

Program Guidelines indicate that the debt servicing cost to revenue ratios will be the basis for targeting municipalities for review. Although the Department determined the debt servicing cost to revenue ratios in 1997 to identify which municipalities would be reviewed for assistance under the Program, this information has not been updated since that time. Instead, the Department concentrates on Newfoundland and Labrador Municipal Financing Corporation (NLMFC) arrears and requests from municipalities seeking assistance. As a result, the Department has not identified which municipalities currently meet the debt servicing cost to revenue criterion necessary to prioritize reviews and determine eligibility for assistance.

Although reviews in progress in July 2003 have identified that the municipalities will require debt relief funding of approximately \$9 million, there was no Program funding in the approved 2003-04 budget. Furthermore, a request for more funding for 2003-04 to continue the Debt Relief Program was deferred by Treasury Board.

Although Program Guidelines provide for an action plan that will permit the municipality to maintain stability in its financial affairs, the financial analysis and resulting agreements with municipalities did not address future capital works and funding requirements. As a result, there may be issues relating to future financial stability.

Monitoring and reporting is inadequate in that inspection targets were not established, annual inspections were not performed subsequent to assistance being provided, action plans addressing non-compliance with agreements were not being prepared, and quarterly reports outlining the status of instances of non-compliance, are not being provided to the Assistant Deputy Minister.

### **2.31 Disinfection Assistance Program**

The Disinfection Assistance Program was introduced as a part of the Safe Drinking Water Initiative in 2001. The purpose of the program was to assist municipalities currently under a boil water advisory by providing them with 100 percent funding up to a maximum of \$100,000 to install or upgrade water disinfection systems.

The Department of Municipal and Provincial Affairs is not complying with program guidelines. We found that:

- 5 municipalities were approved for funding totalling approximately \$1.2 million even though they were not subject to a boil water advisory.
- 53 municipalities were approved for full funding in excess of the \$100,000 limit, the total funding approved for these 53 municipalities totalled \$8.7 million. The \$100,000 limit was announced by Government in the House of Assembly during the Budget Speech. However, the Department, without authority, increased the \$100,000 limit for purchases related to the installation costs of primary disinfection systems. Therefore, we applied the \$100,000 limit as announced in the House of Assembly, and as referred to by the ministers of both Municipal and Provincial Affairs, and Environment, subsequent to the Department's revision.
- 6 municipalities were approved for funding totalling approximately \$1.2 million for more than one project.
- 3 municipalities were approved for funding of approximately \$94,000 for ineligible projects.
- Project files did not always contain the required signed agreements from the municipality.

### **2.32 Newfoundland and Labrador Housing Corporation Non-Profit Rental Social Housing Units**

In 1997, the Newfoundland and Labrador Housing Corporation and the Canada Mortgage and Housing Corporation (CMHC) entered into an agreement which transferred all responsibility for operating and maintaining the rental units and home-owner programs to the Corporation. Under this Agreement, CMHC provides a predetermined annual level of funding on a decreasing basis up to and including the year 2038.