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**FOGO ISLAND COOPERATION  
INITIATIVE COMMITTEE  
FINAL REPORT - FEASIBILITY STUDY  
CONSIDERING ONE MUNICIPAL  
COUNCIL FOR FOGO ISLAND  
NOVEMBER 2009**



## FOREWORD

The communities on Fogo Island, like many rural Newfoundland and Labrador communities, are at a crossroads. These communities face three major demographic issues: a falling birthrate, an aging population and an outmigration of young people. The indication of this demographic shift was so evident in the school population that has dropped from just under 1,100 students in 1989 to 284 students in 2008. The central issue is that a declining population means a smaller tax base now has to support duplicated municipal services, and the need for increased or improved services such as waste management, and water and sewer.

This report shows that the cost of providing the same municipal administration in five separate municipalities can be administered and delivered more efficiently and effectively from one amalgamated governance structure. Community identities are important ingredients in a diverse and complementary mosaic of people, history, lifestyles and the needs that will enable these communities to survive and thrive. An amalgamated governance structure can strengthen cultural identities within the larger community of Fogo Island.

Above all, the feedback received during the study process indicated that there was significant concern for the future of Fogo Island by the people who call this island home. At the same time that these concerns were expressed, there were concerns about the challenges that the island communities have continually faced in collaborating and co-operating to advance the development and cohesiveness of Fogo Island, and advance towards sustainability. When examining each community individually, there appeared to be many reasons why amalgamation should not happen. At the same time many expressed that they were not against amalgamation, but could not get past some of the apparent obstacles that exist today. However, upon closer examination of the bigger picture, it makes no sense to not proceed with amalgamation. No conflict or dispute is irresolvable. Even current issues surrounding the stadium can be resolved by identifying and investigating the events that lead to the situation that exists today and determining the means to overcome them.

Three words come to mind when considering the task at hand:

**Regionalization:** The division of an area into regions, especially for administration purposes.

Amalgamation: To combine together into a unified or integrated whole.

Governance: A method or system of government or management.

Amalgamation does not mean assisting one community with accumulated debt. Amalgamation is the unification of communities, coming together for the betterment of the entire region in which they exist. Amalgamation does not mean taking resources out of one community and moving them to another. Amalgamation means the leveraging and utilizing of existing assets and resources for the benefit of all residents. Amalgamation gives the people of Fogo Island the opportunity to benefit from island wide tax revenues. It also means collaborating to identify and implement projects on the basis of need and their role in coordinated regional development in the region's economy, cultural heritage preservation, environmental protection and the social structures that connect the residents of Fogo Island in a way that is unique to all of Newfoundland and Labrador. Most of all, Fogo Island now has an opportunity to establish a model regional government that embraces collaboration, as well as recognizes and leverages the unique community identities that define the island and its people.

Government programs are currently in place to assist with this very task. Financial incentives are available for municipal councils wishing to pursue amalgamation, and there is an apparent willingness by the Provincial Government to negotiate favourable incentives to do so. Government representatives can see from the outside that there exist many benefits to amalgamation, and that the challenges in achieving this task are certainly not impossible to overcome. Additionally it is difficult to predict what, if any mechanisms will be in place in the future to assist municipal governments with overcoming seemingly insurmountable challenges to establish community sustainability.

The challenges that Fogo Island has faced in the past should be embraced. Many successful island-wide organizations are already established, but each endured their own unique set of challenges in doing so. And each was established to improve their capacity to meet the needs of Fogo Island people. Municipal Governance is no different. The people of Fogo Island must look towards the future of the island and the benefits that amalgamation will bring. The process will not be easy, and it will not happen overnight. But the time to amalgamate is now to establish a sound foundation on which to grow and thrive.

## ACKNOWLEDGEMENTS

WHEY Consulting would like to commend municipal leaders of Fogo Island for undertaking a feasibility study to consider one municipal council for the Island. The history of the Island's communities, and its people makes for an interesting and unique example of a people that cooperate when it becomes a matter of survival, but who identify strongly with not only the individual communities in which they have been raised, but to Fogo Island itself.

The objective analysis presented in this Report provides the Town of Fogo, Fogo Island Regional Council, Town of Joe Batt's Arm-Barr'd Islands-Shoal Bay, Town of Seldom-Little Seldom and the Town of Tilting with unbiased recommendations for their future sustainability, considering input from municipalities, the public and other stakeholders.

We would like to thank the general public from each of the municipalities on Fogo Island for participating in the study process. We would also like to thank other organizations that have been involved in this process, and the input that they have provided, including:

- Department of Municipal Affairs
- Department of Transportation and Works
- Municipalities Newfoundland & Labrador / Community Cooperation Resource Centre
- Office of the Fire Commissioner
- Shorefast Foundation



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## 1) EXECUTIVE SUMMARY

In the Spring of 2009 a request for proposals was advertised to conduct a feasibility study to consider one municipal council for Fogo Island. The focus of this study, amalgamation of the five established municipalities on Fogo Island, is a possibility that has been discussed in great detail between all Fogo Island municipalities, and one that has been met with great acceptance and great protest by both residents and municipal representatives.

A feasibility study was ordered by the Department of Municipal Affairs and George Whey, President & CEO of Central Consulting Services (operating as WHEY Consulting) was appointed Commissioner to oversee this feasibility study. Through the Fogo Island Regional Council, and on behalf of the Fogo Island Cooperative Initiative, Mr. Whey and his WHEY Consulting team were engaged to conduct the feasibility study and perform an objective analysis of the municipal data and engage the residents of Fogo Island to contribute their ideas regarding a single municipal council for the island. Through a series of two public consultations, each of which included an invitation to submit written briefs, meetings with administrators, councillors, discussions with stakeholders, and a set of surveys designed to collect anonymous opinions, as well as identifiable municipal data, a significant amount of primary data collection was undertaken to identify the personable aspects of the prospect of municipal amalgamation. Additionally, key municipal documents, including audited financial statements, strategic plans, asset inventories, municipal budgets, advertised tax rates, municipal assessment data, and municipal operating grant formulas were collected to obtain key financial data that gives a clear indication of the current situation on Fogo Island.

This data and analysis was compiled in this Report will be presented to the Fogo Island Cooperative Initiative, a group comprised of community leaders and representing the interests of establish municipal governments and island residents. The study has focused on five main categories, consisting of a number of key themes that formed the basis of the study. These categories and associated themes are outlined as follows:

- Local Government Structure
  - Access of the people to elected and appointed officials
  - Representation in accordance with distribution of population
  - Simplicity of proposed municipal structure
- Municipal Servicing
  - Need and Suitability for municipal servicing
  - Physical Constraints to municipal servicing
- Local Government Administration
  - Administrative capability of the municipality
  - Coordination of municipal services and functions throughout the area concerned

- Financial Implications & Analysis
  - Cost Efficiency of the type of administration proposed for the scale of services required
  - Feasibility in terms of revenues and expenditures
  - Equity in terms of both the taxpayer's ability to pay and the benefits to be received
  - Response of tax yields to changes in economic activity
  - Equality among adjoining municipalities considering their different needs and assets
- Public Acceptance
  - Community Identity within one new structure
  - Acceptability of the proposal at local level

Following preliminary data collection, the study focused on completing a situational analysis, which analyzed the current situation within all five Fogo Island municipalities, followed by a comparative analysis. This process of completing a comparative analysis enabled the consultant team to assess a number of scenarios related to a potential amalgamation, including their rationale, and projected impact on the Community of Fogo Island. The preliminary findings of the study were presented to the municipal councils and residents of Fogo Island in advance of a second series of public consultations. These consultations were tasked with collecting feedback on the findings and recommendations of the preliminary report. The resulting recommendations are outlined in the comparative analysis and summarized at the conclusion of this Report.

#### **A) Situational Analysis**

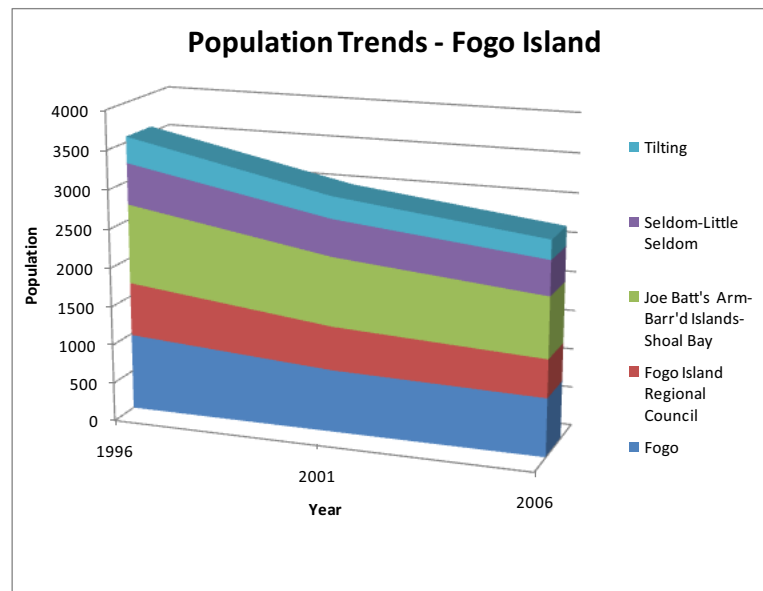
Fogo Island consists of a population that is both aging and declining. This in itself presents significant challenges in responding to the total needs of this population and its sustainability in an effective and efficient manner. The examination of present municipal government structures on Fogo Island can be characterized as a system based on duplicated efforts to maintain a status quo, with no overall picture of the five municipalities that exist on the island: the Town of Fogo, Fogo Island Regional Council, the Town of Joe Batt's Arm-Barr'd Islands-Shoal Bay, the Town of Seldom-Little Seldom, and the Town of Tilting, referred to throughout this Report as the "Community of Fogo Island." Currently the five municipal councils within the Community of Fogo Island are attempting to do the work that could be more efficiently done by a council representing all of Fogo Island. It appears that current municipal operations are designed to maintain the status quo for municipal government and it is not an acceptable model for a sustainable future of the Community of Fogo Island.

The results of the situational analysis is outlined in detail further in this Report, however they are summarized as follows:

## Demographic & Socio-Economic Profile

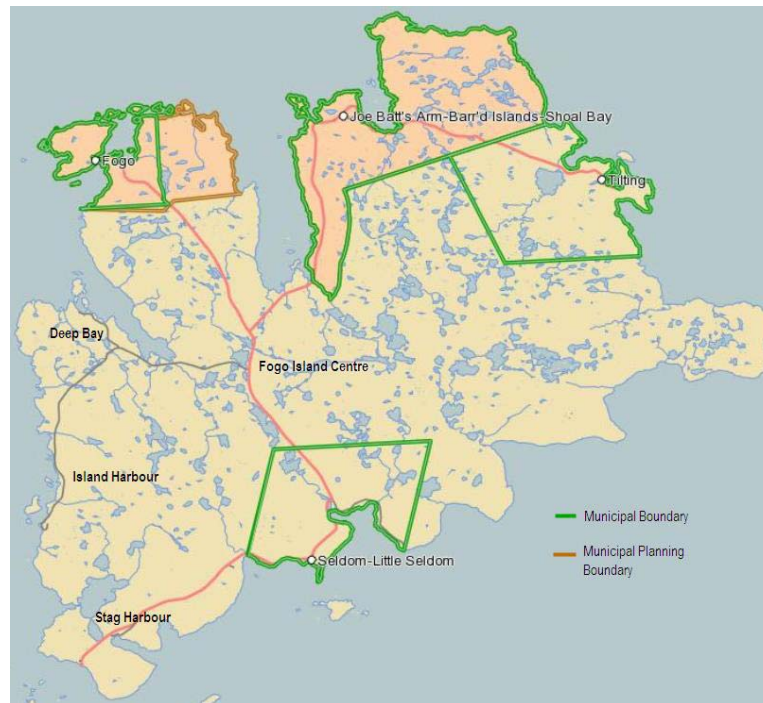
Demographic and resulting socio-economic trends on Fogo Island are a challenge across rural Newfoundland and Labrador. Declining population only contributes to the reduction of a dependable tax base, available workforce, and economic development opportunities.

**Figure 1 - Population Trends**



## Local Government Structure

Elected and appointed officials are easily accessible by the public, and all officials seem to have positive relationships with the communities that they serve. Representation however, is imbalanced due primarily to the council structure of the Fogo Island Regional Council. This imbalance is attributed to the fact that the majority of council represents the combined four remaining councils on the island, rather than the taxpayers that the Fogo Island Regional Council represents. Municipal boundaries are clearly defined, and the entirety of Fogo Island falls within a municipal jurisdiction.

**Figure 2 - Current Municipal Boundaries**

### **Infrastructure**

According to the audited financial statements of each of the five municipalities of Fogo Island, there are \$36,219,663 worth of municipal assets which include roads, buildings, water and sewer infrastructure and equipment. An assessment of asset inventories meeting Public Service Accounting Board requirements indicated that there is a significant amount of assets that will need improvement, upgrading or replacement in the future.

### **Municipal Servicing**

Overall, municipal services are available at an acceptable level, however large gaps exist in some sections. For example, there isn't dedicated Fire Protection for all areas on the island. Additionally, water and sewer services are not meeting provincial standards in some areas, with persistent boil water advisories and inadequate maintenance. Road systems fall under the jurisdiction of varying combinations of both the Provincial Department of Transportation and Works and Fogo Island municipalities, and responsibilities for maintenance and snowclearing range from complete municipal responsibility to no municipal responsibility.

**Figure 3 - Municipal Services**

Municipal Service	F	FRC	JBS	SLS	T	Shared
Animal Control	X					
Animal Licensing					X	
Environmental / Recycling Program						
Fire Protection	X	X	X	X	X	
Garbage Collection	X	X	X	X	X	
Municipal Police / Enforcement						
Recreational Facilities (Playgrounds, trails, etc.)	X	X	X	X	X	
Stadium						X
Road Maintenance	X		X	X		
Sewer / Wastewater Collection	X		X	X	X	
Signs	X					
Snow Clearing	X		X	X		
Water	X		X	X	X	
Dump Site						X

**Local Government Administration**

The variety and complexity of government operations have left current administration bogged down and with insufficient resources to perform all necessary tasks in an efficient manner. Additionally there is little coordination between municipalities to improve resource sharing and more efficient local government administration, resulting in duplication of many municipal services and operations.

**Financial Implications & Analysis**

Current municipal government operations are full of duplicated efforts, resulting in great cost inefficiencies. A failure to charge adequate tax rates and maximize collection has resulted in annually recurring operating deficits in all five municipalities, creating considerable concern for future municipal operations on the island. While tax rates are relatively similar across the island, water and sewer services in particular cost more than the taxes that are set and collected to provide this service, and are the single greatest contributor to the current operational deficit position across all municipalities. It will be increasingly difficult to increase rates as the population on the island continues to age, and household income decreases.

**Table 1 - Surplus (Deficit) Analysis (2006 - 2008)**

	Fogo	Fogo Island Regional Council	Joe Batt's Arm-Barr'd Islands- Shoal Bay	Seldom- Little Seldom	Tilting	Total
Balance, December 31, 2005	20,501	(23,872)	162,046	70,355	36,863	265,893
Net surplus (deficit) for 2006	(12,206)	(8,503)	(40,571)	7,781	(20,650)	(74,149)
Net surplus (deficit) for 2007	(8,342)	(28,186)	(12,653)	(17,033)	6,495	(59,719)
Net surplus (deficit) for 2008	(185,914)	(44,300)	(29,512)	(45,369)	(14,648)	(319,743)
Balance, December 31, 2008	(185,961)	(104,861)	79,310	15,734	8,060	(187,718)
total deficits for 2006 - 2008	(206,462)	(80,989)	(82,736)	(54,621)	(28,803)	(453,611)

A great dependence on one primary industry also presents a high risk to the financial sustainability of the Community of Fogo Island. Limited opportunities for expansion of other industries can largely be attributed to a lack of coordination between current municipal governments to pursue medium and long term economic development of industries on the island. Attempts to equalize the financial situation and capacity of the combined municipalities on Fogo Island have also been hampered by the lack of coordination between the five municipal governments, apparent competition to advance despite the municipal financial capacities, a lack of streamlining of operations to increase efficiency and a declining population.

### **Public Acceptance**

It appears that residents of Fogo Island are not prepared to share their individual community identity, but all maintain strong ties to the ideal of the "Community of Fogo Island." Residents equate their community identity with their municipality and the level of acceptance to an amalgamation varies from one extreme to another, from full agreement to complete rejection of the possibility. Some significant amalgamation, or at least cooperative efforts have had the most profound and positive impacts on the island community as a whole, including the establishment of the Fogo Island Process, and the resulting formation and continuing success of the Fogo Island Cooperative Society. The amalgamation of the school system is now touted as the best thing that ever happened on the island. These initiatives are shining examples of how effective and efficient community cooperation can be in the improvement of life within the island community as a whole. However it appears that long-standing traditions continue to be stumbling blocks to establish cooperation efforts so needed to ensure the survival of the Community of Fogo Island, from the perspective of local governance.

**Figure 4 - "Community of Fogo Island"**



## **B) Comparative Analysis**

What exists now is not a functioning unit for Fogo Island. But how is Fogo Island to grow as a unified community, rather than a patchwork of independent and competing parts? There are a number of measures that will facilitate the implementation of a sustainable plan to achieve this unification. These measures will enhance and leverage the identities and resources of each individual community and form a local governance structure that will protect and preserve these identities. The individual communities will be able to unite and work together under one governing body to advance longer term efforts to establish sustainability, increase economic development potential and most of all establish overall efficiency and cost effectiveness to achieve these objectives.

The following comparative analysis considered various scenarios, but the financial impact of all other alternatives was determined to be unacceptable, with some tax increases estimated at 100% to cover costs associated with declining population and increasing costs. It will be very difficult if any of the five municipalities decide not to amalgamate, due to the geography of Fogo Island. It presents a natural boundary for a region that has a long history of cooperation.

***Overall, it is recommended that an amalgamated council be formed to establish local governance and municipal representation for all five of the existing municipal governments on the island. The***

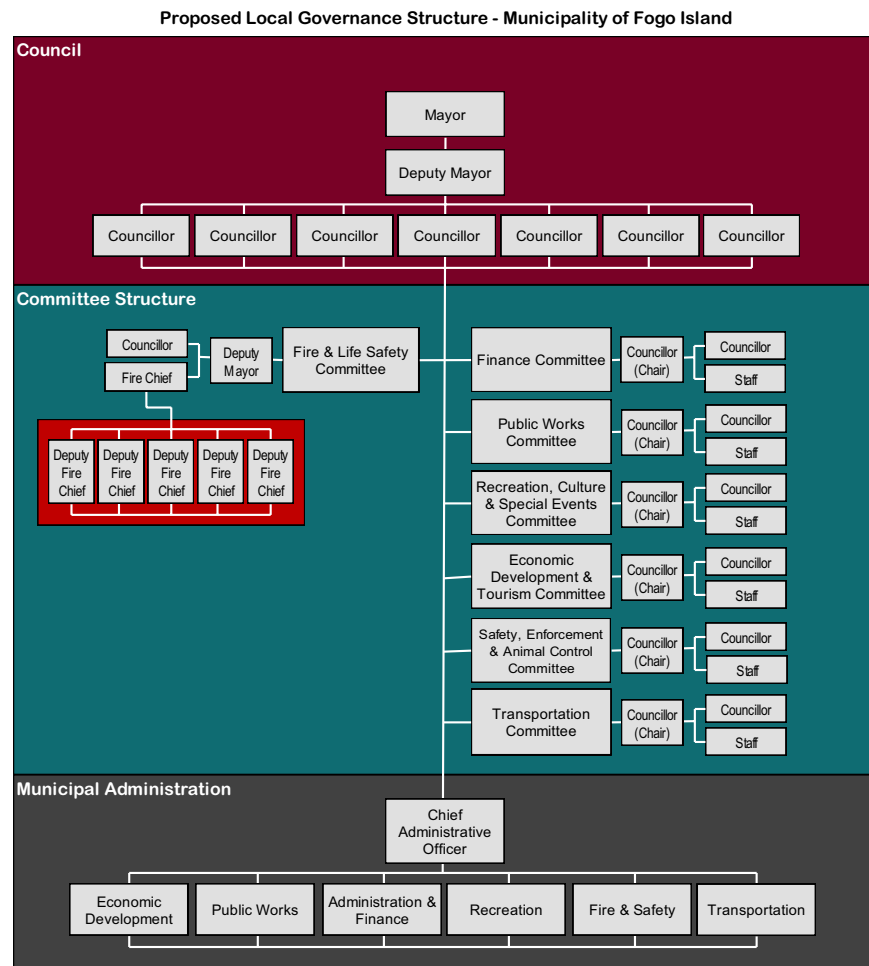
***municipal boundary would also consist of all adjacent boundaries as they exist today.***

**Local Governance Structure**

A new amalgamated council will differ from the existing Fogo Island Regional Council in that it speaks for the whole of Fogo Island, and has the authority to levy and collect taxes and disperse them for the good of the Community of Fogo Island. A proposed amalgamated structure should facilitate easy access of the public to elected and appointed officials, and representation should be fair. The structure should be simple enough to be understandable and acceptable by the public.

Additionally, an amalgamated council should eliminate much of the duplication of services currently performed by five councils. The resulting efficiency of operations would generate savings that could be utilized to provide municipal services that are not currently delivered by the five municipalities.

**Figure 5 - Proposed Local Governance Structure**





**Figure 6 - Proposed Municipal Boundaries**



***It is recommended that:***

- ***Fogo Island establish an amalgamated council with representatives as follows: two each from the current municipalities of Fogo, and Joe Batt's Arm-Shoal Bay-Barr'd Islands, one each from the current municipalities of Seldom-Little Seldom and Tilting, and one each from the communities of Deep Bay (including Centre of Island), Island Harbour and Stag Harbour. A quorum of five councillors shall be established. A mayor and deputy mayor shall be selected by elected councillors.***
- ***Amalgamated council shall appoint a Fire and Life Safety Committee consisting of current fire chiefs on Fogo Island.***
- ***Amalgamated council shall appoint a regional fire chief to serve all Fogo Island. The Deputy Mayor shall chair the Fire and Life Safety Committee. The Regional Fire Chief shall also serve on this committee***
- ***Council enter into discussions with provincial authorities with the view of establishing a regional fire service to serve all of Fogo Island.***
- ***Amalgamated council shall appoint committees as required to advise itself on the various functions of local government and***

***administration. All councillors are to serve on at least one standing committee of council***

### **Infrastructure**

To support and facilitate a transition to an amalgamated council for Fogo Island, it will be necessary to first establish a central municipal council building that will provide an accessible facility for council meetings, and also provide the necessary space and equipment to properly administer and coordinate local government operations. Additional infrastructure requirements may also include future water and sewer projects, and regionalization of Fire Protection Services.

***It is recommended that:***

- ***Council establish a central municipal office facility to house municipal administration. It is also recommended that planned water and sewer projects, and any other identified and approved capital projects proceed within the parameters of a debt service ratio of 30%, and that future infrastructure projects be considered once there is debt capacity to do so.***
- ***New capital projects associated with the regionalization of Fire Protection and Life Safety be determined between the municipal Fire Chief and the Office of the Fire Commissioner.***
- ***Council evaluate the need and use of some 27 buildings and structures with an eye to improving operational efficiencies.***

### **Municipal Servicing**

An amalgamated council would be the instrument to regionalize existing fire protection capabilities of Fogo Island, and implement a modern Fire and Life Safety Service and associated protocols in conjunction with the Office of the Fire Commissioner.

***Under the previously recommended Fire and Life Safety Committee, it is recommended that the Fire Chief shall assume responsibility for co-ordination of fire and safety resources of all Fogo Island.***

An amalgamated council would be in the best position to draw in the overall needs of Fogo Island. Duplication between communities to implement new or upgraded services would be eliminated, resulting in an unbiased approach to planning for upgrading and / or implementation of municipal services based on need and suitability. Need and suitability will also consider the physical constraints of providing municipal services, including geology and geography. The guiding principle for the

improvement of establishment of services is fairness and equity to all communities on the island and their residents.

***It is recommended that an amalgamated council be formed and establish objective planning resources and capacities to implement municipal servicing due to need and suitability.***

### **Local Government Administration**

Administration capabilities are limited because of the lack of adequate human resource capacity. There is a need for qualified municipal management with appropriate support staff. All services should be coordinated through one council office that will be equipped with an appropriate level of equipment and expertise to efficiently coordinate municipal operations and services. Municipal departments such as Public Works would remain intact, and will be equipped with the necessary personnel to coordinate and execute service delivery to the entire island. An important consideration for an analysis of Local Government Administration was not only elimination of duplicated efforts as they exist today, but providing for improved capacities in areas such as Public Works, Recreation, Economic Development, and Water/Sewer – capacities that are limited at this time.

***It is recommended that:***

- ***Council enter into discussions with the Department of Transportation and Works to rationalize road maintenance and snow clearing for all Fogo Island***
- ***Council establish a qualified water and sewer maintenance service to ensure a proper preventative maintenance program is in place on current water and sewer infrastructure and to make plans for the provision of water and sewer services to all of Fogo Island.***

### **Financial Implications & Analysis**

It has been determined that a single, amalgamated council will eliminate much duplication of effort, as well as enable better coordination and improve resource capacities of operating units (i.e. Public Works, Recreation, Fire Protection, Water/Sewer, etc.) resulting in better cost efficiencies.

An amalgamated council would be in a better position to negotiate agreements and arrangements with Provincial and Federal government departments and agencies. Considering a combined debt service ratio of 40.4% on the island at this time, which is an estimated \$150,000 per year

over the provincial debt service ratio, it will be very difficult to implement new capital projects within the provincial standard debt to service ratio of 30%. With consideration to the proposed amalgamation, an amalgamated council on Fogo Island will be in a much better position to negotiate debt reduction, establish a modern council / office facility, establish fair road maintenance and snowclearing arrangements and upgrade / implement new infrastructure. A well constructed plan for the Community of Fogo Island to achieve financial sustainability will prove to be far more beneficial than five adjacent municipalities competing with each other while seeking the same result.

***It is recommended that:***

- ***It is recommended that negotiations be initiated with the Department of Municipal Affairs prior to amalgamation to reduce debt load for the amalgamated council. It will be necessary for the amalgamated council to reduce the debt service ratio to a level that will accommodate the implementation of identified priority capital projects over the next 5 years at the outset of amalgamated municipal operations within the standard of 30%.***
- ***It is recommended that negotiations be initiated with the Department of Municipal Affairs prior to amalgamation to reduce beginning operating deficits that will be assumed from the five former municipalities.***

Municipal services must be provided to taxpayers at a rate that both covers the cost of providing and maintaining that service, and is affordable to the taxpayer. It is necessary that payment is sought only from taxpayers that are receiving this service (i.e. water and sewer shortfalls are currently being covered by other municipal revenues).

**Table 2 - Proposed Rate Structure**

Property Tax	10 mil
Minimum Property Tax	\$350 - \$375
Business Tax	Varies
Utility Tax Rate	2.5%
Poll Tax Rate	\$275 - \$300
Water and Sewer Tax Rate	\$425 - \$450
Water Only or Sewer Only Tax Rate	\$215 - \$225

***It is recommended that council establish fair and equitable rates that reflect the true cost of service delivery with consideration to fairness and acceptability by the taxpayer.***

Tax rates overall must adequately reflect the taxpayers ability to pay. It is also important to note that under an amalgamated council, all economic activity that takes place will benefit all taxpayers equally. For example, tax revenues from Fogo Island Cooperative Society facilities that are currently operating in three communities on the island would benefit all residents of Fogo Island, not just the residents of those three communities. Additionally, tax revenues from the luxury inn that is being implemented by Shorefast Foundation will not only benefit Joe Batt's Arm-Barr'd Islands-Shoal Bay, but will benefit all residents of the island. Continuing medium and long-term economic development in the Tourism industry, which is receiving considerable attention recently, will also benefit the entire island through an amalgamated council with revenues for building permits, business taxes, water and sewer taxes, and the possibility of residential property tax or poll tax if outmigration comes to an end and in-migration becomes a reality.

***It is recommended that an aggressive collection policy be developed and implemented by an amalgamated council to maximize the collection of receivables so that the municipality is able to meet its financial obligations to taxpayers. This policy, established and enforced from an amalgamated municipal council would provide a consistent collections policy and enforce appropriate penalties across the island.***

### **Public Acceptance**

A statement of great impact was made at one of the public meetings in June 2009:

*"I'm not involved in this amalgamation to lose my community, but to save it."*

This comment captures the crossroads that the Community of Fogo Island finds itself in. The reality of declining demographic trends on Fogo Island has taken a considerable toll on the capacity of municipal governments to continue operations as they now exist. The geographic characteristics of established Fogo Island communities, in their separation from each other present a significant opportunity to maintain and even strengthen community identity under a properly organized government body, which can preserve the "mosaic" of the Fogo Island experience, within separate, but unified communities.

Past amalgamation and cooperative initiatives which faced significant protest against their implementation are now recognized as positive and exemplary cases of how people can come together to benefit the whole. The advantages of these past initiatives far outweighed the disadvantages, and this is now evident to all island residents. The personal identification with being a "native" of Fogo Island will only

strengthen this process as a means of survival of one of the earliest areas to be settled in Newfoundland and Labrador.

***It is recommended that:***

- ***Amalgamated council establish more open communications with residents of Fogo Island in the amalgamation process, and continue this practice if amalgamated operations begin.***
- ***A name be selected that encompasses the identity of the people and the communities of Fogo Island. Based on the results of the study, it is recommended that the amalgamated council be named the “Municipality of Fogo Island.”***

**C) Conclusion**

Fogo Island now finds itself at a crossroads. The choice must be made to either amalgamate the five municipal councils on the island, or continue operating as they now exist. The compounding impact of population decline will undoubtedly have a significant and negative impact on the future financial capacity of these five municipalities, unless immediate action is not taken. Consideration of the history of Fogo Island, and all the data collected led to the recommendation of only one alternative, that is, the creation of one amalgamated council for Fogo Island.

The basis on which this amalgamation is to occur will place great consideration on fairness, equality, modernization, and collaboration to better utilize resources and strengthen community identity. Above all, financial prudence and better utilization of resources to improve efficiency will undoubtedly result in a local government that has the capacity and acknowledged authority to act on behalf of and in the best interests of all residents of Fogo Island. An amalgamated council formed on the basis of these principles will facilitate increased collaboration and leave behind the competitiveness that each of the existing municipalities have between each other.

## 2) STUDY OBJECTIVES AND METHODOLOGY

The rationale for the ongoing study considering one municipal council for Fogo Island is based upon the ever-increasing challenges of providing and improving municipal services to island residents in the wake of persistent out-migration, which has contributed to a range of constraints to the region's municipal government operations including reduction in municipal revenues, apparent declining interest and capability of residents to be involved in municipal activities (i.e. council representation).

The ongoing feasibility study to consider one municipal council for Fogo Island was commissioned to achieve a number of objectives:

- ▶ **To objectively assess the financial and operational impact of having one municipal council for the whole of Fogo Island**
- ▶ **To objectively gather and assess information collected from stakeholders of Fogo Island, including residents, businesses, municipal governments, etc. regarding the impact of having one municipal council for the whole of Fogo Island**
- ▶ **To determine and recommend the optimal scenario for Fogo Island municipal governance with respect to the following criteria:**
  - ✓ Access
  - ✓ Administrative capability
  - ✓ Economic response
  - ✓ Representation
  - ✓ Coordination
  - ✓ Equality
  - ✓ Community identify
  - ✓ Cost efficiency
  - ✓ Simplicity
  - ✓ Need and suitability
  - ✓ Feasibility
  - ✓ Acceptability
  - ✓ Physical constraints
  - ✓ Equity

A clearly defined methodology resulted in a number primary data collection exercises, as well as collection of municipal records including Audited Financial Statements, Tangible Capital Asset Inventories, and other relevant documentation. Although the majority of information was provided expeditiously, there were a number of key documents that remain unavailable, including 2008 Audited Financial Statements from the Fogo Island Regional Council and Tangible Capital Asset Inventories from both the Fogo Island Regional Council and the Town of Tilting. The consultant team has extrapolated the missing data based on the information that has been made available, including the verbal data collection exercises.

Surveys were conducted with the following stakeholder groups as follows:

- ▶ Municipal Administrators – Survey to identify municipal resources / services. This survey resulted in a 100% response rate.
- ▶ Municipal Administrators – Survey to identify all municipal properties and associated revenues for each property. This survey resulted in a 100% response rate.

- ▶ Municipal Administrators / Councillors – anonymous survey to identify feelings and attitudes towards current municipal capabilities, amalgamation, readiness, and impact on the community. This survey resulted in a 40% response rate.
- ▶ High School Students – Survey to identify feelings and opinions on the future viability of Fogo Island and impact of amalgamation. This survey resulted in a 73% response rate.

Two series of public meetings were held in each of Deep Bay, Fogo, Joe Batt's Arm-Barr'd Islands-Shoal Bay, Island Harbour, Tilting, Seldom-Little Seldom, and Stag Harbour. Public meetings were advertised to Fogo Island residents by sending notices directly to all households on the island using the Unaddressed Admail service of Canada Post. These public meetings were conducted by the consultant team and guided by a structured presentation designed to facilitate the gathering of public opinion and feedback on the primary components of the study that have been identified above for the first series of public consultations, and the results of the preliminary analysis and recommendations in the second. This process was critical in providing a medium in which residents could respond directly to the consultant team. The total participation rate based on a 2006 Census population of 2,706 residents was 5% for the first series of public consultations and 6% for the second series of public consultations. A public consultation which was open for all residents had a turnout of 3% of the population.

All data collected during primary data collection was expeditiously organized and sorted with analysis completed and results tabulated. As the study progressed, a number of individuals were contacted who have had considerable involvement in municipal governance on the island. These discussions were initiated with individuals representing agencies and organizations involved in local municipal governance and their sustainable development, and include Department of Municipal Affairs, Community Corporation Resource Centre, Office of the Fire Commissioner, Shorefast Foundation, Department of Transportation and Works, Fogo Island Central Academy, as well as former municipal administrators and council representatives.

While the feasibility analysis has been conducted, and the objectives of the study fulfilled, an additional analysis is currently being conducted regarding cost-shared administration of the Fogo Island Regional Council. The results of this analysis, which has only recently begun is expected to be finalized and presented to the Fogo Island Regional Council in the coming weeks.



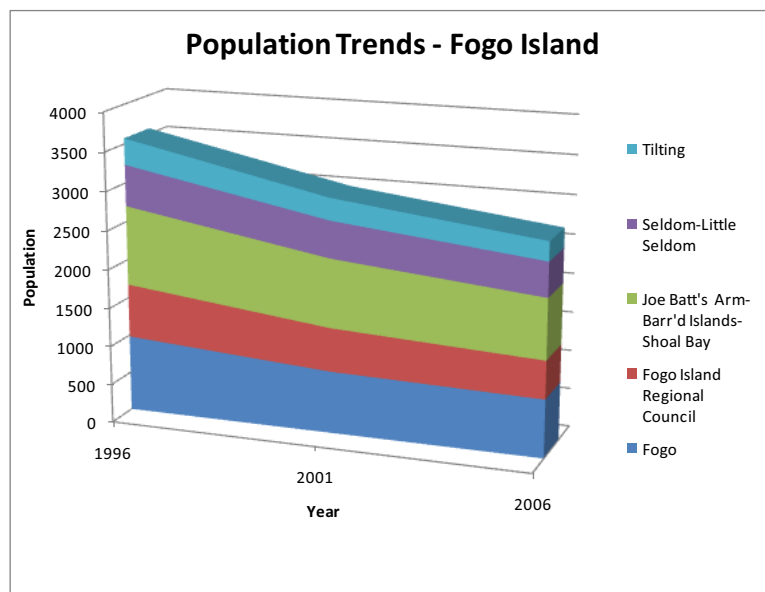
### 3) **SITUATIONAL ANALYSIS**

Fogo Island consists of a population that is both aging and declining. This in itself presents significant challenges in responding to the total needs of this population and its sustainability in an effective and efficient manner. The examination of present municipal government structures on Fogo Island can be characterized as a system based on duplicated efforts to maintain a status quo, with no overall picture of the five municipalities that exist on the island: the Town of Fogo, Fogo Island Regional Council, the Town of Joe Batt's Arm-Barr'd Islands-Shoal Bay, the Town of Seldom-Little Seldom, and the Town of Tilting, referred to throughout this Report as the "Community of Fogo Island." Currently the five municipal councils within the Community of Fogo Island are attempting to do the work that could be more efficiently done by a council representing all of Fogo Island. It appears that current municipal operations are designed to maintain the status quo for municipal government and it is not an acceptable model for a sustainable future of the Community of Fogo Island.

#### **A) Demographic / Socio-Economic Profile**

The demographic challenges that face Newfoundland and Labrador, particularly in rural areas are not new. Population declines due to outmigration and decreased birth rates have plagued the province for decades. Their combined impact has been lethal to some communities especially considering the impact of industry and business failure on the ability of residents to survive in rural areas. To establish a profile of the current demographic and socio-economic situation that currently exists on the island, the following table presents a comparison of key indicators between Fogo Island and Newfoundland and Labrador.

If you consider population trends only, qualitative data collected during the first stage of onsite consultations have indicated that the 2006 census level of 2,706 residents could be down as low as 2,500 residents, which represents a 7.6% decline since the last census. This decline far exceeds even the high population projections that have been established by the Government of Newfoundland and Labrador for Economic Zone 14, the economic zone in which Fogo Island is located. A declining population means a declining municipal tax base from which community services are funded.

**Figure 7 - Population Trends<sup>1</sup>**

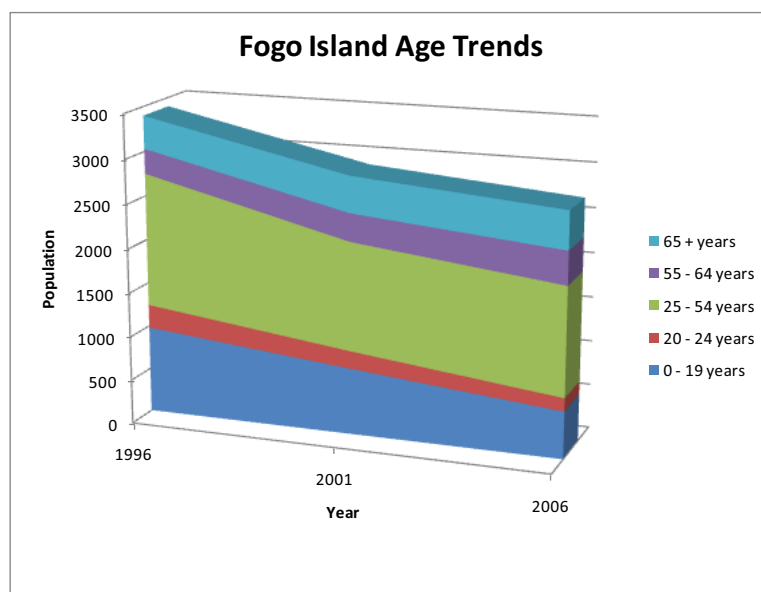
The impact of population decline has a number of trickle down impacts, summarized as follows:

- Reduced sources of municipal tax revenue
- Increased tax burden on existing population
- Decreased volunteer capacity to operate organizations such as municipal government or fire departments
- Reduced population typically results in less economic activity, thus resulting in lower economic output, contributing to further population decline and economic decline

The age trends of Fogo Island residents also represents a critical demographic indicator. As the population declines, the component of that population that is 65 years of age and older is increasing.

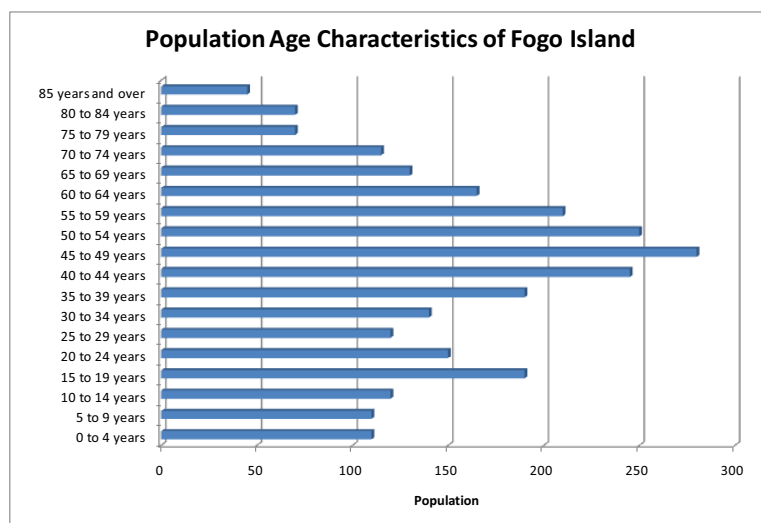
<sup>1</sup> Source: 2006 Census, Statistics Canada

**Figure 8 - Age Trends<sup>2</sup>**



With an average median age of 44.5 years of age there is a significant proportion of the island’s population that is approaching retirement age. You will note in the following figure that the greatest concentration of residents of Fogo Island fall within the ages of 40 to 54 years of age, comprising approximately 29% of the entire island’s population.

**Figure 9 - Population Age Characteristics of Fogo Island (2006)<sup>3</sup>**



While the proportion of residents age 65 and over represented approximately 16% of the population in 2006, this demographic increased in size by 16% from 1996 when this demographic represented

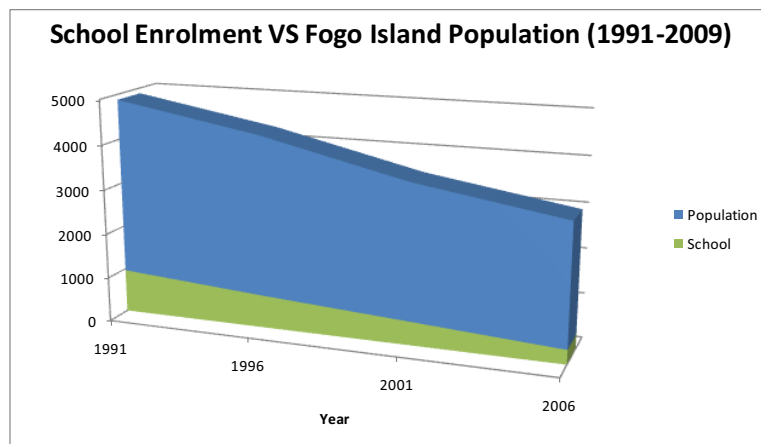
<sup>2</sup> Source: 2006 Census, Statistics Canada

<sup>3</sup> Source: 2006 Census, Statistics Canada

approximately 10% of the population. Also in 2006, the proportion of residents at 19 and under represented approximately 20% of the population. It is this age group that represents the future of the island, as it is these individuals who will enter the workforce and / or obtain further post-secondary training and education. It is these individuals who will start their own families in whatever location they call home. The startling reality is that although this demographic has slightly larger representation than those aged 65 years and older, it experienced a decrease of approximately 46% between 1996 and 2006. The amount of decline in the population aged 19 years and under between 1996 and 2006 represents the entire 2006 population of those individuals aged 65 and over.

The student population for Kindergarten to Level III in 2008 was 284. If you consider school enrolment prior to 1996 census, there has been a decline in the student population of approximately 72% since 1989 when the student population was 1,008. These trends, while not unique to Newfoundland and Labrador are especially prominent due to the geographic isolation of Fogo Island to the rest of the province.

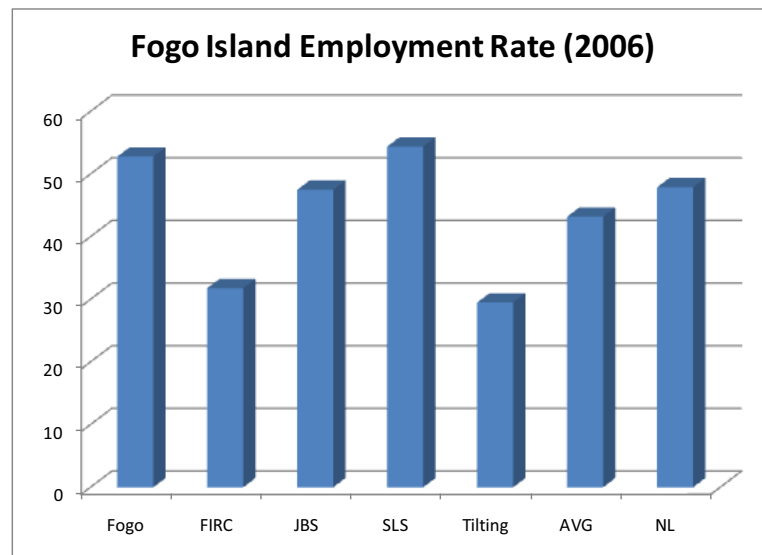
**Figure 10 - School Enrolment VS Fogo Island Population (1991-2009)<sup>4</sup>**



The primary industry of Fogo Island is the fishery and fishery processing, and combined are the largest source of employment for island residents. In addition to the fishery and fishery processing, health care, education, tourism and service industries comprise the remainder of employers on the island.

<sup>4</sup> Source: 2006 Census, Statistics Canada / School Enrolment Statistics

**Figure 11 - Employment Rate<sup>5</sup>**



## **B) Local Government Structure**

### Present Structure

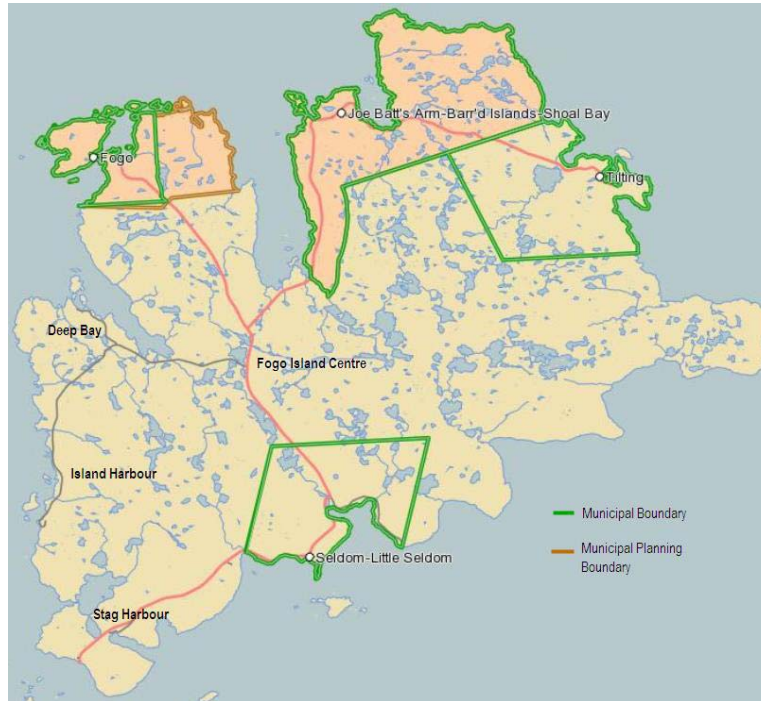
The citizens of Fogo Island are well acquainted with the concept of municipal government, and, with five active municipal governments, might give the impression that it is over-governed, given the population of 2,706, according to the 2006 Census. Currently, Fogo Island is governed by five incorporated municipal councils as follows: the Town of Fogo, Fogo Island Regional Council, Town of Joe Batt's Arm-Barr'd Islands-Shoal Bay, Town of Seldom-Little Seldom and the Town of Tilting. Each municipality has 7 elected council members, for a total of 35 municipal council members for a population of 2,706 people. The various town councils on Fogo Island appoint representative members to the Fogo Island Regional Council as follows: two members each from Fogo, and Joe Batt's-Arm Barr'd Islands-Shoal Bay, one from Tilting and Seldom-Little Seldom, and one elected member from each of the former local improvement districts of Stag Harbour, Deep Bay and Island Harbour. Mayors and councillors of all municipalities are voted into office at the time of the provincial municipal elections. Subsequently from the membership of each council, representatives are chosen to serve (with elected representatives from the former local improvement districts) on the Fogo Island Regional Council. The mayors and deputy mayors of all councils are selected internally by each council.

All areas on the island fall within the jurisdiction of one of the five municipalities. As shown in the figure below, each of the Town of Fogo,

<sup>5</sup> Source: 2006 Census, Statistics Canada

Joe Batt's Arm-Barr'd Islands-Shoal Bay, Seldom-Little Seldom and Tilting have designated municipal boundaries. The remainder of the island that is not included in these four boundaries fall under the jurisdiction of the Fogo Island Regional Council.

**Figure 12 - Municipal Boundaries**



The Fogo Island Regional Council was formed to regulate land use for areas outside the boundaries of the various municipalities on Fogo Island. Fogo Island Regional Council also assumed responsibility for issues that are Island-wide in scope; such as, garbage disposal, the operations of the stadium, transportation issues related to the provincial ferry service. In addition the Fogo Island Regional Council is responsible for the governance of the former local improvement districts. The Fogo Island Regional Council is not a typical municipal council in that it has no authority to levy and enforce taxes on the incorporated areas of the Island. Each Town is assessed for garbage collection and the administration and maintenance of the stadium. When disputes arise, some Towns refuse to pay all or a portion of their assessments, leaving the Fogo Island Regional Council in a difficult financial position.

Each of the municipal governing bodies is funded by grants from the provincial government and taxes levied on residents and businesses. The Fogo Island Regional Council levies taxes on residents and businesses within its boundary and receives grants from the provincial government, plus fees charged to each municipality to offset costs of maintaining

Island-wide services such as garbage disposal and the operation of the stadium.

Each of the councils is assisted in the administration of its business by some paid staff. A common feature of each council is a town clerk-manager who is either engaged on permanent full or part-time basis. This means the employment of five full-time equivalent staff to undertake administrative functions performed by two staff personnel in municipalities the size of the population of the whole of Fogo Island. There are other ancillary staff persons or contracted services to care for road maintenance, snow clearing, water and sewer issues, and other areas of concern regarding daily operations.

### Fire Departments

Each of the municipalities (with the exception of the Fogo Island Regional Council) has its own volunteer fire department. Until recently, each of the former local improvement districts (Deep Bay-Fogo Island Centre, Island Harbour and Stag Harbour) had its own volunteer fire department. The fire department in Deep Bay has folded due to insufficient numbers of volunteer fire fighters, and its fire protection is dependant on its neighbours. With a growing trend to place more island-wide facilities like the school, hospital, stadium, and the RCMP, in the centre of the island, the need for a well-coordinated regional fire and life safety program is long overdue. All fire departments on Fogo Islands are feeling the effects of a decreasing volunteer base that makes recruitment and retention difficult.

There is no formalized agreement to provide a coordinated fire protection service for the whole of Fogo Island, although a spirit of co-operation exists among fire departments in response to emergencies or when a fire is beyond the resources of a single fire department. There is no system of inter-departmental communication among the various fire departments. Duplication of expensive equipment is a concern because no centralized inventory of equipment exists. It is also noteworthy that some expensive pieces of equipment like the "jaws of life" are maintained through a collaborative approach among the various fire departments. The fundamental advantages of a coordinated service are appreciated and understood. There remains the need for a coordinating agency, like a single municipal council, to oversee the development of a modern regional fire department.

### Summary

In summary, the present system of municipal government on Fogo Island requires large amounts of duplication in resources and human energy to maintain the status quo. According to our financial analysis, the status quo is not financially sustainable. The presence of five municipal offices

reinforces to citizens features that divide and contribute to community rivalries that serve as barriers to addressing the realities of sustaining services to a declining and aging population.

### C) Infrastructure

Currently there is a varying level of municipal infrastructure on Fogo Island. Efforts to collect municipal inventories of tangible capital assets yielded 3 / 5 documents. It should be noted that the asset inventories that have been received contain some miscalculations in determining the valuation for each municipality's tangible capital assets. A review and correction of these inventories will enable council to properly prioritize infrastructure needs and planning.

These inventories identify municipal tangible capital assets such as roads, water infrastructure, sewer infrastructure, buildings and heavy equipment. These inventories also include a current value of these assets, and replacement value, which is useful in estimating the cost to replace roads and / or road segments, or upgrading water infrastructure. The overall infrastructure of the combined municipalities of Fogo Island is illustrated as follows.

A summary of Fixed Assets as reported in audited financial statements is available in the following table:

**Table 3 - Summary of Fixed Assets**

2008 Property and Equipment	Fogo Island		Joe Batt's Arm -	Seldom -		Total
	Fogo	Regional Council	Barr'd Islands - Shoal Bay	Little Seldom	Tilting	
Buildings	772,844	383,704	421,509	709,334	131,345	2,418,736
Equipment	129,521	32,443	31,276	53,397	51,738	298,375
Roads and improvements	960,587	0	325,263	32,422	68,157	1,386,429
Water and sewer	9,417,047	0	6,724,433	6,334,795	5,255,646	27,731,921
Incinerator	6,219	0	9,585	0	0	15,804
Land	4,038	0	22,946	2,163	320	29,467
Recreation facilities	42,429	0	16,352	11,637	82,207	152,625
Fire equipment	0	148,768	224,530	95,859	36,863	506,020
Fencing and signs	0	0	0	0	15,195	15,195
Vehicles	668,148	0	158,673	75,640	0	902,461
Stadium	0	1,950,673	0	0	0	1,950,673
Trailways and parks	811,957	0	0	0	0	811,957
	<u>12,812,790</u>	<u>2,515,588</u>	<u>7,934,567</u>	<u>7,315,247</u>	<u>5,641,471</u>	<u>36,219,663</u>

It was also apparent through an additional survey identifying municipal properties, that there are a significant number of properties that do not yield any direct financial benefit to municipalities. It is also apparent from received asset inventories that some infrastructure has exhausted its useful life, and includes some fire protection equipment, buildings and roads.



The impact of this finding means that there will be a need to improve, upgrade or even replace some of these assets in the future.

#### D) Municipal Servicing

There are varying levels of municipal services across all five municipal jurisdictions on Fogo Island. However, there does exist a core level of services that are provided in each of the existing municipal jurisdictions.

Municipal servicing is available as follows:

**Table 4 - Municipal Services**

Municipal Service	F	FRC	JBS	SLS	T	Shared
Animal Control	X					
Animal Licensing					X	
Environmental / Recycling Program						
Fire Protection	X	X	X	X	X	
Garbage Collection	X	X	X	X	X	
Municipal Police / Enforcement						
Recreational Facilities (Playgrounds, trails, etc.)	X	X	X	X	X	
Stadium						X
Road Maintenance	X		X	X		
Sewer / Wastewater Collection	X		X	X	X	
Signs	X					
Snow Clearing	X		X	X		
Water	X		X	X	X	
Dump Site						X

On an island that is comprised of approximately 100 square kilometres, it is apparent that there is significant potential for at least combining resources to share the financial burden of providing this volume of services, and eliminating duplication among a total population of approximately 2,706.

There is a great deal of inequality among the services that are provided also. If you consider road maintenance and snow clearing specifically, Fogo is fully responsible for road maintenance and snow clearing on all roads within its municipal jurisdiction. On the other hand, Joe Batt's Arm-Barr'd Islands-Shoal Bay and Seldom-Little Seldom are responsible for only a small portion of road maintenance and snow clearing within their respective municipal jurisdictions. Tilting and Fogo Island Regional Council are not responsible for any road maintenance or snow clearing within their respective jurisdictions.

It is important to note that the Provincial Department of Transportation and Works are making efforts to eliminate current road maintenance and snow clearing responsibilities from areas that fall within municipal jurisdictions. It is these efforts that resulted in the Town of Fogo taking on full responsibility for all such activities a number of years ago. However, the resulting balance of provincial government services provided to residents of Fogo Island have meant that residents of the Town of Fogo are 100% responsible to pay for their own road maintenance and snow clearing, while taxpayers in the remaining four municipal jurisdictions on the island are only responsible for a small portion of the cost, or no costs associated with road upkeep and clearing.

Water and sewer are also currently fully available in only two municipalities on the Island, Fogo and Tilting. Seldom-Little Seldom and Joe Batt's Arm-Barr'd Islands-Shoal Bay have only partial water and sewer available to their residents and the Fogo Island Regional Council currently has no municipal water and sewer available to their residents. Where these services are unavailable, residents are responsible for their own water and septic systems and all maintenance costs associated with them. The ability to service the existing water and sewer infrastructure has been recognized by all Fogo Island municipalities as a sharable municipal service. It has become increasingly difficult to attain and retain the right personnel with the necessary skills to perform testing and chlorination system adjustments, as well as regular maintenance of the various systems.

### Fire Protection

All municipalities are responsible for the provision of Fire Protection services to taxpayers. Currently all municipalities are providing fire protection services through volunteer fire departments, and a volunteer fire department exists in each of the following communities:

Volunteer Fire Department	No Dedicated Fire Protection
Town of Fogo Fogo Island Regional Council <ul style="list-style-type: none"> <li>• Island Harbour</li> <li>• Stag Harbour</li> </ul> Town of Joe Batt's Arm-Barr'd Islands-Shoal Bay Town of Seldom-Little Seldom Town of Tilting	Fogo Island Regional Council <ul style="list-style-type: none"> <li>• Deep Bay</li> </ul>

Garbage collection is provided by each municipality and the dump site is shared between all five municipalities on the island. Collection is provided in each municipality either as a service that is contracted out to a private operator or is completed by a municipal public works department.

Recreational programs are operated by municipalities, and the stadium is operated by a separate committee who makes all decisions regarding the operation of the stadium will little input from the municipal councils and residents represented by the Fogo Island Regional Council. The fact that this facility is operated separately from the municipalities who are paying for its maintenance and operation presents considerable concerns related to the capacity of the Fogo Island Regional Council to maintain efficient operations and ensure that the facility is being utilized to meet the needs of the island as a whole.

## **E) Local Government Administration**

### Administration

The day-to-day administration of the five municipalities is carried out by paid staff and through contracted services agreements. Each council office is staffed, either on a full-time or a part-time basis by a clerk-manager, mandated to carry out a multitude of daily tasks required for the maintenance of expected services in each municipality. These personnel carry out similar duties in all five offices. At a glance, one sees much duplication of effort and resources just to maintain the status quo. There are no possibilities for expanding the personnel expertise base to attend to issues and concerns that require careful attention in any of the current municipal operations.

### Road Maintenance and Snow Clearing

Road maintenance and snow clearing are performed through a patchwork of agreements. Within the boundaries of the Town of Fogo, all road maintenance and snow clearing duties are performed by the Town. In Joe Batt's Arm-Barr'd Islands-Shoal Bay the Department of Transportation and Works does all road maintenance and snow clearing on the main highway through the municipality, and the Town maintains these services to side roads. In Seldom-Little Seldom, the Department of Transportation and Services snow clears and provides road maintenance for the main highway, but the municipality assumes responsibility for road maintenance and snow clearing in Little Seldom and side roads. The Department of Transportation and Works maintains and snow clears all roads in Island Harbour, Deep Bay, Stag Harbour and Tilting.

### Water and Sewer/Garbage Disposal

Water and sewer services are provided as follows: all of the town of Fogo has full water and sewer services; Seldom (excluding Little Seldom) has full water and sewer service; Joe Batt's Arm-Barr'd Islands-Shoal Bay has water and sewer services in parts of the municipality; the municipality of Tilting has full water and sewer service; the areas served by the Fogo

Island Regional Council does not have any water and sewer services. Maintenance on water and sewer infrastructure is either carried out by municipal workers or through contracted service agreements. It should be pointed out that the whole of Fogo Island has a centralized garbage service provided through the Fogo Island Regional Council.

### Centralized Services

There is a single all-grade school containing the Public Library located in the Centre of the Island. The hospital and police station are also located centrally. The stadium is located centrally and serves the whole Island. Of late, the United Church and one diocese of the Anglican Church have consolidated several smaller church buildings by constructing larger buildings in the central area of the Island.

### Collaboration

A healthy function of the governance and administration of any municipality is characterized by the ability to forge working and collaborative relationships with stakeholders. Collaboration with stakeholders that have mandates designed to enhance the cultural, social, and economic life of the whole of Fogo Island sometimes requires vision and a willingness to “think outside the box”. This became critical for Fogo Island given its heavy reliance on the fishery, an industry that has a history of plenty and scarcity. This situation was effectively rationalized by the formation of the Fogo island Co-operative Ltd. in the 1960’s to serve “the community of Fogo Island”. Recently, the Shorefast Foundation has become an active partner with federal and provincial agencies to develop the unique culture of Fogo Island into an economic asset for the whole Island. The success of this initiative requires the collaboration of a strong amalgamated council.

## **F) Financial Synopsis**

Residents and councils alike have a great sense of pride in their municipal governments, and the services that are available in each municipality. This was quite evident in the initial public consultations that were held, though it was also sensed that there was great concern with the impact of continuing population decline and aging of the established population. With consideration to ongoing demographic trends, it is evident that all municipalities are feeling the impact of declining or fluctuating tax bases, and increasing costs to providing and maintaining services.

Rates in each of the municipalities are fairly similar. The most varied rate is that of Business Tax, and this category is broken down differently between each municipality. The following table illustrates the tax rates for each municipality and the average rates for all Fogo Island municipalities.

**Table 5 - Average Municipal Tax Rates (2009)**

	Fogo	Fogo Island Regional Council	Joe Batt's Arm-Barr'd Islands-Shoal Bay	Seldom-Little Seldom	Tilting	average
Property tax mill rate	9.50	n/a	10.00	10.00	10.30	9.95
Property tax minimum rate	\$ 325	n/a	\$ 400	\$ 350	\$ 345	\$ 355
Business tax	varies	0.005%	varies	varies	varies	varies
Utility tax rate	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Poll tax rate	\$ 325	\$ 220	\$ 250	\$ 300	\$ 285	\$ 276
Water and sewer tax rate	\$ 420	n/a	\$ 430	\$ 420	\$ 420	\$ 423
Water only or Sewer only tax rate	\$ 210	n/a	\$ 240	\$ 210	\$ 228	\$ 222

It is evident that the “status quo,” that is, the current municipal government structure organized into five independent municipalities is not working, and hasn’t functioned efficiently in at least the three years that were analyzed during the study process. Despite the fact that all five councils are putting forth a balanced budget for each ensuing year, at year’s end each municipality demonstrates that it is unable to achieve financially balanced municipal operations. The following table illustrates a Surplus (Deficit) Analysis that was completed using audited financial statements from all five municipalities on Fogo Island. Please note that financial data for the Fogo Island Regional Council was extrapolated from 2007 audited financial statements and 2008 budgets as the most recent statements were not prepared at the time this analysis was completed.

**Table 6 - Surplus (Deficit) Analysis (2006 - 2008)**

	Fogo	Fogo Island Regional Council	Joe Batt's Arm-Barr'd Islands-Shoal Bay	Seldom-Little Seldom	Tilting	Total
Balance, December 31, 2005	20,501	(23,872)	162,046	70,355	36,863	265,893
Net surplus (deficit) for 2006	(12,206)	(8,503)	(40,571)	7,781	(20,650)	(74,149)
Net surplus (deficit) for 2007	(8,342)	(28,186)	(12,653)	(17,033)	6,495	(59,719)
Net surplus (deficit) for 2008	(185,914)	(44,300)	(29,512)	(45,369)	(14,648)	(319,743)
Balance, December 31, 2008	(185,961)	(104,861)	79,310	15,734	8,060	(187,718)
total deficits for 2006 - 2008	(206,462)	(80,989)	(82,736)	(54,621)	(28,803)	(453,611)

It is evident that the Fogo Island Regional Council, organized and incorporated to establish and operate shared facilities such as the stadium, and dump site is not operating as per the original intention. Some municipalities are withholding payment to the Fogo Island Regional Council as a result of disputes with collaborative initiatives, which has had

and continues to have a direct impact on the Fogo Island Regional Council's ability to meet its financial obligations. Some significant disputed balances owed by the Town of Fogo are not being recorded as payable amounts by the Town of Fogo, meaning that this amount is not being considered in the financial statements of this municipality, but are still being recorded as collectible receivables for the Fogo Island Regional Council. This has resulted in the Fogo Island Regional Council's inability to make regular loan payments since December 2001. Some Municipal Operating Grants due to the Fogo Island Regional Council have been intercepted by the Newfoundland Municipal Finance Corporation as a means of paying down outstanding debt, and it now finds itself in arrears in the amount of \$153,405 at the end of 2008. This amount included \$28,600 in late fees being charged to the Fogo Island Regional Council by the Newfoundland Municipal Finance Corporation because of this arrears. Other councils, while still in a surplus position, have experienced significant erosion of these surpluses as yearly operating deficits have required these municipalities to dig into cash reserves and/or overdrafts to cover operating costs, including the cost of providing services to its residents.

All municipalities that have water and sewer are currently running operating deficits, which means that they are not collecting sufficient water and sewer tax to cover the cost of both paying the debt associated with implementing this infrastructure and maintaining the service. The deficit left by insufficient water and sewer tax revenues is currently being covered by other municipal revenues, such as property tax, business tax and other municipal revenues, and surpluses. The impact of declining municipal revenues has created a situation whereby the water and sewer shortfall is resulting in operating deficits, as outlined in the following table.

**Table 7 - Water & Sewer Analysis**

	2008 WS operating costs	WS loan payments	WS operating costs + loan payments	2008 WS tax	WS shortfall
Fogo	45,400	296,917	342,317	196,808	(145,509)
Regional Council	0	0	0	0	0
Joe Batts Arm	21,027	111,864	132,891	80,185	(52,706)
Seldom	34,534	98,652	133,186	109,039	(24,147)
Tilting	18,433	40,680	59,113	53,784	(5,329)
	<u>119,394</u>	<u>548,113</u>	<u>667,507</u>	<u>439,816</u>	<u>(227,691)</u>

Another significant contributor to the current financial situation of Fogo Island municipalities is the collection of municipal taxes. At the end of 2008, there was \$384,000 in regular tax revenues owed to the collective five municipal governments by residents and businesses on the island.

This represents 27% of the combined annual revenue of the Towns of Fogo, Joe Batt's Arm-Barr'd Islands-Shoal Bay, Seldom-Little Seldom, Tilting and the Fogo Island Regional Council. Of this amount, \$151,000 has been determined by councils to be doubtful, meaning they do not expect to receive 39% of outstanding receivables.

Outstanding loans on Fogo Island at the end of 2008 were a combined \$10,195,082. In 1999 and 2000, the Towns of Joe Batt's Arm-Barr'd Islands-Shoal Bay, Seldom-Little Seldom and Tilting obtained debt relief from the Department of Municipal Affairs totalling \$783,863, which helped to reduce the overall debt at that point in time. Because of their financial position at this time, the Town of Fogo was ineligible for debt relief. The Town of Fogo also qualified for multi-year projects, which were available on a 50/50 sharing basis and took this opportunity to complete their water and sewer for the entirety of the municipality.

**Table 8 - Long Term Debt**

	Fogo	Fogo Island Regional Council	Joe Batt's Arm-Barr'd Islands-Shoal Bay	Seldom-Little Seldom	Tilting	Total
Total outstanding loans	4,706,485	183,822	2,186,396	2,188,225	930,154	10,195,082
Government share	1,973,561	2,417	988,813	1,528,165	685,771	5,178,727
Town share	2,732,924	181,405	1,197,583	660,060	244,383	5,016,355

The cost to municipalities to service, or pay annual debt charges was \$572,749. With combined 2008 revenues and municipal operating grants totalling \$1,417,749, the ratio of annual debt payments to annual revenues, also called a debt service ratio was a collective 40.4%. This amount is much higher than the provincial standard for debt service ratio which is 30%. This means that the combined debt payments of Fogo Island municipalities exceed the provincial standard by approximately \$150,000. This debt service ratio does not consider any other projects that are planned, and the resulting impact of new debt from new projects would in turn further increase the debt service ratio.

**Table 9 - Debt Service Ratio**

2008 Debt Service Ratio	Fogo Island		Joe Batt's Arm -	Seldom -		Total
	Fogo	Regional Council	Barr'd Islands - Shoal Bay	Little Seldom	Tilting	
town portion of annual loan payments per audited financial statements	312,838	24,000	105,420	90,234	40,257	572,749
local revenues						
- taxes and other local revenues	476,366	87,000	306,433	267,461	117,113	1,254,373
- municipal operating grants	54,456	17,000	45,037	29,206	17,679	163,378
	530,822	104,000	351,470	296,667	134,792	1,417,751
% of revenues needed for loan payments	58.93%	23.08%	29.99%	30.42%	29.87%	40.40%

### G) Public Acceptance

During the initial public consultations, it was apparent that there is a tremendous amount of competition between all Fogo Island communities in the efforts undertaken by each individual council to develop their communities. The most significant link between all communities on the island is the existence of the Fogo Island Cooperative Society, a fishing and fish processing cooperative established in 1967 as a response to attempts by the Government at that time to resettle residents of the island. Although the cooperative currently operates in three of the communities, and employs residents from all communities the direct tax benefits are only realized by those communities in which the business actually operates. Despite this, the Cooperative is one of the most significant and binding economic initiatives that has been established by the island's people. It defines the role of Fogo Island people within the province's rich history in the fishery, and reinforces their stand as a steadfast, strong and resourceful people who come together on matters of survival – that is survival of the Island's heritage and sustaining its future.

There appears to be a great deal of distrust of residents in leaving the decisions of the island in its entirety to someone from "another community" even communities on the island. The island has a history of conflict within the confines of its ocean boundary, as communities have sought and fought to obtain or retain initiatives which contribute to their respective economic well being. In the process, this practice has only strengthened the competition between communities, and the resistance to abandon a way of life that has long been nurtured by the generations that precede them.

The general feeling of feedback obtained from the initial series of public consultations only reinforced to the consultant team the prevalence of competition and distrust. Many comments demonstrated the perception that any sort of amalgamation would be a disservice to the communities



on the island, and result in reduced quality of services and community identity.

A low turnout of residents (approximately 5% of the population) also indicates that there is little interest in the ongoing study process, and resulting impact on local governance on Fogo Island. The initial consultation was scheduled to engage the community of Fogo Island and collect information that would give the consultant team some insight into the feelings, opinions and perception of residents of the situation that Fogo Island’s communities are currently facing. The resulting turnout of 5% of the island’s population was, unfortunately, quite disappointing, a sentiment that was reflected by municipal councils and administrators in each of the communities that were visited. An invitation was made for submission of written and oral presentations and with only two formal submissions received, it is difficult to gauge the public acceptance of any proposed change in current local governance structure.

**H) SWOT**

The following SWOT analysis identifies the Strengths, Weaknesses and Opportunities and Threats that the Community of Fogo Island face considering the current situation and consideration of one municipal council for the island. This analysis will summarize the strengths, weaknesses, opportunities and threats that were identified during the data collection and analysis process.

	Positive	Negative
	Strengths	Weaknesses
Internal	<ul style="list-style-type: none"> <li>• A history of community collaboration</li> <li>• A demonstrated capacity to overcome challenges and prosper as an island community</li> <li>• A strong identity of residents not only to the communities in which they live, but to Fogo Island as a whole</li> <li>• A wealth of diverse skills, expertise and knowledge that complements each other and strengthens the capacity for economic development potential on the island</li> </ul>	<ul style="list-style-type: none"> <li>• A history of competition and rivalry between communities</li> <li>• A history of non-cooperation on some island wide issues and initiatives (i.e. stadium, Fogo Island Regional Council)</li> <li>• Lack of sufficient resources to provide efficient local government and services</li> <li>• A history of competition and rivalry between communities</li> <li>• A history of non-cooperation on some island wide issues and initiatives (i.e. stadium, Fogo Island Regional Council)</li> <li>•</li> </ul>

	Opportunities	Threats
External	<ul style="list-style-type: none"> <li>• A prime opportunity to form one municipal council to address and overcome significant threats to the survival of five independent municipalities</li> <li>• A prime opportunity to use the amalgamation process to alleviate financial pressures and establish a modern, model local government structure that will poise Fogo Island for a sustainable future based on cooperation between well established communities</li> </ul>	<ul style="list-style-type: none"> <li>• An increasing age demographic nearing or in retirement age and a decreasing age demographic of youth and new entrants to the workforce</li> <li>• A declining population means reduced sources of municipal revenue, but also increased tax burden for existing residents</li> </ul>

#### 4) COMPARATIVE ANALYSIS

What exists now is not a functioning unit for Fogo Island. But how is Fogo Island to grow as a unified community, rather than a patchwork of independent and competing parts? There are a number of measures that will facilitate the implementation of a sustainable plan to achieve this unification. These measures will enhance and leverage the identities and resources of each individual community and form a local governance structure that will protect and preserve these identities. The individual communities will be able to unite and work together under one governing body to advance longer term efforts to establish sustainability, increase economic development potential and most of all establish overall efficiency and cost effectiveness to achieve these objectives.

The following comparative analysis considered various scenarios, but the financial impact of all other alternatives was determined to be unacceptable, with some tax increases estimated at 100% to cover costs associated with declining population and increasing costs. It will be very difficult if any of the five municipalities decide not to amalgamate, due to the geography of Fogo Island. It presents a natural boundary for a region that has a long history of cooperation.

***Overall, it is recommended that an amalgamated council be formed to establish local governance and municipal representation for all five of the existing municipal governments on the island. The municipal boundary would also consist of all adjacent boundaries as they exist today.***

##### A) Demographic / Socio-Economic Profile

The demographic / socio-economic profile presented earlier in this document presents some key indicators for the current age, education and income of island residents, and some of the historic trends associated with these indicators. The key to overcoming the challenges that are presented by the current situation is to plan for the future demographic, social and economic trends that will undoubtedly be faced by the island's municipal governance body. With a smaller and continuously shrinking municipal tax base it will be necessary to pool resources to collaborate, cooperate and share the burden of paying for infrastructure that is implemented and services that are provided to resident of Fogo Island.

As you will see, the current population of Fogo Island is not able to sustain municipal operations without drastic changes to the current local government structure. Based on the financial analysis completed at the outset of this feasibility study, it has been found that continuing declines of the island's demographic indicators in the future will have a critical impact on the ability of the combined community financial capacity to continue to deliver services and improve infrastructure in a sustainable manner.

As referenced in the Situational Analysis, the impact of population decline has a number of trickle down impacts, summarized as follows:

- Reduced sources of municipal tax revenue
- Increased tax burden on existing population
- Decreased volunteer capacity to operate organizations such as municipal government and fire departments
- Reduced population typically results in less economic activity, thus resulting in lower economic output, contributing to further population decline and economic decline

If the youngest of island residents continue to leave and do not return, the impact will be significant. A survey completed during the course of this study with high school students yielded some eye-opening indicators of the intentions of students after completion of high school, and their anticipated future on Fogo Island. Of the 62 surveys that were completed, 60 (97%) of the respondents from Grades 10, 11 and 12 indicated that they would leave the island to pursue post-secondary training and education. 15 (24%) of the respondents indicated that they would not return after completion of education / training, and 36 (58%) indicated that they did not know if they would return. The top four reasons why respondents would not return to the island are as follows:

- Limited employment opportunities (49/62 respondents @ 80%)
- Limited services (30/62 respondents @ 44%)
- Uncertainty of future viability of Island (27/62 respondents @ 44%)
- Lack of social facilities/programs (26/62 respondents @ 43%)

It is the diversity of a community's workforce and economic development capacity which sets the stage for long term economic growth and development. Without an influx or at least retention of young, skilled workers the capacity for long term, sustainable economic development is hindered as current workers age and gradually exit the workforce. Without a coordinated strategy for sustainable economic development specifically for Fogo Island it will be next to impossible to affect some real change, real progress in building on its island wide economic achievements and building a rural regional economy that is healthy, prosperous and sustainable.

## **B) Local Government Structure**

### Introduction

Amalgamation of governance and administration is a concept well understood on Fogo Island. The Fogo Island Regional Council was formed to address some common issues of concern to all of Fogo Island. It oversees the operations of a stadium, the collection and disposal of garbage, and participates in the development of transportation policies. There are other examples of the establishing of single structures to replace systems comprising many component parts. One that comes to mind is the Fogo Island Co-operative Society Limited. Because of this effort, established in the 1960's, many benefits and economic gains have accrued to the whole of Fogo Island. Through the avoidance of duplication and pursuing diversification of efforts, many diversified skills have evolved dealing with the harvesting, processing and marketing of many species of fish. This was something unheard of under the old system whereby many separate fishing enterprises, all in pursuit of a single species, guarded small enterprises that could not compete in the modern world. Likewise one can look upon the establishment of a single school complex starting in the 1970's and completed in the 1980's that replaced a system of small school units located at various communities throughout the Island. The Fogo Island School Complex with its centralized library, modern laboratories, gymnasias, and modern equipment, is an institution of learning well recognized across the province.

### Governing Principles

The creation of a modern amalgamated governance structure requires vision and determination to pool resources, avoid duplication and offer hope for the future of the community. The principles envisioned in this report for an amalgamated council are as follows:

- Fair taxation for all residents based on the levels of service provided.
- Fair representations on a single council that is able to speak for all residents.
- Fair distribution of the economic benefits accrued from development to all residents.
- Provision of modern fire and life safety services to all residents.
- Maintaining appropriate and acceptable level of debt servicing on infrastructure, especially water and sewer facilities.
- Elimination of duplicated services and channelling resources to employment of resources and personnel to avail of government programs and economic development.

- Development of programs and services to enable all residents to view Fogo Island as one community with several distinctive community features identified in the various communities.

### Meetings

As a general rule, councils meet monthly, except in cases of emergencies where special meetings are arranged. All council meetings are opened to the public. This is the practice of all councils in the present municipalities, and it is anticipated that a similar policy will apply to an amalgamated council.

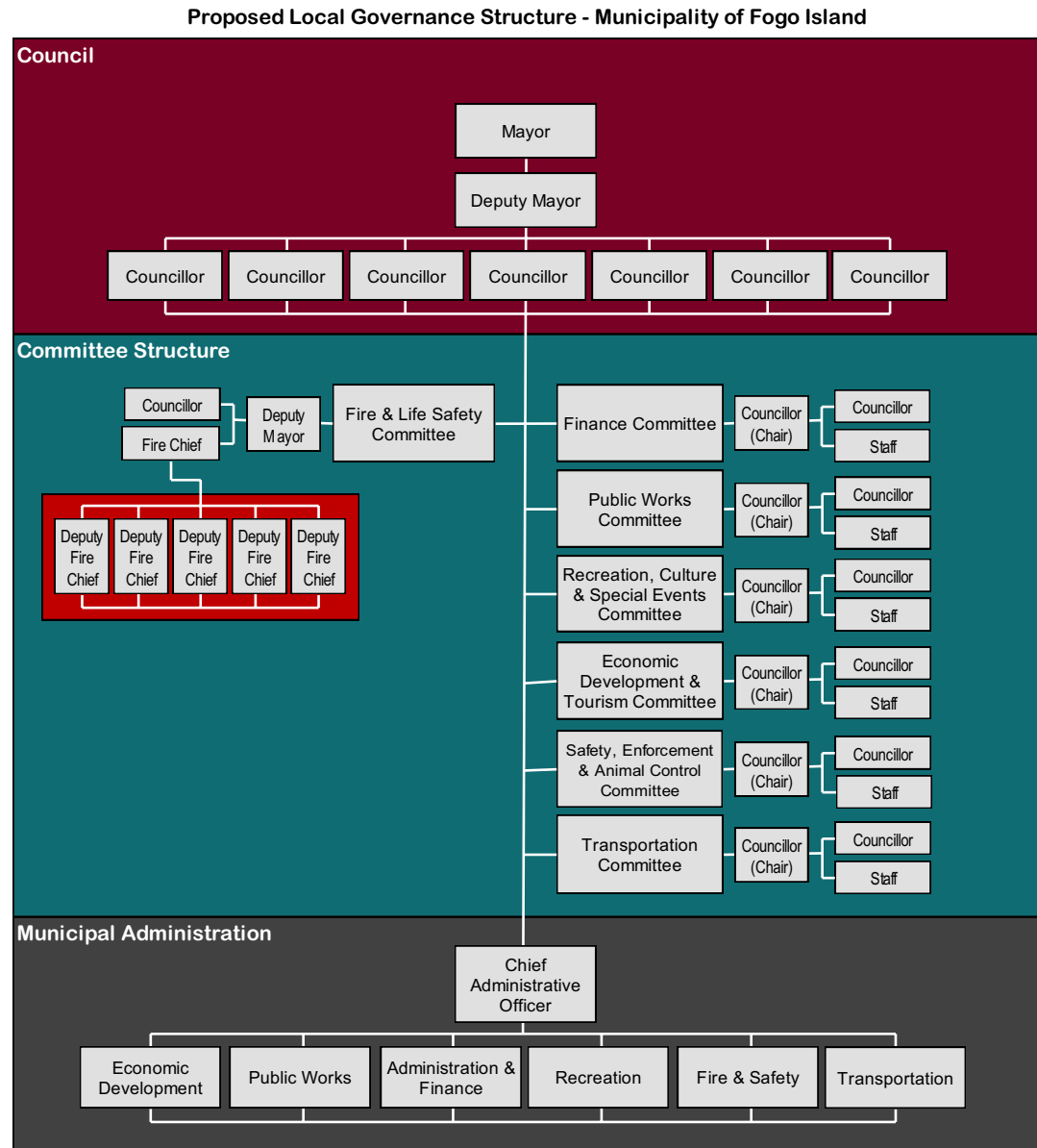
### Structure

People have a right of access to their elected representatives and to the council. Given the fact that an amalgamated council will serve a much larger population and geographic area than any of the present municipalities, representation on council must be fair and offer residents free access to members and the council as a whole.

- The council be comprised of 9 members with an established quorum of 5 members
- The council may have advisory standing and ad-hoc committees to enable issues to be researched with recommendations presented to the whole council. Each committee reports through an elected councillor to council monthly. Terms of reference be developed and approved by council for each committee.
- Each committee shall comprise 2 elected councillors, one of whom shall be chair and reports to council. Each committee shall have management representatives and other resource persons who do not vote. The Mayor is an ex-officio non-voting member of each committee.
- The Fire and Life Safety Committee is the liaison with the volunteer regional fire service. The Deputy Mayor will chair the Fire and Life Safety committee, which will consist of him / herself, a councillor and the Municipal Fire Chief.

The proposed structure of the governance and administration for the amalgamated council is shown in the following chart:

**Figure 13 - Proposed Local Governance Structure**



In keeping with the principle of fair representation for all residents of Fogo Island, we strongly recommend that the new amalgamated council should comprise 9 members, with 5 being a quorum. The elected representatives should be elected in proportion to the population of the various communities on Fogo Island. Communities with 100-500 residents would be represented by one councillor; while communities having a population exceeding 500 residents shall elect two councillors. Representation should be as follows:

Joe Batts Arm-Barr'd Islands-Shoal Bay	2 Councillors
Fogo	2 Councillors
Seldom-Little Seldom	1 Councillor
Tilting	1 Councillor
Deep Bay-Centre of the Island	1 Councillor
Stag Harbour	1 Councillor
Island Harbour	1 Councillor
Total	9 Councillors

After a municipal election, the councillors shall select one of their members to be mayor and one to be the deputy mayor.

***It is recommended that:***

- ***Fogo Island establish an amalgamated council with representatives as follows: two each from the current municipalities of Fogo, and Joe Batt's Arm-Shoal Bay-Barr'd Islands, one each from the current municipalities of Seldom-Little Seldom and Tilting, and one each from the communities of Deep Bay (including Centre of Island), Island Harbour and Stag Harbour. A quorum of five councillors shall be established. . A mayor and deputy mayor shall be selected by elected councillors***
- ***Amalgamated council shall appoint committees as required to advise itself on the various functions of local government and administration. All councillors are to serve on at least one standing committee of council.***

**Fire Department**

The provision of a functioning fire and life safety service is clearly within the mandate of a municipal council. Over the years, volunteer fire departments have been established to provide independent services in each of the municipalities on Fogo Island, and these fire brigades continue to provide professional services. Clearly, within the new amalgamated council structure, a volunteer fire department is envisioned. However, an amalgamated council must serve all the residents of Fogo Island, and so a new model that incorporates existing fire departments must be considered. We feel strongly that the new amalgamated council should enter into negotiations with the provincial government with the view of eventually establishing a regionalized fire service for all of Fogo Island. It is envisioned that the new fire service will coordinate all available fire protection resources and facilities on Fogo Island. Suitable training resources and facilities should also be implemented to facilitate training requirements for the regional fire service.



It is anticipated that the establishment of a regionalized fire and safety service will take time. In the meantime, immediate steps should be taken to rationalize the present services, utilizing the present infrastructure and volunteer staff. It is felt that the change over to a completely regionalized service will take 3-5 years.

### Phase I

Leading up to amalgamation of the existing municipal councils, a committee should be formed consisting of the chiefs of the present fire departments. This committee will begin preparations to regionalize the fire service in conjunction with the Office of the Fire Commissioner. Council should move quickly to recruit a regional fire chief who will serve on the Fire and Life Safety Committee, and report to the amalgamated council. This person must have experience and training in organizational management and have training/education in the most recent techniques required in providing a comprehensive fire and safety programs. The Regional Fire chief should receive some level of remuneration in recognition of the leadership responsibility in the co-ordination and establishment of the new fire service. The current fire chiefs will serve as deputy chiefs and members of this committee. Initially, The current fire departments should remain intact by utilizing the present equipment and staff. The regionalization process will require an opportunity for discussion and review with Municipal Affairs the Office of the Fire Commissioner to establish fire protection services that meet fire protection standards. This is essential in order to provide appropriate response time in the event of emergencies. We envision that the volunteer members of the various fire departments will remain.

### Phase II

A major role of the new chief will be oversight of planning and implementation of a new regional fire service and to rationalize the equipment and other resources required to implement a regionalized service, keeping in mind appropriate response times to the more distant communities. The regional fire chief, with the assistance of members of the Fire and Life Safety Committee, will assume a leadership role in recommending policies and procedures on fire prevention, life safety and enhanced skills to the amalgamated council.

#### ***It is recommended that:***

- ***Amalgamated council shall appoint a Fire and Life Safety Committee consisting of current fire chiefs on Fogo Island.***
- ***Amalgamated council shall appoint a regional fire chief to serve all Fogo Island. The Deputy Mayor shall chair the Fire and Life***

***Safety Committee. The Regional Fire Chief shall also serve on this committee***

- ***Council enter into discussions with provincial authorities with the view of establishing a regional fire service to serve all of Fogo Island.***

**Centralized Administration**

Ready access to the administrative offices and the council chambers are essential if residents are to meet with municipal officials or the mayor and councillors in the normal business of the new municipality. In order to provide this freedom of access, the building and council chambers must be centrally located and physically accessible to persons of all stages of mobility. Office space must be able to provide for the safeguarding of confidentiality. Also there must be adequate office and operational space for workers. The optimum arrangement would be the establishment of a new municipal building to house all services in a single building located in the area adjacent to the stadium.

We envision the new amalgamated council having several employees who require a modern office space. The new council will need an expanded workforce to properly administer all the services required of a municipality that is attempting to provide enhanced services not currently offered by any of the existing councils. A modern office building, with space provided to house the maintenance and some storage of equipment required for public works, fire department and other functions of council and council chambers is required. The current municipal buildings are not adequate to consolidate all the services of larger council operations. In the interim, arrangements could be made to utilize some existing structures for aspects of the operations. This is not ideal, but it would afford the new council time to work out arrangements to have a new municipal building erected.

***It is recommended that the amalgamated council shall appoint committees as required to advise itself on the various functions of local government and administration. All councillors are to serve on at least one standing committee of council.***

**C) Infrastructure**

A number of infrastructure projects are either ongoing or planned at the outset of this study, and these projects, specifically water and sewer expansions in the Town of Joe Batt's Arm-Barr'd Islands-Shoal Bay and the Town of Seldom-Little Seldom should remain a priority since it serves to implement these services based on need of taxpayers and suitability. Additional capital projects in areas such as Deep Bay, Island Harbour and

Stag Harbour that have been identified and approved should also continue according to need and suitability. Additional projects are also necessary to facilitate the implementation of an efficient, objective and balanced amalgamated municipal council.

To serve the Community of Fogo Island, a central municipal office facility should be established and should be the first capital project to be undertaken. This project will enable the newly amalgamated council to establish operations in a region that is central to the majority of taxpayers. Because residents, for the most part, traverse from one end of the island to the other for various purposes, the Fogo Island Centre serves as a hub for virtually all economic, social, education and health activities and operations on the island. This location will provide the most accessibility to taxpayers, and will serve as the headquarters for not only municipal administration, but for daily coordination of all municipal operating units and services, including economic development, public works, water and sewer, recreation and waste management.

Planned water and sewer projects should continue within the parameters of the debt service ratio of 30%. Future projects in the Communities of Deep Bay, Island Harbour and Stag Harbour should be considered once there is debt capacity to do so.

***Council establish a central municipal office facility to house municipal administration. It is also recommended that planned water and sewer projects, and any other identified and approved capital projects proceed within the parameters of a debt service ratio of 30%, and that future infrastructure projects be considered once there is debt capacity to do so.***

Following the regionalization of Fire Protection and Life Safety, a system consisting of a regional fire station and satellite stations will be established in conjunction with the Office of the Fire Commissioner.

***It is further recommended that new capital projects associated with the regionalization of Fire Protection and Life Safety be determined between the municipal Fire Chief and the Office of the Fire Commissioner.***

It appears that the five municipalities maintain a total of 27 buildings and structures. It appears that some of these facilities are generating insufficient revenue to support their maintenance. It will be necessary to evaluate the need and use of these facilities to determine their purpose and benefit to municipal operations with an eye to improving operational efficiencies.

***Lastly, it is recommended that council evaluate the need and use of some 27 buildings and structures with an eye to improving operational efficiencies.***

#### **D) Municipal Servicing**

For the most part, municipal services that are available on Fogo Island are necessary services, including road maintenance, snowclearing, water and sewer and related maintenance, as well as fire protection, garbage collection and recreational programming.

Current inequity in the provision of road maintenance and snowclearing will present its own set of challenges to establish this service under an amalgamated council. It will be necessary to implement a road maintenance and snowclearing service that alleviates the current unbalance in the responsibility of the municipality, the province, or a combination of both. It will be essential to provide this service with consideration to road upgrading requirements, and an established snowclearing route that places priority on roads based on modern resource planning best practices.

A cost-sharing job position to test water and coordinate water and sewer infrastructure maintenance was already an initiative being discussed and seriously considered at the outset of this study. The very fact that this initiative was already being considered only reinforces the potential that an amalgamated council has in improving operating efficiencies and sharing resources to improve services. The availability of water and sewer services should be expanded as it becomes feasible as discussed further in this Report. There are a number of physical constraints that must be considered in the expansion of this service, including the geology of the region and the challenges that this presents in locating and accessing a suitable source of potable water, as well as installation of water and sewer infrastructure. Ultimately, it will be near impossible to feasibly establish shared water and sewer infrastructure across the entire island. The maintenance and improvement of existing infrastructure will very likely have to remain as is, with new services being implemented as they are determined to be feasible and suitable by the amalgamated council. However the delivery and maintenance of these services, and expanded services have a capacity to greatly improve efficiency and quality through coordination by a single body, such as an amalgamated council.

Fire Protection in Newfoundland and Labrador is the backbone of many communities, and plays a major role in preserving community identity. It engages the community in fundraising activities, and social activities. For the most part Fire Departments are operated independently from municipal operations, but in recent years the operations of Fire Departments have been drawn back into some municipal operations. This is due to the legislated responsibility of municipalities to provide fire

protection services and the responsibility to effectively manage related expenditures. While the existing volunteer run Fire Departments on Fogo Island should be highly commended for their continued volunteer involvement and support of their local Fire Departments, Regional Fire Protection services should be organized and coordinated by one individual, a regional fire chief. Regional Fire Protection and Life Safety services will be reorganized by the fire chief in conjunction with the Department of Municipal Affairs and the Office of the Fire Commissioner.

***Under the previously recommended Fire and Life Safety Committee, it is recommended that the Fire Chief shall assume responsibility for co-ordination of fire and safety resources of all Fogo Island.***

Recreational programs coordinated by an amalgamated council will be operated more efficiently and in a more equitable manner to the residents of Fogo Island. Delivery of such programming through an amalgamated council will provide municipal staff with an opportunity to implement the same recreational programs for all residents and will provide an opportunity to utilize all recreational assets, including the stadium in an efficient manner. Management of the stadium in particular, now operated by a separate committee should be operated by the amalgamated municipality. This will enable municipal staff and council to effectively monitor recreational programs and their delivery and facilitate cost control measures to improve efficiency and the quality of service for all Fogo Island residents.

Garbage collection is a service that must be maintained as it exists at this time. However, under an amalgamated council there will have to be a cost-benefit analysis completed to determine the financial implications of maintaining a municipally operated garbage collection service, or if contracting out of this service will be a more viable option. Operation of the dump site is already shared via the Fogo Island Regional Council at this time, however bringing it under the authority of one single amalgamated council will improve operating efficiencies with the ability to better coordinate garbage pickup with dump site operations. With a new regional waste management strategy coming into effect in the next few years, it will also be beneficial to engage this organization and relevant provincial government departments to establish waste management operations that fit within the new modern regional waste management strategy.

***It is recommended that an amalgamated council be formed and establish objective planning resources and capacities to implement municipal servicing due to need and suitability.***

## E) Local Government Administration

During the consultation phase of our work, we interviewed the town clerks and councillors of all municipalities. One of the complaints we frequently heard was that the scope and amount of the work required to operate the municipality far exceeded the time and expertise of any single worker. There were tasks and projects that could enhance the operation that required time and effort that were not available to the single town worker. It was evident also that each town clerk was duplicating the work of the others just to maintain the status quo. When viewing the structure of the amalgamated council operations, it soon becomes evident that the scope of work to be coordinated by an amalgamated council is far broader than the resources of any of the existing councils could attempt. The scope of work to be undertaken by the new council administration was progressive and sought to go beyond the status quo. The avoidance of duplication of services, wise use of existing resources, planning and the streamlining of personnel expertise are issues that will require the attention of a trained administrator and the council very early in the mandate of the first council.

A properly functioning municipal council must have adequate administrative and managerial support staff. The office needs: a trained town manager, clerks, economic development, recreation, workers in areas like road maintenance and snow clearing, garbage disposal, and the safe operation of the water and sewer services.

**Table 10 - Local Government Administration**

	Town Manager	Town Clerk / Manager	Assistant Town Clerk
Fogo	X		X
Fogo Island Regional Council		X	
Joe Batt's Arm-Barr'd Islands-Shoal Bay		X	
Seldom-Little Seldom		X	
Tilting		X	

### Roads Maintenance and Snow Clearing

Currently, there are different arrangements being utilized to maintain roads and clear snow as shown by this chart:

**Table 11 - Road Maintenance & Snow Clearing**

	Municipal Responsibility	Provincial Responsibility	Combination Province + Municipality
Fogo	X		
Fogo Island Regional Council		X	
Joe Batt's Arm-Barr'd Islands-Shoal Bay			X
Seldom-Little Seldom			X
Tilting		X	

This spread of arrangements to maintain roads and clear snow is a source of confusion and is not fully understood by residents. This patchwork of road maintenance and snow clearing arrangements is brought about because the Department of Transportation and Works has been negotiating with town councils for them to assume responsibility for these services. As a result of this policy initiative, some councils have assumed responsibility for all or some of the road maintenance and snow clearing, while the smaller towns are totally reliant on the Department of Transportation and Works. The various arrangements can distort the financial picture of some municipalities. It appears most unfair that some residents are bearing the burden of snow removal and road maintenance while others pay nothing for these services. An amalgamated council that speaks for all of Fogo Island should be in a position to negotiate a better arrangement for road maintenance and snow removal that appears fair for all residents.

***It is recommended that amalgamated council enter into discussions with the Department of Transportation and Works to rationalize road maintenance and snow clearing for all Fogo Island.***

Water , Sewage and Garbage Disposal

The provision of water and sewer services is the one area that consumes large chunks of resources and time by present town councils. The quality assurance of water and safe disposal of sewage require constant supervision and maintenance. This expertise does not exist in any municipality on Fogo Island mainly because the individual municipalities are unable to fund trained staff; a single council, through the elimination of duplicated efforts in administration, should be able to attract and support staff personnel whose responsibility would be solely undertake this vital service.

One of the greatest inequalities that exist on Fogo Island is the provision of safe water and sewage disposal. The provision of safe water and the

disposal of waste for all residents should become a priority of the new council. The following chart shows the distribution of these services in all municipalities:

**Table 12 - Water and Sewer Services**

	100% W/S	Partial W/S	No W/S
Fogo	X		
Fogo Island Regional Council			X
Joe Batt's Arm-Barr'd Islands-Shoal Bay		X	
Seldom-Little Seldom		X	
Tilting	X		

It is most noteworthy that there is a centralized garbage collection and disposal in operation for all of Fogo Island, and this service is provided through the Fogo Island Regional Council. This service falls within the mandate of an amalgamated council. Plans are progressing to have this service integrated with the regional garbage disposal. Each municipality bears its share of the cost of this service.

***It is recommended that the amalgamated council establish a qualified water and sewer maintenance service to ensure a proper preventative maintenance program is in place on current water and sewer infrastructure and to make plans for the provision of water and sewer services to all of Fogo Island.***

### Amalgamation

One of the distinctive features of an amalgamated council that differentiates it from the existing municipal structures is that this council will speak with an authoritative single voice for all residents of Fogo Island. This is a much stronger position than a collaborative model where positions are weak because of the uncertainty of who supports a stand and how unequivocal the position really is. This is the inherent weakness of the present Fogo Island Regional Council structure. The ability and authority to speak for all residents is crucial in dealing collaboratively with agencies and organizations that require support to initiate Island-wide initiatives. The Shorefast Foundation is a most recent development that requires a Fogo Island response and not one based on whether its development will favour one area or town, thus raising a whole series of arguments based on community rivalries, traditional competition and jealousies.

The new council is envisioned as one that has a strong economic development strategy. Fogo Island has strong potential in tourism that



could serve as a good addition to the traditional economic base in the fisheries, a base that is well organized and is operating efficiently for the benefit of all people of Fogo Island. Fogo Island requires a signature tourism industry that shows it as an attraction with many features from the historic to the most modern. There are other initiatives that could be pursued if an economic development initiative became attached to the amalgamated council, as envisioned in the governance structure outlined above.

During our discussions with officials on Fogo Island, we heard frustration from the various town offices that there exists many government programs and initiatives, but time and expertise are required to develop proposals and oversee the successful completion of various projects. We view these initiatives as being a component of a successful economic development department that has expertise dedicated to its enhancement.

Recreational programs and facilities to meet the needs of residents of all ages are needed. This is especially the case for an aging population that now forms a larger portion of Fogo Island's population profile. It is indeed commendable that the residents of the Island have, acquired a modern stadium to serve all residents. This facility is operated by a recreation committee that reports to the Fogo Island Regional Council. This committee can easily merge into an expanded recreation department reporting to the amalgamated council that oversees the development of all recreational programs and services. Thus the operation and fulfillment of committee responsibilities would become a function of an amalgamated council.

Transportation services that connect Fogo Island to the mainland are vital to the daily life and the future development of the Island. Transportation affects all residents, and the Fogo Island Regional Council has worked diligently with the residents and the Department of Transportation and Works to enable that service to respond to the changing needs of residents. The Department of Transportation and Works also provides road maintenance and snow removal from most roads on Fogo Island. On-going discussions will be required to ensure that services rendered by that Department are responding to the economic and social life of all residents and business activities. Again, the Fogo Island Regional Council has worked diligently on transportation issues, especially as they relate to ferry services, and this concept can be further explored and developed by an amalgamated council.

The accomplishments of some town councils to acquire and operate modern water and sewer services are indeed commendable. The provision of good and safe water and sewage disposal require constant maintenance and supervision. There have arisen issues with water and sewage service in other jurisdictions of Canada, and in all cases

preventative maintenance could have prevented some serious incidents from occurring. The various councils on Fogo Island continue to expand water and sewer services, and this policy must be continued with an amalgamated council until all residents are served with safe water and sewage disposal. The maintenance and servicing of these costly infrastructures require the services of expertise in personnel and equipment. The provision of these services to all residents of Fogo Island is viewed as part of the mandate of the public works division of the amalgamated council.

Repeatedly, officials have raised the issue of animal control. The need for consistent animal control regulations and enforcement has been raised, but no real efforts have been made to properly control animals on Fogo Island. The concern is that each town council, of its own initiative, does not have the resources to develop and enforce animal regulations. An amalgamated council should be in a better position to enforce animal control regulations.

### Summary

We sense that many residents and councillors feel that an amalgamated council is the way of the future and the best avenue to ensure the viability of the Island given the declining and aging population. The debate revolves around how to best achieve amalgamation. There have been many efforts made to arrive at a collaborative model that comprises councils working together. Some view the formation of the Fogo Island Regional Council as a first step in the amalgamation process. The reality is that the Fogo Island Regional Council is another layer of municipal government that depends on the voluntary cooperation and participation of all municipal councils to make it viable. The Fogo Island Regional Council, in reality, is another municipal council that governs the former local improvement districts and performs Island-wide services in garbage collection, operations of the stadium, and speaking on issues related to the ferry services that connect Fogo Island to the mainland.

An amalgamated council is characterized as one that is elected by the residents of Fogo Island to represent the welfare of all Fogo Islanders. This council would have the authority to levy and collect taxes and use the combined resources to leverage resources to further develop the Island. The location of fish plants, tourist infrastructure and other economic developments will not benefit one town or area, but tax revenue generated will be a Fogo Island resource. A Fogo Island-wide focus will eliminate much of the emotional and prolonged debate so much in evidence by community rivalries and age-old animosities that consume so much time and energy.

An amalgamated council should eliminate much of the duplication of services currently performed by five councils. Efficiency of operations should generate savings that can be utilized to provide municipal services required but not currently delivered by the five smaller municipal operations. The status quo is not an option. The financial analysis reveals that in order to remain viable, the current municipalities face three grim realities: (1) reduce services, or (2) increase taxes, or (3) a combination of reduced services and a substantial increase in taxes.

## **F) Financial Synopsis**

A set of financial projections were prepared during the course of completing the comparative analysis. The financial model that established to support these financial projections were used to conduct initial assessments on a number of possible scenarios. This exercise clearly indicated that the only viable option is the amalgamation of all five municipalities on Fogo Island. A copy of these projected financial statements are available in Appendix "C."

While tax rates are relatively consistent between municipalities at this time, it will be important for an amalgamated council to analyze and implement a suitable rate structure for the island. One of the most significant considerations in establishing a rate structure, is that no one single community on Fogo Island will benefit from residential property improvements, business operations and other revenue sources. Rather, the entire community of Fogo Island will benefit from all activity on the island.

For example, business, and water and sewer tax from the Fogo Island Co-operative Society operations in the community of Seldom-Little Seldom will be collected by an amalgamated council and will be utilized for the betterment of residents of the entirety of Fogo Island. Revenues to be generated from a new luxury inn in the community of Joe Batt's Arm will be collected by an amalgamated council and benefit all residents of Fogo Island.

It will be critical to establish rates that will generate sufficient revenue to cover the true cost associated with delivering, maintaining and improving municipal services. By ensuring that water and sewer operations are fully covered by water and sewer taxes it will ensure that residents using these services are paying for it and that residents who do not have water and sewer will not be burdened with paying for a service that they do not have. The resulting impact on an amalgamated municipality's financial capacity to sustain its operations will eliminate reliance on other sources of revenues to cover these costs. If in the case of water and sewer tax, all municipalities were to remain as five separate municipalities, the water and sewer tax rate would have to increase by a collective 52%, with an

individual increases as low as 10%, but as high as 74% for individual municipalities.

**Table 13 - Status Quo Water Sewer Increases**

	% increase of WS taxes required	current WS taxes	required WS taxes to cover WS costs
Fogo	74%	420	731
Regional Council	0	0	0
Joe Batts Arm	66%	430	713
Seldom	22%	420	513
Tilting	10%	420	462
	<u>52%</u>		

Assuming that amalgamated council can negotiate an appropriate level of water and sewer debt servicing, then the following rate structure should be considered on an ongoing basis and is based on the average rates for the five established municipalities on Fogo Island:

**Table 14 – Proposed Rate Structure**

Property Tax	10 mil
Minimum Property Tax	\$350 - \$375
Business Tax	Varies
Utility Tax Rate	2.5%
Poll Tax Rate	\$275 - \$300
Water and Sewer Tax Rate	\$425 - \$450
Water Only or Sewer Only Tax Rate	\$215 - \$225

The business tax rate across all five existing municipalities is quite complex with approximately 18 business tax categories. This rate structure should be evaluated and streamlined to simplify business tax calculation and establish a fair and equitable basis on which to levy and collect business tax.

***It is recommended that council establish fair and equitable rates that reflect the true cost of service delivery with consideration to fairness and acceptability by the taxpayer.***

Through the amalgamation process, council may be able to negotiate debt reduction that will facilitate the reduction of true water and sewer costs,

possibly resulting in minimal water and sewer tax increases. Additionally, an amalgamated council will be able to negotiate a fair and equitable arrangement for road maintenance and snow clearing with the provincial Department of Transportation and Works.

***It is recommended that negotiations be initiated with the Department of Municipal Affairs prior to amalgamation to reduce debt load for the amalgamated council. It will be necessary for the amalgamated council to reduce the debt service ratio to a level that will accommodate the implementation of identified priority capital projects over the next five years at the outset of amalgamated municipal operations within the standard of 30%.***

As stated earlier, the combined municipal councils of Fogo Island are not operating in an efficient, effective manner, and their continued operation within the “status quo” is not financially feasible. Recurring annual operating deficits mean that there must be serious consideration given to implementing measures that will facilitate a reduction of operating deficits and deliver municipal services in a financially feasible and efficient manner. There must also be serious consideration given to the impact of these recurring annual deficits and eroding cash reserves as they will present a major challenge to implementing future infrastructure and other capital projects that will be required to sustain and improve municipal services on Fogo Island.

Any new debt associated with infrastructure, or any capital project will have to fit within a debt service ratio of no more than 30% to meet the Provincial standard. New projects may be the planned water and sewer projects in Joe Batt’s Arm-Barr’d Islands-Shoal Bay and Seldom-Little Seldom, as well as other projects with demonstrated need for infrastructure implementation and/or upgrades. There will be a need to establish an office facility for the amalgamated council. There are also identified needs for infrastructure projects in other communities including Deep Bay, Stag Harbour and Island Harbour.

In addition to considering any new capital projects, an amalgamated council will have to start its operations in a deficit position that would require immediate attention.

***It is recommended that negotiations be initiated with the Department of Municipal Affairs prior to amalgamation to reduce beginning operating deficits that will be assumed from the five former municipalities.***

With current outstanding receivables of \$384,000 for the combined municipal councils of Fogo Island, and outstanding receivables of approximately \$100,000 owed to the Fogo Island Regional Council for

shared services and facilities, it is apparent that collections policies are either insubstantial, or not enforced appropriately to ensure that revenues are collected to support the delivery and maintenance of municipal services, as well as local government administration and management requirements. It would be unfair to taxpayers who consistently fulfill their financial obligations to their municipality if tax rates would have to increase to account for those taxpayers who consistently fail to meet theirs.

***It is recommended that an aggressive collection policy be developed and implemented by an amalgamated council to maximize the collection of receivables so that the municipality is able to meet its financial obligations to taxpayers. This policy, established and enforced from an amalgamated municipal council would provide a consistent collections policy and enforce appropriate penalties across the island.***

#### **G) Public Acceptance**

While public acceptance at this time appears to be significantly low, it is important to reflect upon the history of Fogo Island in its efforts to survive. While each community continues to work independently from each other in their own economic and community development initiatives, the most defining moment in recent Fogo Island history was the formation of the Fogo Island Cooperative Society. Regardless of its enormous economic impact on the Island's people, and establishing an industry that was their own, the formation of the Cooperative in 1967 drew the entire island together, crossing community, religious and cultural barriers as a means of surviving attempts to resettle the island's residents. Since that time other initiatives have drawn the community together, though not always willingly.

The amalgamation of the school system, beginning in 1973 with the high school and ending in 1988 with all school levels was, at the time, considered by most to be the worst thing that could ever be done on the Island. But now some 20 years later it is recognized as one of the best things that could have been done for the island's youth, providing them with better infrastructure and educational resources.

The implementation of a stadium on Fogo Island in 1995 meant that all island residents had access to a modern recreational facility that brought the community together to play and grow within the required discipline of participating in organized sports. The facility also brought the community together to engage with each other in sporting and community events and provided a place that was established for everyone.

Recent amalgamations of churches have also occurred to overcome the threat to their financial survival if separate operations were to be maintained in multiple communities. While this was no easy decision,

particularly in a culture that places great importance of the role of religion in the identity and growth of a community, it was based on the need – the need to survive and improve the services provided to parishioners.

For the most part, each amalgamating initiative has always been met initially with great resistance. People think that giving up something they have held onto for so long means giving up a part of their way of life, a part of their culture and heritage. However it is important to recognize the fact that an island society must work together to advance. This very principle is not specific to a small population such as Fogo Island, it is present in all societies, including this very province and this country. The differentiating factor is the size of each jurisdiction – a smaller jurisdiction such as Fogo Island will be impacted by demographic and economic pressures much faster and greater than larger jurisdictions. Whether it is called amalgamation, cooperation, collaboration or any other synonym - at the end of the day the community has to come together to overcome challenges to the survival of the community of Fogo Island. So at the end of the day, if residents of the island do not accept that some sort of island wide collaboration must occur, the ongoing challenges that are being experienced today will only become greater with reduced population, reduced resources and increasing competition among the other communities to advance and sustain themselves.

The communities of Fogo Island are now at yet another crossroads. But what will be the impact of an amalgamation to the existence of each of the communities on Fogo Island? All established communities will still exist as they do today: Fogo, Seldom, Little Seldom, Joe Batt's Arm, Barr'd Island-Shoal Bay, Tilting, Deep Bay, Island Harbour and Stag Harbour. If anything the amalgamation of local governance structures as they exist today will position the resulting council to make these communities stronger as equal parts of a larger and more powerful whole. If you consider previous amalgamations in the province, such as Bay Roberts, or Conception Bay South, the former individual towns are still recognized as independent communities.

***It is recommended that:***

- ***Amalgamated council establish more open communications with residents of Fogo Island in the amalgamation process, and continue this practice once amalgamated operations begin.***
- ***A name be selected that encompasses the identity of the people and the communities of Fogo Island. Based on the results of the study, it is recommended that the amalgamated council be named the "Municipality of Fogo Island."***





## 5) STUDY FINDINGS & RECOMMENDATIONS

Fogo Island now finds itself facing a decision that will have a significant impact on the future sustainability of life on the island. This crossroads is not a new challenge to Fogo Island people, several past collaborative initiatives have been implemented with great success on the Island, including amalgamation of the School, and formation of the Fogo Island Cooperative Society. It is imperative that immediate action be taken to expedite this process as soon as possible.

While one municipality in particular, the Town of Fogo, has shown that it is experiencing significant financial challenges at this time, the financial situation and trends of the other four remaining municipalities indicate that they too will face similar situations if action is not taken. Amalgamation presents a unique opportunity at this time to re-establish a solid financial foundation, and lay the groundwork to implement a truly collaborative, island-wide governance structure that will form a unified voice for Fogo Island and its residents. This governance structure will enable the island to better plan and coordinate the delivery of its services. An amalgamated council will be better positioned to adequately and equitably assess the need and suitability of upgrading, expanding or implementing new infrastructure and capital projects to improve life on Fogo Island.

The geography alone of the island and the fact that there is a natural ocean boundary simplifies the rationale to establish a single municipal council for Fogo Island. Further to this, on an Island community which has only one legal or recognized authority for each of the social and economic components that support Fogo Island's existence, including the Fogo Island Central Academy, the Fogo Island Cooperative Society, Fogo Island Harbour Authority, Fogo Island Development Association, Transportation Committee, Stadium, Waste Site, Ferry System, and the Hospital. It simply does not make sense to have five municipal governments when one can efficiently work with all of these groups and other stakeholders of Fogo Island's future sustainability, to facilitate long term social and economic development.

The resulting recommendations from the feasibility study considering one municipal council for Fogo Island are summarized below:

- ▶ **Overall, it is recommended that an amalgamated council be formed to establish local governance and municipal representation for all five of the existing municipal governments on the island. The municipal boundary would also consist of all adjacent boundaries as they exist today.**

Regarding **Local Government Structure**, it is recommended that:

- ▶ **Fogo Island establish an amalgamated council with representatives as follows: two each from the current municipalities of Fogo, and Joe Batt's Arm-Shoal Bay-Barr'd Islands, one each from the current municipalities of Seldom-Little Seldom and Tilting, and one each from the communities of Deep Bay (including Centre of the Island),**

**Island Harbour and Stag Harbour. A quorum of five councillors shall be established. A mayor and deputy mayor shall be selected by elected councillors.**

- ▶ **Amalgamated council shall appoint committees as required to advise itself on the various functions of local government and administration. All councillors are to serve on at least one standing committee of council**
- ▶ **Amalgamated council shall appoint a Fire and Life Safety Committee consisting of current fire chiefs on Fogo Island.**
- ▶ **Amalgamated council shall appoint a regional fire chief to serve all Fogo Island. The Deputy Mayor shall chair the Fire and Life Safety Committee. The Regional Fire Chief shall also serve on this committee**
- ▶ **Council enter into discussions with provincial authorities with the view of establishing a regional fire service to serve all of Fogo Island.**
- ▶ **Amalgamated council shall appoint committees as required to advise itself on the various functions of local government and administration**

Regarding **Infrastructure**, it is recommended that:

- ▶ **Council establish a central municipal office facility to house municipal administration. It is also recommended that planned water and sewer projects, and any other identified and approved capital projects proceed within the parameters of a debt service ratio of 30%, and that future infrastructure projects be considered once there is debt capacity to do so.**
- ▶ **New capital projects associated with the regionalization of Fire Protection and Life Safety be determined between the municipal Fire Chief and the Office of the Fire Commissioner.**
- ▶ **Council evaluate the need and use of some 27 buildings and structures with an eye to improving operational efficiencies.**

Regarding **Municipal Services**, it is recommended that:

- ▶ **Under the previously recommended Fire and Life Safety Committee, it is recommended that the Fire Chief shall assume responsibility for co-ordination of fire and safety resources of all Fogo Island.**
- ▶ **Amalgamated council be formed and establish objective planning resources and capacities to implement municipal servicing due to need and suitability.**

Regarding **Local Government Administration**, it is recommended that:

- ▶ **Amalgamated council enter into discussions with the Department of Transportation and Works to rationalize road maintenance and snow clearing for all Fogo Island**
- ▶ **Amalgamated council establish a qualified water and sewer maintenance service to ensure a proper preventative maintenance program is in place on current water and sewer infrastructure and to make plans for the provision of water and sewer services to all of Fogo Island.**

Regarding **Financial Implications & Analysis**, it is recommended that:

- ▶ **Council establish fair and equitable rates that reflect the true cost of service delivery with consideration to fairness and acceptability by the taxpayer.**
- ▶ **It is recommended that negotiations be initiated with the Department of Municipal Affairs prior to amalgamation to reduce debt load for the amalgamated council. It will be necessary for the amalgamated council to reduce the debt service ratio to a level that will accommodate the implementation of identified priority capital projects over the next five years at the outset of amalgamated municipal operations within the standard of 30%.**
- ▶ **It is recommended that negotiations be initiated with the Department of Municipal Affairs prior to amalgamation to reduce beginning operating deficits that will be assumed from the five former municipalities.**
- ▶ **An aggressive collection policy be developed and implemented by an amalgamated council to maximize the collection of receivables so that the municipality is able to meet its financial obligations to taxpayers. This policy, established and enforced from an amalgamated municipal council would provide a consistent collections policy and enforce appropriate penalties across the island.**

Regarding **Public Acceptance**, it is recommended that:

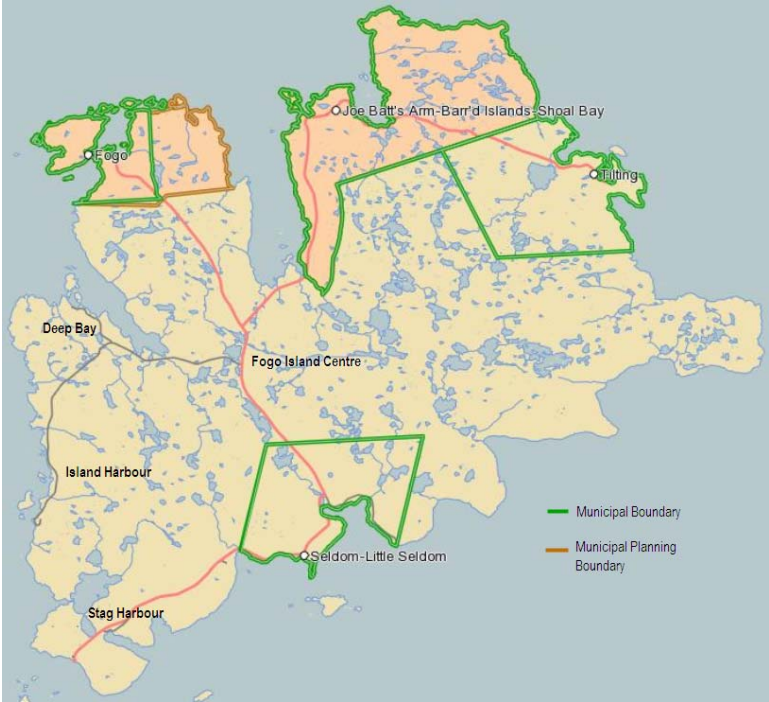
- ▶ **Amalgamated council establish more open communications with residents of Fogo Island in the amalgamation process, and continue this practice once amalgamated operations begin.**
- ▶ **A name be selected that encompasses the identity of the people and the communities of Fogo Island. Based on the results of the study, it is recommended that the amalgamated council be named the "Municipality of Fogo Island."**



**APPENDIX "A"**  
**CURRENT & PROPOSED MUNICIPAL BOUNDARIES**



# Current Municipal Boundaries



# Proposed Municipal Boundary







**APPENDIX "B"**

**COMBINED FINANCIAL STATEMENTS  
(FOR THE YEARS ENDING 2006, 2007, 2008)**



## 2006 Balance Sheet

	Fogo	Fogo Island Regional Council	Joe Batt's Arm - Barr'd Islands - Shoal Bay	Seldom - Little Seldom	Tilting	Total
<b>Assets</b>						
<b>Current</b>						
Cash	14,213	13	44,802	28,974	68,731	156,733
GIC's	213,872	0	0	0	0	213,872
Accounts receivable - taxes	117,891	49,340	132,911	62,694	22,747	385,583
Accounts receivable - interest	88,516	0	0	0	0	88,516
Allowance for doubtful accounts	(15,181)	(6,293)	(19,216)	(29,250)	(8,125)	(78,065)
Accounts receivable - HST / grants	22,510	2,379	57,560	31,001	11,373	124,823
Accounts receivable - cost recoveries	0	86,219	0	0	0	86,219
Accounts receivable - other	21,066	0	0	0	764	21,830
	<u>462,887</u>	<u>131,658</u>	<u>216,057</u>	<u>93,419</u>	<u>95,490</u>	<u>999,511</u>
<b>Capital</b>						
Cash - capital	(1,556)	0	3,678	677	0	2,799
Accounts receivable - capital	0	0	691	0	12,625	13,316
	<u>(1,556)</u>	<u>0</u>	<u>4,369</u>	<u>677</u>	<u>12,625</u>	<u>16,115</u>
<b>Property and Equipment</b>						
Buildings	772,844	383,704	413,698	709,334	131,345	2,410,925
Equipment	129,521	14,443	24,383	50,397	51,738	270,482
Roads and improvements	960,587	0	249,297	32,422	68,157	1,310,463
Water and sewer	9,398,573	0	5,155,579	6,130,898	4,467,834	25,152,884
Incinerator	6,219	0	9,585	0	0	15,804
Land	4,038	0	22,946	2,163	320	29,467
Recreation facilities	42,429	0	16,352	11,637	82,207	152,625
Fire equipment	0	146,098	224,530	95,859	36,863	503,350
Fencing and signs	0	0	0	0	5,195	5,195
Vehicles	633,588	0	156,973	75,640	0	866,201
Stadium	0	1,950,673	0	0	0	1,950,673
Trailways and parks	787,232	0	0	0	0	787,232
	<u>12,735,031</u>	<u>2,494,918</u>	<u>6,273,343</u>	<u>7,108,350</u>	<u>4,843,659</u>	<u>33,455,301</u>
<b>Total Assets</b>	<b><u>13,196,362</u></b>	<b><u>2,626,576</u></b>	<b><u>6,493,769</u></b>	<b><u>7,202,446</u></b>	<b><u>4,951,774</u></b>	<b><u>34,470,927</u></b>
<b>Liabilities</b>						
<b>Current</b>						
Current account overdraft / demand loan	75,000	20,000	0	0	0	95,000
Accounts payable - trade	55,513	34,832	58,066	3,601	64,241	216,253
Accounts payable - WS hook-up fees	0	0	13,700	34,418	0	48,118
Accrued interest payable	0	0	2,644	2,134	13,643	18,421
NMFC arrears payable	0	100,039	0	0	0	100,039
Deferred government grants	2,485	0	32,260	0	14,019	48,764
Current portion of long-term debt	430,934	91,325	255,304	275,055	186,822	1,239,440
	<u>563,932</u>	<u>246,196</u>	<u>361,974</u>	<u>315,208</u>	<u>278,725</u>	<u>1,766,035</u>
<b>Capital</b>						
Accounts payable - capital	0	0	7,705	303,327	10,824	321,856
<b>Long-term debt</b>						
NMFC	5,160,280	88,567	1,991,982	2,380,868	910,724	10,532,421
CIBC - gov't portion	1,044,052	179,892	1,225,554	2,002,489	959,095	5,411,082
CIBC - town portion	1,539,393	0	0	0	0	1,539,393
	<u>3,007,769</u>	<u>0</u>	<u>1,021,732</u>	<u>653,434</u>	<u>138,451</u>	<u>4,821,386</u>
<b>Total Liabilities</b>	<b><u>5,724,212</u></b>	<b><u>334,763</u></b>	<b><u>2,361,661</u></b>	<b><u>2,999,403</u></b>	<b><u>1,200,273</u></b>	<b><u>12,620,312</u></b>
<b>Equity</b>						
Investment in Property and Equipment	7,463,855	2,324,188	4,010,633	4,124,907	3,735,288	21,658,871
Surplus (deficit), beginning	20,501	(23,872)	162,046	70,355	36,863	265,893
Surplus (deficit) for the year	(12,206)	(8,503)	(40,571)	7,781	(20,650)	(74,149)
Surplus (deficit), end of the year	8,295	(32,375)	121,475	78,136	16,213	191,744
<b>Total Equity</b>	<b><u>7,472,150</u></b>	<b><u>2,291,813</u></b>	<b><u>4,132,108</u></b>	<b><u>4,203,043</u></b>	<b><u>3,751,501</u></b>	<b><u>21,850,615</u></b>
<b>Total Liabilities + Equity</b>	<b><u>13,196,362</u></b>	<b><u>2,626,576</u></b>	<b><u>6,493,769</u></b>	<b><u>7,202,446</u></b>	<b><u>4,951,774</u></b>	<b><u>34,470,927</u></b>

2007 Balance Sheet	Fogo Island		Joe Batt's Arm -		Tilting	Total
	Fogo	Regional Council	Barr'd Islands - Shoal Bay	Seldom - Little Seldom		
<b>Assets</b>						
<b>Current</b>						
Cash	34,677	100	58,864	10,882	53,115	157,638
GIC's	164,455	0	0	0	0	164,455
Accounts receivable - taxes	158,306	52,011	132,341	108,456	16,714	467,828
Accounts receivable - interest	74,833	0	0	0	0	74,833
Allowance for doubtful accounts	(32,391)	(7,065)	(18,285)	(39,319)	(2,997)	(100,057)
Accounts receivable - HST / grants	5,560	2,076	5,128	10,544	30,552	53,860
Accounts receivable - cost recoveries	0	101,576	0	0	0	101,576
Accounts receivable - other	2,432	0	0	0	0	2,432
	<u>407,872</u>	<u>148,698</u>	<u>178,048</u>	<u>90,563</u>	<u>97,384</u>	<u>922,565</u>
<b>Capital</b>						
Cash - capital	8,186	0	3,738	732	0	12,656
Accounts receivable - capital	0	0	0	0	14,048	14,048
	<u>8,186</u>	<u>0</u>	<u>3,738</u>	<u>732</u>	<u>14,048</u>	<u>26,704</u>
<b>Property and Equipment</b>						
Buildings	772,844	383,704	414,534	709,334	131,345	2,411,761
Equipment	129,521	14,443	31,276	50,397	51,738	277,375
Roads and improvements	960,587	0	300,857	32,422	68,157	1,362,023
Water and sewer	9,398,573	0	5,220,784	6,289,713	5,255,646	26,164,716
Incinerator	6,219	0	9,585	0	0	15,804
Land	4,038	0	22,946	2,163	320	29,467
Recreation facilities	42,429	0	16,352	11,637	82,207	152,625
Fire equipment	0	148,768	224,530	95,859	36,863	506,020
Fencing and signs	0	0	0	0	15,195	15,195
Vehicles	633,588	0	158,673	75,640	0	867,901
Stadium	0	1,950,673	0	0	0	1,950,673
Trailways and parks	787,232	0	0	0	0	787,232
	<u>12,735,031</u>	<u>2,497,588</u>	<u>6,399,537</u>	<u>7,267,165</u>	<u>5,641,471</u>	<u>34,540,792</u>
<b>Total Assets</b>	<b><u>13,151,089</u></b>	<b><u>2,646,286</u></b>	<b><u>6,581,323</u></b>	<b><u>7,358,460</u></b>	<b><u>5,752,903</u></b>	<b><u>35,490,061</u></b>
<b>Liabilities</b>						
<b>Current</b>						
Current account overdraft / demand loan	75,000	51,277	0	0	0	126,277
Accounts payable - trade	14,441	27,005	17,864	3,422	12,556	75,288
Accounts payable - WS hook-up fees	0	0	13,700	34,418	0	48,118
Accrued interest payable	0	0	3,615	3,691	15,482	22,788
NMFC arrears payable	0	121,817	0	0	0	121,817
Deferred government grants	6,625	0	42,924	26,367	23,285	99,201
Current portion of long-term debt	432,466	57,266	149,592	262,112	192,975	1,094,411
	<u>528,532</u>	<u>257,365</u>	<u>227,695</u>	<u>330,010</u>	<u>244,298</u>	<u>1,587,900</u>
<b>Capital</b>						
Accounts payable - capital	0	0	65,208	36,353	0	101,561
<b>Long-term debt</b>						
NMFC	4,719,143	30,417	1,813,165	2,172,216	963,264	9,698,205
CIBC - gov't portion	854,674	87,683	1,094,024	1,775,412	813,244	4,625,037
CIBC - town portion	1,419,665	0	0	0	0	1,419,665
	2,877,270	0	868,733	658,916	342,995	4,747,914
<b>Total Liabilities</b>	<b><u>5,247,675</u></b>	<b><u>287,782</u></b>	<b><u>2,106,068</u></b>	<b><u>2,538,579</u></b>	<b><u>1,207,562</u></b>	<b><u>11,387,666</u></b>
<b>Equity</b>						
Investment in Property and Equipment	7,903,461	2,419,065	4,366,433	4,758,778	4,522,633	23,970,370
Surplus (deficit), beginning	8,295	(32,375)	121,475	78,136	16,213	191,744
Surplus (deficit) for the year	(8,342)	(28,186)	(12,653)	(17,033)	6,495	(59,719)
Surplus (deficit), end of the year	(47)	(60,561)	108,822	61,103	22,708	132,025
<b>Total Equity</b>	<b><u>7,903,414</u></b>	<b><u>2,358,504</u></b>	<b><u>4,475,255</u></b>	<b><u>4,819,881</u></b>	<b><u>4,545,341</u></b>	<b><u>24,102,395</u></b>
<b>Total Liabilities + Equity</b>	<b><u>13,151,089</u></b>	<b><u>2,646,286</u></b>	<b><u>6,581,323</u></b>	<b><u>7,358,460</u></b>	<b><u>5,752,903</u></b>	<b><u>35,490,061</u></b>

2008 Balance Sheet	Fogo Island Regional Council	Joe Batt's Arm - Barr'd Islands - Shoal Bay	Seldom - Little Seldom	Tilting	Total	
<b>Assets</b>						
<b>Current</b>						
Cash	49,094	100	72,276	18,833	34,448	174,751
GIC's	117,783	0	0	0	0	117,783
Accounts receivable - taxes	81,835	54,000	115,507	56,643	13,913	321,898
Accounts receivable - interest	62,264	0	0	0	0	62,264
Allowance for doubtful accounts	(89,669)	(8,000)	(19,483)	(29,243)	(5,058)	(151,453)
Accounts receivable - HST / grants	8,230	2,000	17,344	15,897	22,778	66,249
Accounts receivable - cost recoveries	0	101,790	0	0	0	101,790
Accounts receivable - other	2,652	0	0	0	0	2,652
	<u>232,189</u>	<u>149,890</u>	<u>185,644</u>	<u>62,130</u>	<u>66,081</u>	<u>695,934</u>
<b>Capital</b>						
Cash - capital	16,805	0	47,232	24,910	0	88,947
Accounts receivable - capital	0	0	50,092	0	0	50,092
	<u>16,805</u>	<u>0</u>	<u>97,324</u>	<u>24,910</u>	<u>0</u>	<u>139,039</u>
<b>Property and Equipment</b>						
Buildings	772,844	383,704	421,509	709,334	131,345	2,418,736
Equipment	129,521	32,443	31,276	53,397	51,738	298,375
Roads and improvements	960,587	0	325,263	32,422	68,157	1,386,429
Water and sewer	9,417,047	0	6,724,433	6,334,795	5,255,646	27,731,921
Incinerator	6,219	0	9,585	0	0	15,804
Land	4,038	0	22,946	2,163	320	29,467
Recreation facilities	42,429	0	16,352	11,637	82,207	152,625
Fire equipment	0	148,768	224,530	95,859	36,863	506,020
Fencing and signs	0	0	0	0	15,195	15,195
Vehicles	668,148	0	158,673	75,640	0	902,461
Stadium	0	1,950,673	0	0	0	1,950,673
Trailways and parks	811,957	0	0	0	0	811,957
	<u>12,812,790</u>	<u>2,515,588</u>	<u>7,934,567</u>	<u>7,315,247</u>	<u>5,641,471</u>	<u>36,219,663</u>
<b>Total Assets</b>	<b><u>13,061,784</u></b>	<b><u>2,665,478</u></b>	<b><u>8,217,535</u></b>	<b><u>7,402,287</u></b>	<b><u>5,707,552</u></b>	<b><u>37,054,636</u></b>
<b>Liabilities</b>						
<b>Current</b>						
Current account overdraft / demand loan	0	0	0	0	0	0
Accounts payable - trade	23,561	92,186	20,682	11,962	18,904	167,295
Accounts payable - WS hook-up fees	0	0	13,700	34,418	0	48,118
Accrued interest payable	0	0	2,978	3,425	0	6,403
NMFC arrears payable	0	153,405	0	0	0	153,405
Deferred government grants	91,355	0	37,033	32,918	42,197	203,503
Current portion of long-term debt	402,835	15,792	166,596	275,267	133,850	994,340
	<u>517,751</u>	<u>261,383</u>	<u>240,989</u>	<u>357,990</u>	<u>194,951</u>	<u>1,573,064</u>
<b>Capital</b>						
Accounts payable - capital	0	0	101,242	16,336	0	117,578
<b>Long-term debt</b>	<u>4,303,650</u>	<u>14,625</u>	<u>2,019,800</u>	<u>1,912,958</u>	<u>796,304</u>	<u>9,047,337</u>
NMFC	680,443	30,417	988,813	1,528,165	685,771	3,913,609
CIBC - gov't portion	1,293,118	0	0	0	0	1,293,118
CIBC - town portion	2,732,924	0	1,197,583	660,060	244,383	4,834,950
<b>Total Liabilities</b>	<b><u>4,821,401</u></b>	<b><u>276,008</u></b>	<b><u>2,362,031</u></b>	<b><u>2,287,284</u></b>	<b><u>991,255</u></b>	<b><u>10,737,979</u></b>
<b>Equity</b>						
Investment in Property and Equipment	8,426,344	2,494,331	5,776,194	5,099,269	4,708,237	26,504,375
Surplus (deficit), beginning	(47)	(60,561)	108,822	61,103	22,708	132,025
Surplus (deficit) for the year	(185,914)	(44,300)	(29,512)	(45,369)	(14,648)	(319,743)
Surplus (deficit), end of the year	(185,961)	(104,861)	79,310	15,734	8,060	(187,718)
<b>Total Equity</b>	<b><u>8,240,383</u></b>	<b><u>2,389,470</u></b>	<b><u>5,855,504</u></b>	<b><u>5,115,003</u></b>	<b><u>4,716,297</u></b>	<b><u>26,316,657</u></b>
<b>Total Liabilities + Equity</b>	<b><u>13,061,784</u></b>	<b><u>2,665,478</u></b>	<b><u>8,217,535</u></b>	<b><u>7,402,287</u></b>	<b><u>5,707,552</u></b>	<b><u>37,054,636</u></b>

2006 Income Statement	Fogo Island Joe Batt's Arm -					Total
	Fogo	Regional Council	Barr'd Islands - Shoal Bay	Seldom - Little Seldom	Tilting	
<b>Revenue</b>						
<b>Taxation</b>						
Property	145,871	0	134,472	73,065	47,025	400,433
Business	150,232	32,721	75,579	100,769	10,640	369,941
Poll	13,165	21,096	2,604	13,000	4,996	54,861
Water and sewer	155,074	0	81,972	51,340	44,839	333,225
Interest	39,815	0	0	0	0	39,815
Garbage fees	0	21,100	0	0	0	21,100
	<u>504,157</u>	<u>74,917</u>	<u>294,627</u>	<u>238,174</u>	<u>107,500</u>	<u>1,219,375</u>
<b>Government Transfers</b>						
Municipal operating grant	54,456	16,588	51,234	22,626	17,679	162,583
Debt charges grants	554,974	71,963	281,590	374,926	217,234	1,500,687
Gas tax and other grants	455,257	72,905	40,399	17,707	47,025	633,293
	<u>1,064,687</u>	<u>161,456</u>	<u>373,223</u>	<u>415,259</u>	<u>281,938</u>	<u>2,296,563</u>
<b>Other</b>						
Rentals	0	12,145	1,790	625	440	15,000
Cost recoveries	0	140,943	0	0	0	140,943
Other	5,373	178	13,060	11,794	2,364	32,769
	<u>5,373</u>	<u>153,266</u>	<u>14,850</u>	<u>12,419</u>	<u>2,804</u>	<u>188,712</u>
<b>Total Revenue</b>	<u>1,574,217</u>	<u>389,639</u>	<u>682,700</u>	<u>665,852</u>	<u>392,242</u>	<u>3,704,650</u>
<b>Expenditure</b>						
<b>General Government</b>						
Council remuneration	3,962	7,112	4,275	5,845	1,350	22,544
Wages and benefits	64,457	53,530	30,573	37,499	19,506	205,565
Travel	6,707	14,737	6,595	5,673	4,141	37,853
Office expense / purchased services	15,357	41,126	19,223	19,698	9,414	104,818
Professional fees	4,076	4,740	2,700	2,916	3,277	17,709
Insurance	15,324	16,257	15,386	11,775	4,208	62,950
Property assessment services	11,735	0	15,615	7,194	5,040	39,584
Other	0	0	3,895	1,907	627	6,429
	<u>121,618</u>	<u>137,502</u>	<u>98,262</u>	<u>92,507</u>	<u>47,563</u>	<u>497,452</u>
<b>Projects</b>						
Project expenses	416,241	24,581	0	11,043	43,370	495,235
<b>Protective Services</b>						
Fire protection	19,492	327	131	11,057	6,917	37,924
Pest control	0	3,953	0	0	0	3,953
	<u>19,492</u>	<u>4,280</u>	<u>131</u>	<u>11,057</u>	<u>6,917</u>	<u>41,877</u>
<b>Transportation Services</b>						
Equipment operating	8,904	1,997	8,830	3,713	0	23,444
Road maintenance - wages	11,649	0	15,307	0	0	26,956
Road maintenance - supplies	4,493	0	25,908	2,922	0	33,323
Snowclearing	12,081	0	2,203	3,074	0	17,358
Street lighting	19,413	13,706	17,090	11,570	6,012	67,791
	<u>56,540</u>	<u>15,703</u>	<u>69,338</u>	<u>21,279</u>	<u>6,012</u>	<u>168,872</u>
<b>Environmental Health</b>						
Water and sewer - wages	3,586	0	7,654	16,494	7,385	35,119
Water and sewer - supplies	35,504	0	9,264	27,307	11,965	84,040
Garbage and waste disposal	23,920	26,290	24,601	20,131	11,928	106,870
	<u>63,010</u>	<u>26,290</u>	<u>41,519</u>	<u>63,932</u>	<u>31,278</u>	<u>226,029</u>
<b>Planning and Development</b>						
Tourism and marketing/economic development	6,793	0	0	0	0	6,793
<b>Fiscal Services</b>						
Debt charges	883,759	109,237	439,142	445,844	268,690	2,146,672
Provision for uncollectible taxes	(9,146)	2,372	2,023	7,082	2,050	4,381
Capital expenditure out of revenue	24,366	33,082	55,843	0	0	113,291
Bank charges and other expense	3,750	2,692	764	1,694	553	9,453
	<u>902,729</u>	<u>147,383</u>	<u>497,772</u>	<u>454,620</u>	<u>271,293</u>	<u>2,273,797</u>
<b>Recreational and Cultural Services</b>						
Recreational and Cultural Services	0	42,403	16,249	3,633	6,459	68,744
<b>Total Expenditure</b>	<u>1,586,423</u>	<u>398,142</u>	<u>723,271</u>	<u>658,071</u>	<u>412,892</u>	<u>3,778,799</u>
Surplus (deficit)	<u>(12,206)</u>	<u>(8,503)</u>	<u>(40,571)</u>	<u>7,781</u>	<u>(20,650)</u>	<u>(74,149)</u>

2007 Income Statement	Fogo Island Joe Batt's Arm -					Total
	Fogo	Regional Council	Barr'd Islands - Shoal Bay	Seldom - Little Seldom	Tilting	
<b>Revenue</b>						
<b>Taxation</b>						
Property	155,437	0	142,099	91,832	48,104	437,472
Business	112,369	27,473	73,135	108,720	9,692	331,389
Poll	14,025	39,711	7,423	11,861	4,446	77,466
Water and sewer	190,033	0	80,597	49,471	57,420	377,521
Interest	44,291	0	0	0	0	44,291
Garbage fees	0	8,974	0	0	0	8,974
	<u>516,155</u>	<u>76,158</u>	<u>303,254</u>	<u>261,884</u>	<u>119,662</u>	<u>1,277,113</u>
<b>Government Transfers</b>						
Municipal operating grant	54,456	16,588	44,994	22,626	17,679	156,343
Debt charges grants	491,135	71,963	214,314	374,926	216,774	1,369,112
Gas tax and other grants	141,863	109,643	10,295	3,156	69,534	334,491
	<u>687,454</u>	<u>198,194</u>	<u>269,603</u>	<u>400,708</u>	<u>303,987</u>	<u>1,859,946</u>
<b>Other</b>						
Rentals	0	670	1,995	255	265	3,185
Cost recoveries	0	107,368	0	0	0	107,368
Other	9,167	272	19,014	23,140	13,200	64,793
	<u>9,167</u>	<u>108,310</u>	<u>21,009</u>	<u>23,395</u>	<u>13,465</u>	<u>175,346</u>
<b>Total Revenue</b>	<u>1,212,776</u>	<u>382,662</u>	<u>593,866</u>	<u>685,987</u>	<u>437,114</u>	<u>3,312,405</u>
<b>Expenditure</b>						
<b>General Government</b>						
Council remuneration	3,979	5,480	4,900	5,600	1,350	21,309
Wages and benefits	59,764	43,544	31,108	40,910	23,713	199,039
Travel	5,887	19,037	5,347	8,343	2,656	41,270
Office expense / purchased services	22,846	31,341	25,094	23,486	12,799	115,566
Professional fees	5,160	2,800	3,240	3,207	3,093	17,500
Insurance	16,033	15,480	14,630	13,812	3,814	63,769
Property assessment services	11,575	0	14,790	7,280	5,145	38,790
Other	0	0	8,211	3,810	0	12,021
	<u>125,244</u>	<u>117,682</u>	<u>107,320</u>	<u>106,448</u>	<u>52,570</u>	<u>509,264</u>
<b>Projects</b>						
Project expenses	93,466	56,610	0	6,242	47,075	203,393
<b>Protective Services</b>						
Fire protection	10,692	2,336	1,656	15,532	9,210	39,426
Pest control	0	5,889	0	0	0	5,889
	<u>10,692</u>	<u>8,225</u>	<u>1,656</u>	<u>15,532</u>	<u>9,210</u>	<u>45,315</u>
<b>Transportation Services</b>						
Equipment operating	8,000	5,632	11,627	4,921	0	30,180
Road maintenance - wages	12,512	0	21,805	0	0	34,317
Road maintenance - supplies	12,413	0	0	1,460	0	13,873
Snowclearing	12,622	0	1,420	2,851	0	16,893
Street lighting	20,474	16,972	19,033	13,107	7,074	76,660
	<u>66,021</u>	<u>22,604</u>	<u>53,885</u>	<u>22,339</u>	<u>7,074</u>	<u>171,923</u>
<b>Environmental Health</b>						
Water and sewer - wages	5,133	0	11,369	14,626	6,961	38,089
Water and sewer - supplies	33,607	0	8,905	40,758	12,281	95,551
Garbage and waste disposal	31,137	29,635	30,892	17,961	12,323	121,948
	<u>69,877</u>	<u>29,635</u>	<u>51,166</u>	<u>73,345</u>	<u>31,565</u>	<u>255,588</u>
<b>Planning and Development</b>						
Tourism and marketing/economic development	18,760	0	0	0	0	18,760
<b>Fiscal Services</b>						
Debt charges	811,345	110,329	305,275	461,061	266,432	1,954,442
Provision for uncollectible taxes	17,234	2,332	5,783	10,069	82	35,500
Capital expenditure out of revenue	0	2,670	64,162	0	10,000	76,832
Bank charges and other expense	8,479	9,484	888	1,327	508	20,686
	<u>837,058</u>	<u>124,815</u>	<u>376,108</u>	<u>472,457</u>	<u>277,022</u>	<u>2,087,460</u>
<b>Recreational and Cultural Services</b>						
Recreational and Cultural Services	0	51,277	16,384	6,657	6,103	80,421
<b>Total Expenditure</b>	<u>1,221,118</u>	<u>410,848</u>	<u>606,519</u>	<u>703,020</u>	<u>430,619</u>	<u>3,372,124</u>
Surplus (deficit)	<u>(8,342)</u>	<u>(28,186)</u>	<u>(12,653)</u>	<u>(17,033)</u>	<u>6,495</u>	<u>(59,719)</u>

2008 Income Statement	Fogo Island Joe Batt's Arm -					Total
	Fogo	Regional Council	Barr'd Islands - Shoal Bay	Seldom - Little Seldom	Tilting	
<b>Revenue</b>						
<b>Taxation</b>						
Property	156,565	0	151,445	92,405	48,078	448,493
Business	105,600	35,000	72,792	56,409	9,860	279,661
Poll	9,475	40,000	2,011	9,608	5,391	66,485
Water and sewer	196,808	0	80,185	109,039	53,784	439,816
Interest	7,918	0	0	0	0	7,918
Garbage fees	0	12,000	0	0	0	12,000
	<u>476,366</u>	<u>87,000</u>	<u>306,433</u>	<u>267,461</u>	<u>117,113</u>	<u>1,254,373</u>
<b>Government Transfers</b>						
Municipal operating grant	54,456	17,000	45,037	29,206	17,679	163,378
Debt charges grants	460,077	38,000	177,777	374,926	186,315	1,237,095
Gas tax and other grants	66,978	18,000	71,962	0	72,167	229,107
	<u>581,511</u>	<u>73,000</u>	<u>294,776</u>	<u>404,132</u>	<u>276,161</u>	<u>1,629,580</u>
<b>Other</b>						
Rentals	0	700	3,255	407	115	4,477
Cost recoveries	0	107,000	0	0	0	107,000
Other	7,644	10,000	13,836	11,828	4,415	47,723
	<u>7,644</u>	<u>117,700</u>	<u>17,091</u>	<u>12,235</u>	<u>4,530</u>	<u>159,200</u>
<b>Total Revenue</b>	<u>1,065,521</u>	<u>277,700</u>	<u>618,300</u>	<u>683,828</u>	<u>397,804</u>	<u>3,043,153</u>
<b>Expenditure</b>						
<b>General Government</b>						
Council remuneration	3,871	5,000	6,527	5,600	1,400	22,398
Wages and benefits	48,319	40,000	36,666	51,868	27,566	204,419
Travel	2,699	10,000	8,343	7,365	1,947	30,354
Office expense / purchased services	11,148	31,000	32,853	32,056	10,738	117,795
Professional fees	3,456	3,000	3,457	4,037	3,559	17,509
Insurance	15,323	15,000	12,882	11,759	3,487	58,451
Property assessment services	11,470	0	15,400	7,306	5,519	39,695
Other	0	0	10,265	5,345	0	15,610
	<u>96,286</u>	<u>104,000</u>	<u>126,393</u>	<u>125,336</u>	<u>54,216</u>	<u>506,231</u>
<b>Projects</b>						
Project expenses	48,277	0	0	13,581	76,262	138,120
<b>Protective Services</b>						
Fire protection	8,043	10,000	338	14,645	7,932	40,958
Pest control	0	6,000	0	0	0	6,000
	<u>8,043</u>	<u>16,000</u>	<u>338</u>	<u>14,645</u>	<u>7,932</u>	<u>46,958</u>
<b>Transportation Services</b>						
Equipment operating	27,172	4,000	16,593	4,972	0	52,737
Road maintenance - wages	15,753	0	21,166	0	0	36,919
Road maintenance - supplies	35,119	0	0	3,353	0	38,472
Snowclearing	13,924	0	5,414	3,307	0	22,645
Street lighting	13,774	18,000	20,862	13,510	6,783	72,929
	<u>105,742</u>	<u>22,000</u>	<u>64,035</u>	<u>25,142</u>	<u>6,783</u>	<u>223,702</u>
<b>Environmental Health</b>						
Water and sewer - wages	3,215	0	10,583	2,352	8,630	24,780
Water and sewer - supplies	42,185	0	10,444	32,182	9,803	94,614
Garbage and waste disposal	28,284	30,000	56,459	19,416	12,100	146,259
	<u>73,684</u>	<u>30,000</u>	<u>77,486</u>	<u>53,950</u>	<u>30,533</u>	<u>265,653</u>
<b>Planning and Development</b>						
Tourism and marketing/economic development	10,661	0	0	0	0	10,661
<b>Fiscal Services</b>						
Debt charges	772,915	62,000	283,197	465,160	226,572	1,809,844
Provision for uncollectible taxes	57,278	2,000	1,197	4,670	4,005	69,150
Capital expenditure out of revenue	77,759	18,000	71,265	3,000	0	170,024
Bank charges and other expense	790	8,000	1,814	1,017	637	12,258
	<u>908,742</u>	<u>90,000</u>	<u>357,473</u>	<u>473,847</u>	<u>231,214</u>	<u>2,061,276</u>
<b>Recreational and Cultural Services</b>						
Recreational and Cultural Services	0	60,000	22,087	22,696	5,512	110,295
<b>Total Expenditure</b>	<u>1,251,435</u>	<u>322,000</u>	<u>647,812</u>	<u>729,197</u>	<u>412,452</u>	<u>3,362,896</u>
Surplus (deficit)	<u>(185,914)</u>	<u>(44,300)</u>	<u>(29,512)</u>	<u>(45,369)</u>	<u>(14,648)</u>	<u>(319,743)</u>



**APPENDIX "C"**

**PROJECTED FINANCIAL STATEMENTS  
(FOR YEARS ENDING 2009, 2010 AND 2011)**



**Projected Income Statements  
2009 - 2011**

	<b>combined budget 2008</b>	<b>combined actual 2008</b>	<b>combined budget 2009</b>	<b>combined projected 2009</b>	<b>combined projected 2010</b>	<b>combined projected 2011</b>
<b>Revenue</b>						
<b>Taxation</b>						
Property	473,536	448,493	495,950	471,153	485,287	499,846
Business	276,403	279,661	297,190	282,331	290,800	299,524
Poll	76,145	66,485	80,715	76,679	78,980	81,349
Water and sewer	468,229	439,816	478,077	454,173	467,798	481,832
Interest	25,000	7,918	11,100	11,100	11,433	11,776
Garbage fees	12,520	12,000	14,330	14,330	14,760	15,203
	<u>1,331,833</u>	<u>1,254,373</u>	<u>1,377,362</u>	<u>1,309,765</u>	<u>1,349,058</u>	<u>1,389,530</u>
<b>Government Transfers</b>						
Municipal operating grant	156,342	163,378	156,342	176,666	156,342	156,342
Debt charges grants	1,298,666	1,237,095	1,058,113	1,058,113	1,058,113	1,058,113
Gas tax and other grants	95,135	229,107	176,248	176,248	0	0
	<u>1,550,143</u>	<u>1,629,580</u>	<u>1,390,703</u>	<u>1,411,027</u>	<u>1,214,455</u>	<u>1,214,455</u>
<b>Other</b>						
Rentals	0	4,477	0	0	0	0
Cost recoveries	98,969	107,000	98,644	98,644	101,603	104,651
Other	37,452	47,723	23,617	23,617	24,326	25,055
	<u>136,421</u>	<u>159,200</u>	<u>122,261</u>	<u>122,261</u>	<u>125,929</u>	<u>129,707</u>
<b>Total Revenue</b>	<u><b>3,018,397</b></u>	<u><b>3,043,153</b></u>	<u><b>2,890,326</b></u>	<u><b>2,843,054</b></u>	<u><b>2,689,442</b></u>	<u><b>2,733,692</b></u>
<b>Expenditure</b>						
<b>General Government</b>						
Council remuneration	19,200	22,398	21,200	22,260	6,000	6,180
Wages and benefits	185,772	204,419	200,423	210,444	216,757	223,260
Travel	34,300	30,354	37,200	39,060	20,000	20,600
Office expense / purchased services	77,661	117,795	79,635	83,617	95,000	97,850
Professional fees	16,756	17,509	17,376	18,245	10,000	10,300
Insurance	47,905	58,451	43,487	45,661	45,000	46,350
Property assessment services	36,591	39,695	39,020	40,971	42,200	43,466
Other	0	15,610	0	0	0	0
	<u>418,185</u>	<u>506,231</u>	<u>438,341</u>	<u>460,258</u>	<u>434,958</u>	<u>448,006</u>
<b>Projects</b>						
Project expenses	0	138,120	0	0	0	0
<b>Protective Services</b>						
Fire protection	37,750	40,958	39,100	41,055	60,000	61,800
Pest control	5,808	6,000	6,000	6,300	6,489	6,684
	<u>43,558</u>	<u>46,958</u>	<u>45,100</u>	<u>47,355</u>	<u>66,489</u>	<u>68,484</u>
<b>Transportation Services</b>						
Equipment operating	27,670	52,737	65,615	68,896	60,000	61,800
Road maintenance - wages	0	36,919	0	0	35,000	36,050
Road maintenance - supplies	44,932	38,472	57,008	59,858	50,000	51,500
Snowclearing	31,565	22,645	32,745	34,382	35,414	36,476
Street lighting	74,627	72,929	73,100	76,755	79,058	81,429
	<u>178,794</u>	<u>223,702</u>	<u>228,468</u>	<u>239,891</u>	<u>259,471</u>	<u>267,256</u>
<b>Environmental Health</b>						
Water and sewer - wages	3,534	24,780	6,000	6,300	24,000	24,720
Water and sewer - supplies	106,461	94,614	103,329	108,495	90,000	92,700
Garbage and waste disposal	92,865	146,259	124,902	131,147	125,000	128,750
	<u>202,860</u>	<u>265,653</u>	<u>234,231</u>	<u>245,943</u>	<u>239,000</u>	<u>246,170</u>
<b>Planning and Development</b>						
Tourism and marketing/economic development	22,896	10,661	14,572	15,301	25,000	25,000
<b>Fiscal Services</b>						
Debt charges	1,887,236	1,809,844	1,608,126	1,608,126	1,517,031	1,529,391
Provision for uncollectible taxes	16,152	69,150	12,754	18,000	15,000	13,000
Capital expenditure out of revenue	96,437	170,024	176,248	176,248	0	0
Bank charges and other expense	15,600	12,258	9,820	10,311	7,000	7,210
	<u>2,015,425</u>	<u>2,061,276</u>	<u>1,806,948</u>	<u>1,812,685</u>	<u>1,539,031</u>	<u>1,549,601</u>
<b>Recreational and Cultural Services</b>						
Recreational and Cultural Services	136,679	110,295	122,666	128,799	125,000	128,750
<b>Total Expenditure</b>	<u><b>3,018,397</b></u>	<u><b>3,362,896</b></u>	<u><b>2,890,326</b></u>	<u><b>2,950,232</b></u>	<u><b>2,688,949</b></u>	<u><b>2,733,267</b></u>
Surplus (deficit)	<u><b>0</b></u>	<u><b>(319,743)</b></u>	<u><b>0</b></u>	<u><b>(107,178)</b></u>	<u><b>493</b></u>	<u><b>425</b></u>

## **PROJECTION ASSUMPTIONS**

- 1) Tax revenues for 2009 were based on the 2009 budgets with a reduction of 5% to allow for the average overbudgeting of taxes for the past 3 years according to the comparison of budgets to audited financial statements. The expenses for 2009 have a 5% increase to allow for the underbudgeting of expenses for the past 3 years according to the comparison of budgets to audited financial statements.
- 2) Tax revenues and expenses for 2010 and 2011 have increases in each year of 3% to allow for inflation.
- 3) The Municipal Operating Grants (MOG's) for 2009 have been increased by 13% which is the anticipated increase in MOG's per the Dept of Municipal Affairs. The MOG's for 2010 and 2011 will be the same as the budgeted 2009 MOG's.
- 4) The debt charges grants for 2010 and 2011 have been kept the same as 2009 budget since this amount is offset by the equivalent amount in the debt charges expense.
- 5) There are no grants for gas tax or other projects recorded for 2010 and 2011 since these amounts would be offset by an equivalent amount of project expenses or capital expenditures out of revenue resulting in a NIL effect on the surplus / deficit for the year.
- 6) Expenses have been adjusted to account for the potential savings from the elimination of the duplication of services currently being provided in the separate communities.
- 7) The general government wages for 2010 and 2011 have been kept similar to the 2009 projected wages. This will allow for a reallocation of existing staff resources for other areas of council administration.
- 8) Fire protection services expense have been increased to reflect the need to co-ordinate the various fire departments on the island.
- 9) Tourism and marketing / economic development expenses have been increased in 2010 and 2011 to reflect the need to increase the exposure of the entire island to potential tourism and other economic developments.
- 10) The town portion of the debt charges expense have been calculated to ensure a Debt Service Ratio (DSR) of 30% as per Dept of Municipal Affairs guidelines.