wrong and to seek advice on how to fix the problems, I initiated round tables. These round tables were attended by over 120 representatives from municipalities, consultants, contractors and provincial and federal government agencies.

Attached find a copy of a report entitled "Outcomes from Round Tables on Administration of Municipal Capital Projects". This is a summary of comments made by the participants in the round table. I trust you will find these comments reflect your own experiences with the administration of capital projects. If you wish to add to these comments, feel free to write me.

The round tables identified three areas requiring corrective actions. They were:

1. Improve the timing.
2. Improve the cash flow.
3. Maintain or increase technical and administrative support.

Government has already taken action on the issues raised in these round tables. Actions such as:

- ✓ Interim financing of GST rebates so communities don't have to wait for the rebate to come before being able to pay all the bills.
- ✓ Allowing engineering to proceed prior to financial review. This will shorten the time from approval to tender.
- ✓ Delegation of signing authority to Regional Offices for Tendering Approval.
- ✓ Delegation of signing authority to Assistant Deputy Minister for award of projects.

- ✓ Earlier announcements. We have announced the CNIP projects in December 2004 and have announced the Municipal Capital Works in April of 2005.
- ✓ Multi-year funding program for larger infrastructure needs that allow for longer planning horizons.

We are still considering further improvements which can be implemented in the next round of capital funding. The actions already taken will improve the process but it is recognized that more can be done. The government is committed to improving this process to better serve the municipalities and other stakeholders.

If you have comments or concerns with the changes made to date or suggestions for further improvements not already identified by the round tables, please write to me or to:

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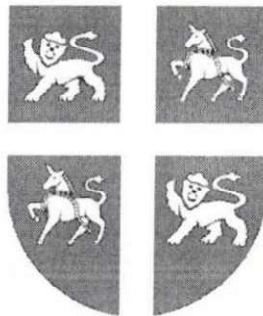


JACK BYRNE
Minister

cc: Nfld. & Labrador Road Builders Association
cc: Consulting Engineers of Nfld. & Labrador
cc: Regional Offices

Attach.

/mt



Government of
Newfoundland and Labrador

Department of
Municipal and Provincial Affairs

Outcomes from Round Tables on
Administration of Municipal Capital Projects

April 2005

Prepared By
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Chief Regional Engineer (A)

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Executive Summary

Round table meetings were held during February 2005 in three locations (Gander, Corner Brook and St. John's). The meetings engaged representatives from approximately 50 municipalities , 20 consulting firms , 10 construction companies, various stakeholder agencies and federal and provincial government agencies and departments. The round tables were designed to seek input on the administration of municipal capital projects.

The top nine concerns with the administration of municipal capital projects in the order of importance as expressed by the participants are:

1. Starting construction too late in season because:
 - a) announcement are made too late in season.
 - b) the time it takes for a project to get from approval of funding to tender is too long.
 - c) delays by councils in accepting funding.
2. Cash flow into project is too slow resulting in outstanding bills.
3. Paper work is too onerous.
4. Lack of coordination between Government Agencies.
5. Inadequate staffing levels in Government.
6. Uploading of authority for extensions, contingency, overruns, approval to borrow, tender and award etc.
7. Inability of town to afford their share of project.
8. Lack of Contingency for Construction.
9. Engineering completed too late in process.

Round table participants made suggestions for improvements to the system. These improvements can be grouped into three basic categories:

- 1) Improve the timing of projects.
- 2) Improve the cash flow into projects .
- 3) Maintain or increase technical and administrative staff at Municipal and Provincial Affairs and Department of Environment and Conservation.

Many participants indicated that the recently implemented Stage Two Application Review (STAR) process should be expanded. The STAR process short listed projects that were being considered for funding and asked applicants to begin preliminary engineering, financial evaluations, provincial environmental review and federal environmental assessment. Participants thought that the STAR process should start earlier (September the year prior to construction) and allow for engineering to proceed to the tendering stage.

Round table participants were almost unanimous in concluding that the status quo system for administration was preferable to other systems considered. They consistently said that the existing system of administration could be adjusted to offer better service. They also recognized that the system should be flexible to allow different levels of service to municipalities of varying technical and administrative abilities. Large municipalities requested the least technical and administrative support while small communities indicated they find the process overwhelming.

These suggestions will be further reviewed for application to the administrative process and to determine their feasibility. Some suggestions have already been acted upon such as interim GST rebate financing, paralleling of engineering work with financial evaluation process, earlier federal assessments and preliminary provincial environmental approval.

1.0 Background

In response to concerns expressed by stakeholders regarding administration of municipal capital funding the Department of Municipal and Provincial Affairs held three round table meetings. The goals of the round table meetings were

- ▶ To examine the administration of provincially funded municipal capital projects from announcement to construction to identify opportunities for improvement.
- ▶ To review and discuss alternative administrative models from other jurisdictions for applicability to the province.

Full day round tables meetings were held in Gander on February 9th, Corner Brook on February 16th and St. John's on February 23rd, 2005. Between 35 and 53 participants attended each session including representatives from municipalities, contractors, consultants and federal and provincial government agencies. Consultants, contractors and government officials were separated into groups. Municipalities were subdivided by population with small, medium and large municipalities. After the exercises discussions were held with all attendees to discuss each groups answers to the exercises. This provided different perspectives from each group on the administration process.

The meetings began with presentations outlining the existing process, followed by a guided exercise in outlining problems with the existing system. Attendees were asked for their suggested solutions to the problems they had identified. The results of these exercises were presented by each group to the all attendees for further discussion. Following lunch, a presentation was given outlining three possible models for administering municipal capital projects based on other Canadian jurisdictions. Two exercises and discussions were held in the afternoon outlining the strengths and weaknesses of each model and the attendees were asked to develop their own "best model" for administration of capital projects.

2.0 Problem Areas Identified

Groups were asked to complete the following exercise

Exercise 1. From your group's perspective, what are the key trouble or problem areas in the Capital Works Program administration processes?

Select, and rank the top five to present to the main group.

The following summarizes the responses from each group.

Problem Area Identified (Details Provided in Following Sections)	Overall Rank	Average Level of Concern (1 being highest)					
		Small Municipalities	Medium Municipalities	Large Municipalities	Contractors	Consultants	Government
Starting construction too late in season because <ul style="list-style-type: none">Time of announcement is too lateTime from approval to tender is too longDelays by councils in accepting funding.	1	1	1	1	2	1	1
Cash flow into project too slow resulting in outstanding bills <ul style="list-style-type: none">ATBFederal shareGST rebates	2	2	3	3	1	3	2
Paper work is too onerous <ul style="list-style-type: none">Financial reviewInvoicingGST rebate	3	3	2	2	3	4	5
Lack of coordination between Government Agencies <ul style="list-style-type: none">Federal and Provincial EA'sProvincial Department of Environment and Conservation brought into project too late	4	4	5	5	5	7	4
Inadequate staffing levels in Government	5	6	6	4	4	8	6
Uploading of authority for extensions, contingency, overruns, ATB. Approval to tender and award etc.	6	5				5	3
Inability of town to afford their share of project	7	7	4				
Lack of Contingency for Construction	8				6	6	
Engineering completed too late in process	9					2	

3.0 Problem Areas Identified - Descriptions

3.1 - *Starting construction too late in season because*

- ▶ ***Time of announcement is too late.***
- ▶ ***Time from approval to tender is too long.***
- ▶ ***of delays by councils in accepting funding.***

It was almost unanimous that the timing of announcements of projects coupled with the length of time it takes for projects to get from announcement to tender was the number one problem facing the administration of capital projects.

3.2 - *Cash flow into project too slow resulting in outstanding bills*

- ▶ ***ATB***
- ▶ ***Federal share***
- ▶ ***GST rebates***

Several areas of concern were identified with respect to the cash flow into capital projects. Participants suggested that funding should be put in place prior to the job proceeding to tender or that the funding be promptly advanced.

ATB

Approval to Borrow (ATB) is the means by which the Department provides its share of funding for the project during construction. It is a temporary loan secured at a bank to allow council to freely access the provinces share of funding. Once the project is completed the loan and accrued interest is refinanced through Newfoundland Municipal Finance Corporation. Usually these ATB's are issued incrementally by the department. Fifteen percent of the funding is released at the start of the project, Ninety percent at the time of tender closing and the balance as indicated on status reports. It is critical that status reports, letters of acceptance of funding and other paperwork be completed correctly and promptly in order to receive these ATB's on time to avoid delays.

Federal Share

The federal share of a project is provided by the province to the town in cash. This share is forwarded after the work has been completed and a check is issued in the town's name after receipt of appropriately supported invoices from the municipality. It is critical that all paper work is completely correctly and promptly to avoid delays.

GST Rebates

Towns are required to apply for the GST rebate as part of the project funding. Project funding is awarded with a reduction for the GST rebate which is considered project funding. Therefore, council's must have the GST rebate to be able to pay the full project costs. Many communities are able to apply for the GST rebate only once or twice a year. Generally, no provision is made to temporarily finance this share of the project funding, long delays in receiving the last 3.5% of the project are normal.

3.3 - Paper work is too onerous

- ▶ **Financial review**
- ▶ **Invoicing**
- ▶ **GST rebate**

Although this item is high on most groups' lists it is there for different reasons.

Small towns feel it is too difficult for their part time clerks to properly fill out the paper work and monitor its progress. They feel the province should do more to assist small municipalities in completing the paperwork.

Medium to large towns feel the paper work is a nuisance and is unnecessary component of the projects.

Consultants and Contractors feel municipalities are making errors in filling out the paperwork resulting in delays in the project and in receiving payments. They generally see the paperwork as over regulating and or over control of the projects.

3.4 - Lack of coordination between Government Agencies

- ▶ **Federal and Provincial EA's**
- ▶ **Provincial Department of Environment and Conservation brought into project too late**

It was generally felt that the administration of capital projects are not coordinated enough and that one project requires too many points of contact within too many agencies of the Federal and Provincial governments.

3.5 - Inadequate staffing levels in Government

In general all group's recognized the need for positions in the engineering division of Municipal and Provincial Affairs to be filled as retirements occur. They also expressed a need for more staff at the Department of Environment and Conservation and Municipal and Provincial Affairs during peak times of the construction season to cover holidays and increased workloads.

Contractors would like to see the department take a larger role in processing payments and in assuring funding was in place prior to the project starting.

Small Municipalities feel they require more technical and administrative support for their projects. They recognize that this can not be accomplished within the existing staffing levels. One town comment was that they hired consultants to watch the contractors but "who will watch the consultants" on the town's behalf.

Large municipalities recognize the value of the technical support offered by the engineering staff of Municipal and Provincial Affairs and Department of Environment and Conservation.

3.6 - Uploading of authority for extensions, contingency, overruns, ATB, approval to tender and award

It was recognized by some groups that centralizing and uploading of decision making has resulted in delays in the projects. Delegating signing authority for overruns, ATB, approval to tender and award could save significant time and improve cash flow.

3.7 - Inability of Town to Afford Project

Funding awarded to communities who can not afford their share of the project. Frequently this funding is not reallocated in a timely manner as the town seeks better cost sharing or other concessions from the government to allow the project to proceed. Other groups felt that their inability to afford preempted them from being able to participate in capital projects. It was agreed that the ability of the town to afford a project should be dealt with early in the approval process, before public expectations were built up with respect to the project.

3.8 - Lack of Contingency for Construction

Government should recognize that pretender estimates and unit price contracts are subject to change as work is completed. A means to quickly access funding for these increases in costs should be developed to avoid delays in the project. Generally the biggest issue is that federally funded projects can not be altered by the management committee without the federal ministers approval. This approval process is taking too long to allow for prompt awarding and completion of projects.

3.9 - Engineering completed too late in process

Consultants have indicated that they would like to see engineering for projects done in advance of funding approval for construction. This would allow for better estimates, early environmental input, better designs and early tenders.

4.0 Solution Suggested

Below is a table summarizing their recommendations for changes to address the problem areas identified.

Solution Suggested (Details Provided in Following Sections)	✓ - For Those Who Made The Recommendation					
	Small Municipalities	Medium Municipalities	Large Municipalities	Contractors	Consultants	Government
Announce projects earlier	✓	✓	✓	✓	✓	✓
Complete engineering earlier in process	✓	✓	✓	✓	✓	
Complete financial review earlier in process				✓	✓	✓
Reduce Red Tape / Coordinate administration	✓	✓	✓		✓	
Parallel approval processes	✓					
Down load authorities	✓					
Advance funding earlier	✓	✓	✓	✓	✓	
Advance GST rebate or make projects exempt	✓	✓		✓	✓	
Hire more staff	✓	✓	✓			✓
Improve town clerks performance			✓	✓	✓	
Set maximum times for approval	✓			✓		
Shorten / Eliminate Federal Approval process	✓	✓	✓	✓	✓	✓
Different approach for Large and Small or Urban / Rural municipalities	✓		✓			
Reduce financial controls			✓			

4.1 - Timing of Capital Projects

The following suggested solutions are designed to save time, complete construction earlier or ensure awarded funding is spent promptly:

- ▶ Announce projects earlier
- ▶ Complete engineering earlier in process
- ▶ Complete financial review earlier in process
- ▶ Down load authorities
- ▶ Reduce Red Tape
- ▶ Coordinate administration
- ▶ Parallel approval processes
- ▶ Shorten / Eliminate Federal EA Approval process
- ▶ Set maximum times for approval
- ▶ Hire more staff

There was unanimous support for early announcements. It was recognized that a late announcement will override any attempt to accelerate the administrative process.

It was acknowledged that the announcement time was critical but other items must be addressed as well. Changing the announcement date will not necessarily correct late season construction and delays. The Stage Two Application Review (STAR) process was identified as a positive initiative but needed to be expanded to allow engineering to start in the summer or fall of the year prior to construction and should bring the project to the tender stage. The STAR process short lists projects that are being considered for funding and asks applicants to begin preliminary engineering, financial evaluations, provincial environmental review and federal environmental assessment.

Some suggested that applications should be screened for affordability and financial considerations earlier in the process as a means of ensuring announced funding is spent promptly.

The consultants in St. John's simply said "Establish when a project should start and back up the time lines for initiating the process. Construction on projects should start in the late spring".

4.2 - Cash Flow

The following recommendations were made to address the cash flow into projects:

- ▶ Improve town clerks performance
- ▶ Down load authorities
- ▶ Reduce financial controls
- ▶ Advance funding earlier
- ▶ Advance GST rebate or make projects GST exempt
- ▶ Hire more staff
- ▶ Reduce Red Tape

Contractors and consultants both indicated that they were concerned with the flow of funding into capital projects. Delays in getting paid were attributed to delays in receiving GST rebates, approval to borrow or the federal share of the project. Although it was generally accepted that something needed to be done with the cash flow, there was no consensus on what should be done. There were calls for more provincial involvement and others for less provincial involvement. There appears to be a divide between larger towns and smaller towns on this issue. Smaller towns find the administration of the project difficult to complete while larger communities find the process over regulatory and prefer multi-year funding processes. The multi-year funding program requires the applicant to finance both their's and the province's share of the project. At the end of each year the funding is retired at a bank (unguaranteed) and payments are made by the province on their share of the loan. In addition towns are given funding for several years projects at one time allowing for engineering to be done earlier.

4.3 -Maintain Technical and Administrative Support

Throughout the sessions the desire to maintain technical and administrative support for Capital Projects was clearly indicated. Suggestions were made for the department to increase their technical and administrative support for capital projects. The type of support requested appears to be split depending on size of municipalities. Large municipalities are comfortable with their administrative ability to handle capital projects but appreciate the standard tender documents and experience from other projects available through the province..Small municipalities expressed a desire to have more administrative and technical support as they have a low sense of satisfaction with completed projects.

5.0 - Three Models Reviewed

The afternoon sessions focused on the possibility of changing the administration systems to one of three potential models based on other jurisdictions. The three Models were labeled:

- ▶ Funding Agency - The province provides funding but no or limited engineering or administrative support. Similar to ACOA.
- ▶ Status Quo - The province provides funding and limited engineering involvement.
- ▶ Capital Works Board - Separate agency providing engineering support and project coordination on a full cost recovery basis.

Each of these models was described during a forty minute presentation and groups were asked to provide strengths and weaknesses for each model.

Following a discussion of the strengths and weaknesses of the different models participants were asked to develop their own preferred models. The groups were free to pick and chose elements from each model or to develop their own elements to make their preferred administration model.

There was overwhelming support for the status quo with some changes. Some groups liked the idea of a Capital Works Board but believed the same advantages could be achieved through the Status Quo.

5.1 - Summary of Best Model Recommendations

5.1.1 - Small Municipalities

Small municipalities at the round tables suggested an increased involvement from Municipal and Provincial Affairs in the administration and engineering of their Capital Works. It was indicated that they were willing to pay a fee from the capital funding to get this assistance from Municipal and Provincial Affairs. They recognized that even a stream lined system will require more technical and administrative skills than they have on staff.

Highlights of comments by small Municipalities

- ▶ Standardized contract, master specifications must stay.
- ▶ More involvement from Provincial Government on dispute resolution.
- ▶ Favors status quo with more government involvement in project construction since we (small town) don't have engineers.
- ▶ Expand technical services in Department of Municipal & Provincial Affairs,
- ▶ Regular Inspections by Provincial Government as project proceeds. More in-depth inspections, not just spot inspections.
- ▶ Streamline approvals and awards process.
- ▶ Pay 2 - 3 % administration (To Municipal and Provincial Affairs)
- ▶ Check affordability beforehand
- ▶ Standardized documents

- ▶ Develop non-linear system
- ▶ Public tendering through Municipal Affairs
- ▶ Funding provided to Municipal Affairs and they pay bills

5.1.2 - Medium Sized Municipalities

Medium sized municipalities appeared to be most satisfied with the level of service provided by Municipal and Provincial Affairs. They indicate that Municipal and Provincial Affairs should maintain their level of involvement and work on improving the system to shorten time lines and improve the timing of tenders.

Highlights of Comments from Medium Sized Municipalities

- ▶ Status Quo with improvements to decrease time lines. Shorten time frames.
- ▶ Stream line the process.
- ▶ Have stakeholders involved in approval process sitting around the table for approval.
- ▶ Once approved and letter of approval sent by Minister, further letters and approvals could be completed by Municipal and Provincial Affairs staff.
- ▶ Announcements of projects well in advance of construction season to allow for approvals, design, etc.
- ▶ Release a higher percentage of funds up front and remainder in a timely manner.
- ▶ "STAR" continued (Stage two Application Review)
- ▶ Better communication.

5.1.3 - Large Municipalities

Large municipalities have indicated that they are satisfied with the status quo and would like to see all projects handled similarly to the multi-year funding program. They recognized the need for funding the design prior to funding construction. They feel that Municipal and Provincial Affairs and other agencies should respect that many of them have technical staff and do not require all the safeguards required for small and medium communities.

Highlights of Large Municipalities Comments

- ▶ Go with Status Quo with revisions to streamline timing of application/approval process.
- ▶ Different model/categories for different size municipalities.
- ▶ Larger municipalities should be able to by-pass some of the approval steps.
- ▶ Find ways to alleviate the present process for overruns rather than have to go back to the full procedure.

- ▶ Respect municipal priority list. Larger municipalities know their own issues.
- ▶ Need to find a way to address the GST issue for municipalities. Best possible scenario is to have all municipalities exempt from the 15%. If it can be done for a Capital Agency/Board, why can't it be done for all municipalities.
- ▶ Larger municipalities should be able to access CNIP funding in addition to Multi Year Capital funding especially if it applies to industrial/commercial. Consensus seems to be that if you can afford multi year you will not get CNIP.
- ▶ Hire more staff in both Municipal and Provincial Affairs & Environment - address "leave" problems. Major problem, if someone is out of the existing system.

5.1.4 - Consultants

Consultants were most interested in accelerating approvals and reducing the number of points of contact. They have recognized that smaller towns require more assistance than larger towns. They see the need for earlier environmental approvals and flexibility for overruns.

Highlights of Consultants Comments

- ▶ Announce earlier.
- ▶ Ability to afford done with application. Know if municipality can afford before too far into project.
- ▶ Approval to tender and approval to award both not required. Free up time of staff to do more detailed review and checks on projects.
- ▶ Financing Town/Government finance GST rebate.
- ▶ Town share drawn down in proportion to claims (not at the end).
- ▶ Appoint accountant if clerk not qualified.
- ▶ Federal EA would most likely be handled by Municipal and Provincial Affairs in cooperation with consultants.
- ▶ EA to be carried out 1 year in advance of expected project date
- ▶ Ability to afford Dealt with initially prior to undertaking preliminary consulting work.
- ▶ Client/Engineer Agreement should not have to be reviewed by Municipal and Provincial Affairs. Copy to be forwarded to Municipal and Provincial Affairs after execution
- ▶ Long Term Planning - Municipal and Provincial Affairs to work with consultants and towns to provide long term planning. Funding to be provided by Municipal and Provincial Affairs.
- ▶ Contract Documents Status Quo Improve the spec - currently written for and by contractors.
- ▶ Approval to Tender Capital Projects Check list to be developed by Municipal and Provincial Affairs and consultants. This would be submitted and signed off by consultant at Final

Submission to assist with reviews.

- ▶ Approval to Award Tender Status Quo with time line improvements for minor variances in tender price/estimate.
- ▶ Contract Administration no need for monthly status reports - perhaps at certain milestone intervals Money should be advanced up front to assist in payments.
- ▶ Start the whole process 1 year in advance of anticipated construction start.
- ▶ Process in place for tracking applications/submissions so that consultants and towns know precisely where their status sits.
- ▶ Continue and expand "STAR".
- ▶ Speed up approvals - Minister can delegate authority.
- ▶ Possibly pay consultants/contractors directly (administer the funds - not the project).
- ▶ Issue one approval to borrow.
- ▶ Larger project scopes to reduce costs and make more cost effective.

5.1.5 - Contractors

Contractors are most concerned with ensuring committed funding is spent promptly after announcement and that funding is not held up over approvals from banks, municipalities or government agencies. They would like to see more involvement from Municipal and Provincial Affairs to improve payment of outstanding invoices.

Highlights of Comments from Contractors

- ▶ Like to do construction during construction season.
- ▶ Federal Environmental Approval- One environmental assessment done by consultants including all permits, IE. Fisheries, etc.
- ▶ Ability to Afford - Prior approval before proceeding with project.
- ▶ Design -Town select own consultants to do pre-design before construction season. (Accurate budgets). Pre-engineering for future developments.
- ▶ Tendering Standardized contract documents (status quo). Minister's approval (earlier tendering) required. When projects are over budget we need a faster process to award projects. Need tenders to come out earlier in the construction season.
- ▶ Provincial EA Should be one under FEA.
- ▶ Construction - Consultants responsible to administer contract (status quo) with the exception of status reports and including payments directly from Government.
- ▶ Two tier system 1) Larger municipalities 2) Smaller municipalities
- ▶ Develop a Board with Municipal and Provincial Affairs. Composition of Board will also include stakeholders involved.

5.1.6 - Government

Government's best model leaned heavily on the status quo with changes in timing of certain approvals and submissions. There was a recognition that even with the government approvals streamlined or removed that financial review, design and tendering will still take several months and that projects announced in spring will still not be tendered until late summer or early fall. Government saw parallel approvals along with delegation of signing and contingency funds would expedite the approval process.

Highlights of Government Comments

- ▶ Financial affordability to be reviewed upon initial evaluation
- ▶ Model the money flow after 'funding agency' and/or 'capital agency' model or Inuit peoples agreement.
- ▶ Financial Evaluation should come in with application for funding.
- ▶ Earlier "Stage 2" review process.
- ▶ Accommodated by parallel streams in "Stage 2"
- ▶ Delegation of authorities (Federal & Provincial)
 - Approval to tender
 - Approval to award
 - Approval to borrow
 - CNIP Management Committee
- ▶ Train town staff and town should have a capital works committee.
- ▶ Allow towns to borrow the GST rebate (from bank)
- ▶ Multi year funding capacity to allow for long term planning
- ▶ Earlier announcement of funding
- ▶ Continuation of Stage II Application Review
- ▶ Address problem with the GST rebate.