



First Nations Infrastructure Institute

Systeme d'infrastructures des premières nations

Exploring Approaches to Infrastructure Cost Sharing

March 2021



Core Principles



1.

First Nation infrastructure projects should be developed to deliver on established community objectives (e.g., health, environmental, economic development, etc.)

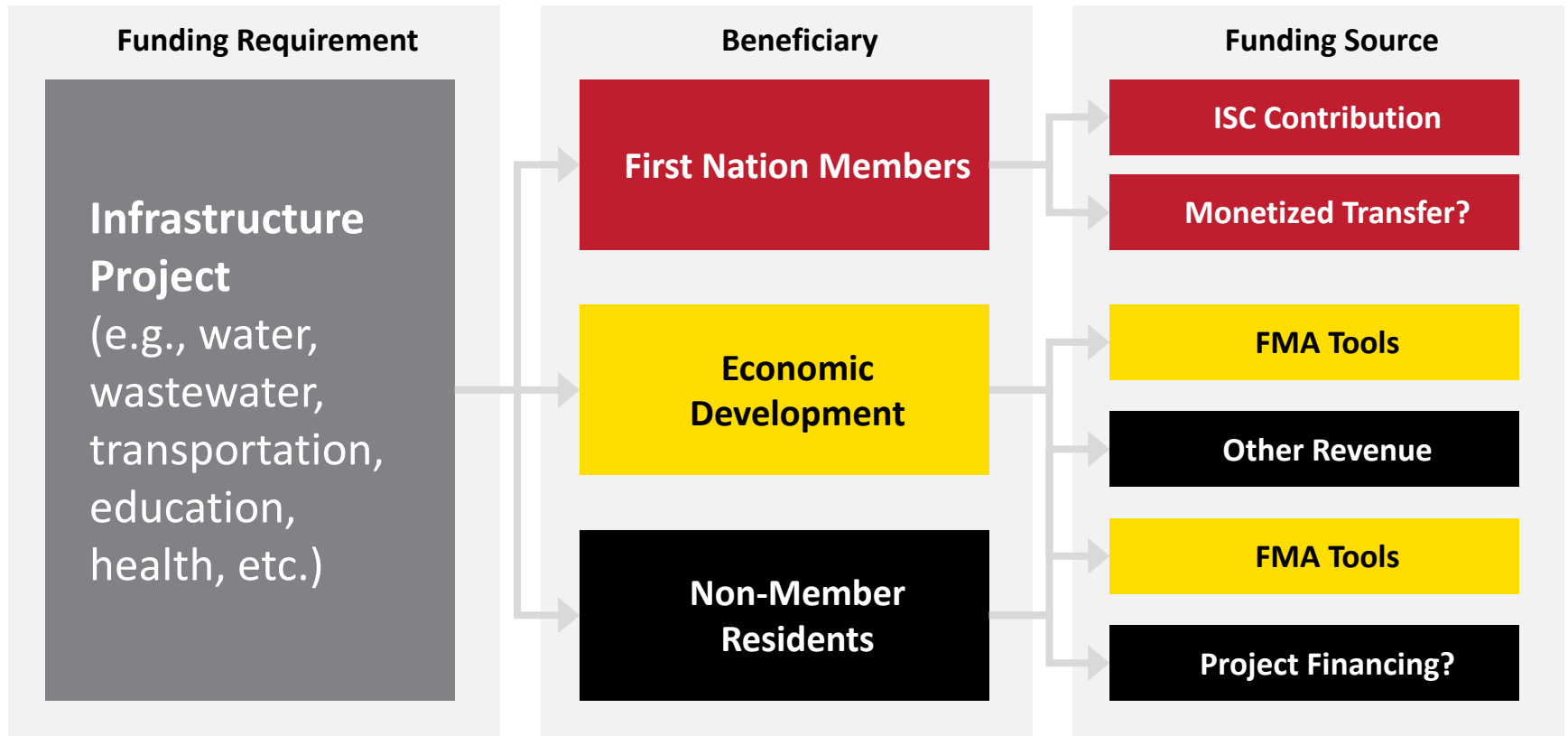
2.

The Federal Government has a responsibility to fund infrastructure projects on reserve that provide required services to First Nation community members

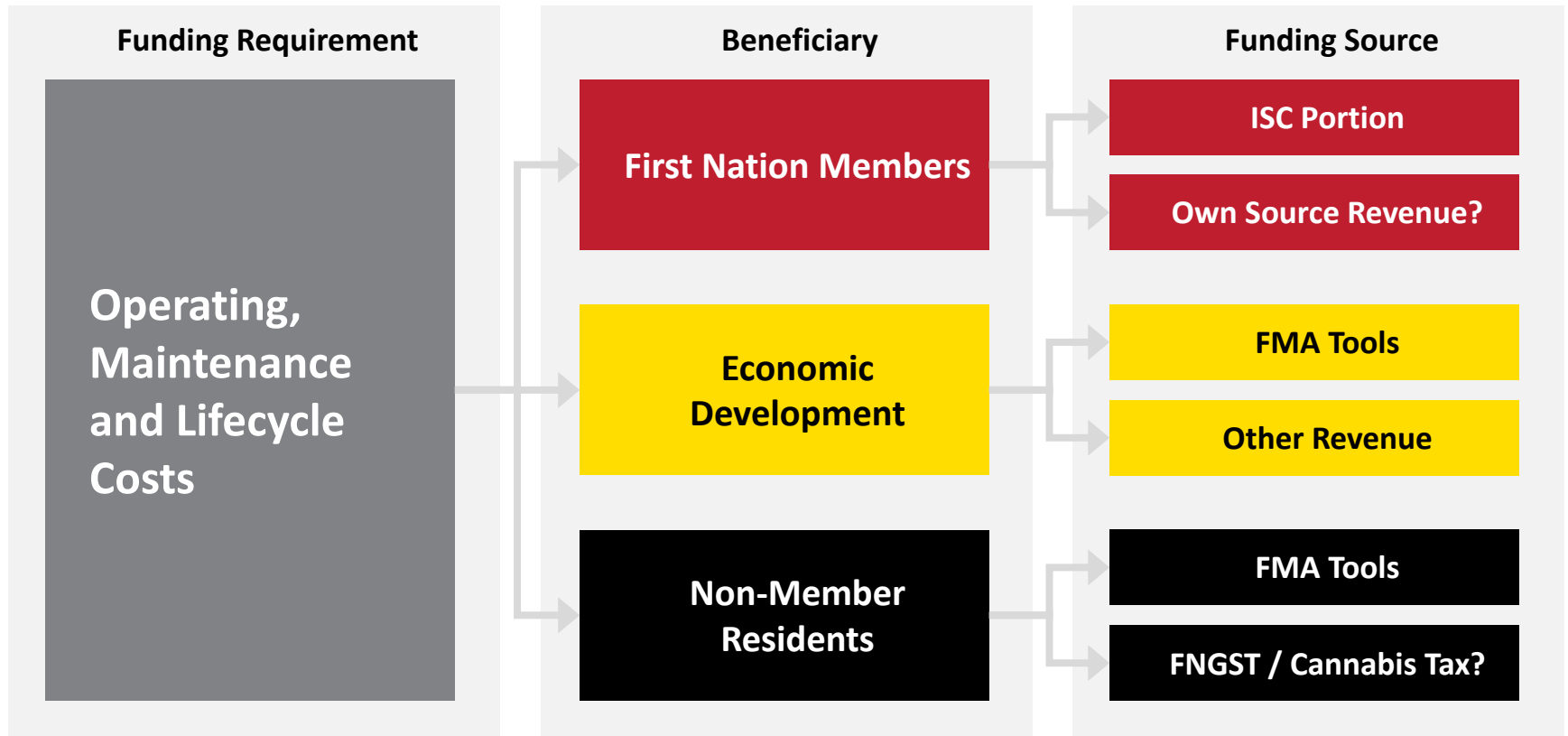
3.

Where projects also benefit non-members and/or support economic development, the portion of the costs associated with this should be covered by the non-members or First Nation

Capital Funding



Operating Funding



Sharing Framework



Share Capital and Operating Costs based on benefits

Determining who benefits from infrastructure can be objective:

1. Differs for different asset classes
2. Capital and operating split could be different, and operating split could change over time
3. For example, could be based on a combination of:

Physical Location?

e.g., Location of a road and who benefits from the construction of it based on where they live

Number of Users?

e.g., The total number of residents that will use a curbside garbage collection service

Volume of Use?

e.g., The volume of water expected to be used by residents over the life of a water treatment plant



First Nation Fiscal Management Act Tools

Property Tax



Collect PT from Leaseholders

Levy property tax on holders of real property (leaseholders)

Local Revenue Account

Maintain revenues in a separate account from other monies, the Local Revenue Account

General Purposes

Use revenues for local purposes (beyond infrastructure, including firefighting, garbage collection, administration).

Annual Expenditure Law

Spend property tax revenues in accordance with an annual expenditure law

Service Tax



Unlike property taxes (which provide local revenues that may be expended in several areas), Service Taxes are collected to fund a specific service.

Only for a Specific Service

All revenues collected from a Service Tax must be spent only on the specific service for which they are collected

Only for a Fixed Number of Years

Service Taxes are levied for a fixed number of years to pay for the cost of the specific improvement

Service Tax



Capital improvement projects that may be funded by a Service Tax include: water and wastewater systems, transportation infrastructure, and park acquisitions and improvements.

Property Holders Pay

The cost of the work undertaken is usually paid up front by the Nation, then recovered from property holders through a Service Tax

Can Apply to a Defined Area

Service Taxes may apply to the entire reserve, or only to a defined area

Fees



On April 1, 2016, the FMA was amended to create a new First Nation law-making power for Fees.

A First Nation can charge Fees for the provision of services or the use of facilities on reserve lands

Fees can be levied in relation to water, sewer, transportation, waste management, recreation, as well as any similar service

Fees



Specific Service

Unlike the property taxation powers, Fees are collected to fund the costs of providing a specific service

Expenditure Law

Fee revenues must be placed in the First Nation's local revenue account and expended under the authority of the First Nation's annual expenditure law

Spending of Fees

All Fee revenues collected for a service must be spent only on the specific service for which they are collected

Fees



Fees can provide a more equitable allocation of costs by shifting the burden away from the general tax base, to those using or directly benefitting from the service.

Taxpayers generally support the use of Fees because they reflect a “user pay” approach

Entities exempt from taxes (such as other governments) can be charged Fees

Development Cost Charge



First Nations may enact a Development Cost Charge Law under the FMA.

A one-time charge collected from developers of reserve land

Used to offset some of the infrastructure costs directly or indirectly attributable to development

Payable at building permit approval, subdivision approval, or development approval

Development Cost Charge



DCCs can only be levied to help pay capital costs associated with:

Providing, constructing, altering or expanding water, sewer, drainage, or transportation infrastructure

Providing and improving park and recreation land

The infrastructure must service, directly or indirectly, the development for which the Development Cost Charge is being imposed.