Feasibility Study

Into the
Proposed Annexation of
The Town of Little Catalina to
The Town of Trinity Bay North.

February 12, 2010
Ryan Lane

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Executive Summary

The communities of Melrose, Port Union, Catalina and Little Catalina have developed as a group where many things have been shared. From health care to education and fire services to recreation the 4 communities have developed as one area. The connection has been strong enough that at the municipal level amalgamation of all 4 towns has been proposed and discussed multiple times over the last 20 years. In 2005 3 of the 4 towns joined together to form a new stronger municipal entity, Trinity Bay North. At the time it was felt that due to significant negative attitudes toward the amalgamation that Little Catalina pulled out of the negotiations and remained autonomous despite significant financial issues. In the years following the amalgamation the new Town of Trinity Bay north has been successful in maintaining a solid financial footing while continuing to invest in infrastructure for the area. Little Catalina, however, has seen successive deficits and an accumulated debt of approximately $1.8 million. Based on financial analysis alone it is not possible for Little Catalina to remain viable, because in order to make the required payments on their debt they would need to double their existing tax revenue each year for many years to come.

The similarities between Trinity Bay North and Little Catalina are quite striking when it comes to basic services provided and tax rates but the differences are obvious when the expenditures and revenues are examined. That is not the only area of difference, as even though there is strong volunteer participation in some areas of Little Catalina, the council is not one of those areas, and in fact acclaimed councils and vacant seats have been commonplace for some time.

In the end the options are simply to have Little Catalina annexed to Trinity Bay North or to have the 2 municipalities remain independent. Upon analysis of the current situation and the options available, the best choice at this time is the annexation. With the proper incentives from the Department of Municipal Affairs, the newly structured Trinity Bay North would no longer be saddled with old debts, potentially have additional infrastructure investment, and would have increased capacity to borrow for future capital works projects. Comments at the Public Hearings did not indicate significant opposition to the proposal and in fact there were some participants who openly supported the idea.

This study recommends that the Town of Little Catalina be annexed to the Town of Trinity Bay North, and that the existing councils negotiate with Municipal Affairs to reduce obstacles for creating a sustainable entity such as debt. It is recommended that the council compliment be adjusted by adding one new ward seat representing Little Catalina and one at large seat to comply with The Municipalities Act (1999). Further, the name should remain as Trinity Bay North and taxation levels harmonized at current Trinity Bay north levels. All efforts should be made to ensure that resident participation via committees and such be maintained along with efforts to keep services at current levels and increase those where possible. The possible newly structured Trinity Bay North would be very capable of operating as a unified sustainable municipality, while still maintaining the identity if its partnering communities. It is the best case scenario for all.

Purpose and Methodology

Around the province of Newfoundland and Labrador rural communities are struggling to maintain service levels and keep operating costs and debt levels down while facing increasing regulations and higher health standards. Many municipalities are in the position of not being able to maintain services without significant tax increases while still facing population decreases, employment struggles and difficulty filling vacant seats.

In 2005 the municipalities of Melrose, Port Union and Catalina chose to amalgamate into the new municipality of Trinity Bay North to help address some of these issues and become a sustainable municipal entity. During the discussion and negotiation phases of the amalgamation the Town of Little Catalina was also engaged in the process but decided that they would not continue the discussions and removed themselves from the process. Since 2005 the situation for Trinity Bay North has been that of a stable municipality moving forward on various community development and infrastructure projects to improve service levels and maintain a solid financial base for its operations. For the Town of Little Catalina the situation has not been as positive as the town has been carrying significant debt that it has not been able to pay down, and is unable to borrow any new money for capital works projects. As a result of the current situation the Towns of Little Catalina and Trinity Bay North requested that the Department of Municipal Affairs conduct a Feasibility Study to examine the possibility of Annexing the Town of Little Catalina to the Town of Trinity Bay North.

The purpose of this report is to examine the feasibility of the potential annexation of the Town of Little Catalina to the Town of Trinity Bay North, to explore possible impacts of an annexation, and to make recommendations based on the examination and analysis of the available information.

In an effort to provide the best possible recommendations the methodology for this report will include an analysis of the current situation and a look into the future in the following major categories: Government Structure, Administration, Financials, Municipal Services, and community. Following consultations with each council, analysis of empirical data including financial and budget information, and a public hearing process to offer residents the opportunity to comment, the final report will provide recommendations as to the best path forward. The process and recommendations follow the scenario as identified in the Terms of Reference In the matter of the Proposed Annexation of the Town of Little Catalina to the Town of Trinity Bay North.

The process of annexation is different then that of amalgamation and requires a short note in this report to ensure the process is understood. In an amalgamation scenario the existing towns are completely dissolved and an entirely new entity is created that usually replaces the previous towns. This process can require significant transition time and effort but also allows for considerable flexibility in the details of the new municipality. Annexation is a different approach, in that one of the existing municipalities remains intact and the others involved are dissolved and absorbed or annexed to the remaining town.

Community Introductions

Little Catalina

Incorporated as a Municipality in 1965, the Town of Little Catalina is similar to many small municipalities in Newfoundland and Labrador. Facing issues of shrinking population and tax base and increased operational cost due to new regulations and requirements it has struggled in recent years to maintain a solid financial position. Basic demographic data indicates that the population of Little Catalina has declined from 775 in the 1986 Census to 470 in the 2006 Census. That constitutes a decline of approximately 40% in 20 years. That decline in tax base combined with significant borrowing to install capital infrastructure has left the Town in a very poor financial position where it is very impractical to repay their current debts.

From a social and cultural perspective the community is quite strong with many volunteers engaged in the Fire Department and the Recreation Committee. Despite the volunteer efforts the Town has not held an election for multiple terms as there have been fully acclaimed councils in the recent past. Despite these ongoing issues in 2005 when the former Towns of Melrose, Port Union and Catalina amalgamated to form the new Town of Trinity Bay North the Town of Little Catalina decided it was not in the Town's best interest to join with the others at that time. In the subsequent 5 years their financial poison has not improved and they are once again exploring a possible merger to maintain the existing services and infrastructure in the Town.

Trinity Bay North

The municipality of Trinity Bay North is comprised of the former municipalities of Melrose, Port Union and Catalina who were merged together in 2005 to form a new municipal entity. Each of the three communities was originally incorporated in the late 1950's or 60's and each has a strong tie to developments in the fishing industry as well as to each other. The new Town has a strong volunteer base with organizations such as the Legion, the Lions Club and the volunteer Fire Department remaining strong partners in the community. Elections have also been successful as in the 2009 Election there were 12 candidates for 7 seats, and voter turnout of approximately 40%.

Prior to the amalgamation in 2005 each Town was experiencing various difficulties with debt and municipal servicing challenges due to shrinking populations and increased costs. The amalgamation and the debt write down and infrastructure investment that accompanied it allowed the new municipality to reduce duplication and take advantage of "economies of scale" for the service delivery and budgetary processes. Since the merger the Town of Trinity Bay North has operated successfully and maintained service levels while investing in significant infrastructure development. While the merger did not solve all the problems of the 3 former Towns it did place them in a position to maintain existing services and infrastructure and perhaps even to prosper.

Current Analysis & Potential Proposal Impacts

This portion of the report has 5 major sections, each with sub-sections that will describe the current status for each of the towns and then discuss the potential impacts of an annexation. For this analysis the Town of Little Catalina is abbreviated as LC, and the Town of Trinity Bay North is abbreviated as TBN.

Government Structure

The structure of the existing municipalities plays a significant role in the ability of the towns to function appropriately and ensure that all aspects of the existing legislation is met. For the purposes of this report the category of Government Structure has been divided into sub-sections regarding Access, Representation, and Simplicity.

Current situation:

Town	Wards	At Large	Total seats	Mayor
Trinity Bay North	1-Melrose 1-Port Union 1-Catalina	4	7	Chosen from within the elected councillors.
Little Catalina	No Wards	5	5	Chosen from within the elected councillors.

Access to elected and appointed officials:

Little Catalina	Residents of the currently experience a high level of access to officials as they are based in the community and the office hours reflect a standard work week. However at the current time there is one vacant seat on council which seems to indicate that residents are disinterested in the municipal process.
Trinity Bay North	Residents of the Town also experience a high level of access as the councillors are resident in the town and the office hours are standard business hours.
Potential Impacts	➢ If the Annexation occurs the residents of LC would likely see a slight change as they would now only have one guaranteed seat but they would have a full council of 9 acting on their behalf. If the recommendations of this report are followed the people of LC would have one guaranteed ward council seat and the potential for one other at large seat for the current term. ➢ The access to Town office staff would remain the same for both towns.

Representation with regard to population:

Little Catalina	The current ratio of councillors to residents is approximately one councillor to every 100 people, a high ratio in this province.
Trinity Bay North	The current ratio councillors to residents is approximately one councillor to every 200 people, an average ratio In this province.
Potential Impacts	➢ If the recommendations of this report are followed the new ratio would be approximately 1 councillor for every 200 residents. ➢ This is the same as the current ratio for TBN but a lower ratio for LC. The ratio is well within acceptable standards and perfectly adequate for good local governance, as the average for the province is approximately 1 councillor per 270 residents.

Simplicity of Structure:

Little Catalina	The current structure is the standard for many small municipalities with 5 council seats, all at large, and a Mayor selected from the elected councillors.
Trinity Bay North	The current structure is the standard for many small municipalities with 7 council seats and a Mayor selected from the elected councillors. There is a ward system with 3 wards and 4 at large positions.
Potential Impacts	If the recommendations of this report are followed the new structure would be 4 ward seats, representing the 4 former towns (including LC) and 5 at large seats, with the Mayor selected from the elected group.

Administration

The administration and staff of any municipality are critical to ensure that business is conducted and services are delivered to residents. As part of a possible annexation analysis it is important to examine the various impacts of changing staffing levels on the existing communities. For this report there are two key areas to consider, and they are the capacity and cost efficiency of the available administration.

Capacity:

Little Catalina	With a staff compliment of one fulltime and two part-time or "on call" staff positions the town is able to administer its business and complete repairs as required.
Trinity Bay North	With a staff compliment of 5 fulltime, 2 part-time and one seasonal employee the town is able to administer its business and complete repairs and perform maintenance as required.
Potential Impacts	The newly structured Town with the existing staff of TBN would have the staff capacity to maintain the existing service levels and the financial capacity to take on limited additional staff if required.

Efficiency:

Little Catalina	Staff related costs over the recent past have been steadily increasing, and were at almost $74,000 in 2008.
Trinity Bay North	Since 2005 staff related costs have remained fairly consistent at approximately $200,000. In 2008 the actual expenditure on administration was approximately $180,000.
Potential Impacts	Even with an overlap period where some LC staff are retained for a short period, there are still significant cost savings possible for the newly structured town.

Financial Situation

When considering the sustainability of any municipality or any restructuring plan it is often the financial data and outlook that helps clarify the reality of the situation. The financial scenario is seen as the bottom line and it is often cost savings that determine the feasibility of local governments and is always a top priority for resident concerns. While there financial aspects to many of the components of this report this section will address the very specific categories of feasibility and response to change.

Revenues and Expenditures for 2005 to 2008

Little Catalina

Year	Rev.	Exp.	Def/Sur	Accumulated
2005	315,306	441,779	(126,473)	(1,350,435)
2006	253,007	377,090	(124,083)	(1,474,518)
2007	214,430	346,947	(132,517)	(1,607,035)
2008	208,873	339,056	(130,183)	(1,737,218)

Trinity Bay North

Year	Rev.	Exp.	Def/Sur	Accumulated
2005	1,064,460	1,013,956	50,504	362,696
2006	1,129,240	1,096,936	32,304	395,000
2007	1,130,094	1,136,669	(6,575)	388,425
2008	1,175,169	1,163,253	11,916	400,341

Current Rates of Taxation

	Mil Rate	Min. Tax	W&S	Water	Sewer	Poll
LC	9	270	360	216	180	270
TBN	9.5	300	360	252	180	300

Feasibility:

Little Catalina	➢ Based on the current trend of accumulated deficits the Town is adding approximately $130,000 in debt every year that it is currently unable to pay. ➢ There are very few new sources of revenue available to the Town. ➢ The Town's revenue from taxation is approximately $130,000 per year, so in order to make minimum payments on the existing debt every tax rate would have to increase by a minimum of 100%. ➢ The Town is currently in arrears approximately $1.8 million, and it is incredibly unlikely that any reasonable tax increase would allow the repayment of the debt.
Trinity Bay North	Since its creation from the amalgamation in 2005 the Town has remained in solid financial condition, posting a surplus in most years, but is still carrying a $118,000 debt from the time of the amalgamation.
Potential Impacts	➢ The implications for a new entity will depend greatly on the potential for debt write down of the $1.8 million. ➢ With the debt the new newly structured town would struggle but if the recommendations of this study are followed and the debt is part of the annexation package the new entity will not only have no significant debt but a larger tax base, and likely reduced operating costs. ➢ With tax rates harmonized at the current TBN levels and the LC debt written off the newly structured Town would have significant increased capacity to borrow for capital works projects.

Response to change:

Little Catalina	The current debt level for the Town severely limits its ability to benefit from new economic development in the area. Even if a significant new business were to start up it would not likely provide the tax revenue required to pay off the debt.
Trinity Bay North	Because the Town has a solid financial footing any economic development in the area that results in even minimal taxation revenue can positively impact the finances and therefore result in either reduced resident rates or increased infrastructure or community development.
Potential Impacts	A newly structured town could have the ability to significantly take advantage of any increase in taxation revenue as increased repayment capacity means an increase in the ability to borrow for new projects.

Municipal Services

For the majority of residents it is the basic level of municipal services that they have available where they have the most interaction with town activities. All municipalities have basic responsibilities with regard to basic services and the ability to provide those services is imperative for a properly functioning town. To best analyze the potential impact of an annexation on the services provided this report will address the following issues: suitability, physical constraints, coordination, and equity.

Basic Municipal Service Listing

Service	TBN	LC
Water	Shared	
Sewer	Yes	Yes
Emergency Services	Yes	Yes
Snow Clearing	Yes	Yes
Street Lighting	Yes	Yes
Road Network	Yes	Yes
Waste Mgmt.	Shared Site	
Recreation	Some Shared Activities	

Suitability:

Little Catalina	➢ In general the majority of municipal services are currently being provided to the majority of residents with the exception of some homes not connected to the water and sewer system and the majority of side roads being unpaved. ➢ Due to the current debt load the town cannot borrow to complete any further infrastructure, including any water and sewer and roadwork.
Trinity Bay North	The basic range of services is currently being provided to all residents.
Potential Impacts	➢ Increased capacity will mean a better ability to invest in water and sewer and in the road network. ➢ Even with enhanced capacity there will likely residents that cannot be connected to water and sewer due to cost and physical barriers.

Physical constraints:

Little Catalina	As a fairly small and contained service area the Town can currently maintain basic service delivery.
Trinity Bay North	Though spread over a moderate sized area the Town can maintain adequate service levels.
Potential Impacts	➢ Expanding the service area of TBN to include LC should not impact negatively on service delivery to that area, or to any of the existing areas of the Town. ➢ If the recommendations are followed even the emergency services currently located in LC would remain at that location to serve that area.

Coordination:

Little Catalina Trinity Bay North	➢ There is currently some coordination regarding some services such as the water supply, the new waste management plan, and some recreation activities as well as emergency service cooperation as required. ➢ All other services are delivered by each town individually thereby creating a duplication of many necessary costs.
Potential Impacts	➢ The coordination of all services could result in cost savings due to a possible reduction in duplicate costs. ➢ Service coordination would also likely lead to equity in service delivery and cost to all residents in the area. ➢ Coordination of emergency service under one Fire Chief could streamline the decision making process and possibly even improve safety in the area.

Equity:

Little Catalina Trinity Bay North	➢ There are currently slight differences in the rates charged to the residents of the two towns for property tax, poll tax and water tax. ➢ The level of service is similar in both Towns but TBN has more paved roads and a higher percentage of residents connected to the water and sewer system. ➢ TBN also has the capacity and financial ability to invest in its road network and water/sewer infrastructure but LC does not
Potential Impacts	➢ The newly structured town would have equal tax rates (after a harmonization period). ➢ It would also provide equal service to all residents with rare exceptions due to geography.

Community

It is the sense of community that keeps municipalities alive and is often a priority concern when any municipal merger is discussed. Residents do not wish to loose the connection that they have with the place they live. For this report the issue of community will be assessed through three main areas of discussion; identity, equality, and acceptability.

Identity:

Little Catalina	The community currently has a strong sense of identity and concerns were expressed during previous amalgamation discussions over losing the community identity.
Trinity Bay North	Following the amalgamation in 2005 the communities involved appear to have maintained their identity while becoming part of a larger municipal entity.
Potential Impacts	It is not expected that an annexation would have any significant impact on the identities of the existing communities. A new municipal body is an administrative structure designed for service delivery that need not have any negative impact on the sense of community.

Equality:

Little Catalina Trinity Bay North	➢ Each of the three previous Towns of Catalina, Melrose, Port Union and the Town of Little Catalina have developed in such close proximity that they have remarkably similar assets, needs and development patterns. ➢ Since the 2005 amalgamation LC has been the hold out that has close ties to TBN but to date still maintains its complete autonomy.
Potential Impacts	This annexation has the ability to bring complete equality to the entire area in terms of access to services, representation, finances, infrastructure and all other aspects of municipal operations.

Acceptability:

Little Catalina Trinity Bay North	➢ During the 2005 amalgamation discussions it was the issue of acceptability for the residents that removed Little Catalina from the process. ➢ The public hearings were relatively well attended and despite various questions regarding the details of the process and the recommendations of this report, there was no significant concern expressed at either of the Public Hearings. In fact there was significant support identified for the process indicated at both Hearings. See the section on Consultation and Appendix E for further details.
Potential Impacts	Public acceptance of the process is important but not imperative. A merger can be successful even if there is moderate disapproval by residents as the decision is made by council. The ideal is to have residents approval of the process as well.

Consultations

In an effort to ensure a complete picture is presented for analysis, consultations or discussions were held with each town council and staff as well as public hearings for public input, and with officials from Fire and Emergency Services.

Councils and Staff

Conversations held with the Council and staff of the Town of Little Catalina indicated that during the previous discussions of amalgamation in 2005 there was significant opposition to the process and that is why the Town did not join at that time. However since that time the debt situation has not improved for the town and that has been a major factor in the consideration for annexation at this time. Along with the debt situation the discussions may have alleviated some of the past concerns surrounding the Town Hall and the Fire Department. Meetings held with the Council and staff of the Town of Trinity Bay North indicate that the annexation could lead to increased capacity for the town and that it makes for the best common sense approach for the area as long as the annexation does not place any additional financial burden on the town but there are concerns over taking on additional infrastructure maintenance.

Public Hearings

Public Hearings were held on February 2nd in Little Catalina and February 3rd in Trinity Bay North as required by the feasibility process. The meeting in Little Catalina was held in the Town Hall and was attended by approximately 30 residents and lasted for approximately one and a half hours. The discussion was generally driven by four individuals who asked various questions regarding the financial position, the proposed council structure, the existing recreation committee and the operation of the existing Town Hall and the Fire Department. The comments were generally positive with some concerns raised over the overall integration of both towns with a potential for an "us and them" attitude prevailing. One resident even commented that if the Draft Recommendations were followed that it would be "...a pretty good deal..." for Little Catalina.

The Public Hearing in Trinity Bay North was held at the Lion's Club and was attended by approximately 45 residents. Comments and discussion focused on a few main topics including the service and infrastructure needs in Little Catalina, the finances and debt involved, and the operation of the Fire Departments. While there were many pointed questions regarding the recommendations and to possible benefits for Trinity Bay North, many speakers wanted to be clear about their position by beginning their question by stating "I'm not opposed to the annexation but I have a question on..." which was a good indication that they were interested in and supportive of the process but still have legitimate questions. Full details of the Public Hearings are attached in Appendix E .

Trinity Bay North Public Hearing

Fire and Emergency Services

One of the issues discussed a great deal at the Trinity Bay North Public Hearing was the proposed structure of one Fire Chief and two fire stations. There was a request to examine the process in other amalgamations and to speak with someone from Fire and Emergency Services with regard to the best structure for this situation. In discussion with the Local Fire Protection Officer for the area it became evident that the proposed structure was the best option, at least for the short term. The FPO indicated the importance of having one person responsible for a fire department even with multiple stations involved. In fact the legislation directs that a single Fire Chief, not Cheifs, will be responsible for a Department. Section 64, Subsection (7) states "The fire chief is responsible for the organization, training and operation of a town or regional fire department and for fire prevention within the town or region."

Another issue related to the Fire Department structure was the detail around the new Fire Chief position. The new Fire Chief will be under significant stress to maintain two stations and manage a significant budget, equipment and crew. The position should be filled by someone who has considerable experience, training and education and the new council should seriously consider providing some kind of financial compensation for the position.

In discussion with another municipality that underwent an amalgamation in recent years it was noted that the absence of a planned approach for the former Fire Departments caused significant growing pains and a planned approach was strongly recommended. In an effort to avoid future issues the new council should seriously consider working with the new Fire Chief and Department to develop a long term plan, complete with appropriate policies, that would address general operation, finances, equipment and personnel issues in the coming years.

Written Submissions

During the Feasibility Study process there is a continued opportunity for any concerned individuals or groups to submit written comments on the report up until it is finalized. In this instance there were no written submissions to consider.

Option Analysis

There are currently two readily identifiable options available to the Towns of Little Catalina and Trinity Bay North. In simplistic terms they are as follows:

Option #1
The first option is to remain as separate municipalities and continue on operations, as they currently exist. This option would mean that the Town of Trinity Bay North would be able to maintain at it's current level of service delivery and infrastructure investment but still be left to deal with remaining debt from the 2005 amalgamation and would not have any new capacity to borrow. Trinity Bay North is likely sustainable in its current state. For the Town of Little Catalina the situation is much more severe. Little Catalina is so far behind on its debt payments that of the $1.8 million in arrears approximately $800,000 is in interest and late fees. At the current rate of taxation and revenue it is not possible for the Town of Little Catalina to remain viable. They owe so much that it is not even feasible to raise taxes to cover the payments on the accumulated debt, as it is highly unlike that residents could afford the increases.

Option #2
The second option is for the Town of Little Catalina to be dissolved and all its assets and liabilities annexed by the Town of Trinity Bay North. Assuming that there is a significant debt write down as part of the deal this is the only way that Little Catalina can maintain any municipal services. The newly structured entity would have the opportunity to manage the service delivery for the entire area. This would also open up the ability to leverage additional funds for required projects in the future due to the increase in residents, taxes and therefore an increase in the ability to pay. In addition to the potential debt write down and increased borrowing ability is the likelihood that there would be additional infrastructure investment involved in the negotiations that would be above and beyond the normal capital works projects for the Towns.

In simple terms Option number 2 would appear to be the best choice out of necessity for Little Catalina and for the sake of significant opportunity for Trinity Bay North.

Recommendations

Based on the presented evidence for the municipalities of Little Catalina and Trinity Bay North this study concludes that not only is an annexation feasible but that it is the preferred course of action.

What follows are the recommendations of this report based on requirements as outlined in the Terms of Reference In the matter of Proposed Annexation of the Town of Little Catalina to the Municipality of Trinity Bay North. The recommendations also include suggestions that were not specifically requested in the Terms of Reference but certainly follow the spirit of the process.

This study recommends:

1. That the Town of Little Catalina be annexed to the Municipality of Trinity Bay North and all assets and liabilities be passed from the former to the latter on or around April 1, 2010.

2. Because the process would be an annexation as opposed to an amalgamation the name of the municipality would remain as Trinity Bay North.

3. The council of Trinity Bay North should be expanded from 7 to 9 members to allow for additional representation for the new community to be added.
    a. To comply with the Municipalities Act(1999) and to maintain the intent of the current ward system in place the 2 new council seats would include one at-large seat and one dedicated ward seat
    b. The new ward would represent the community of Little Catalina.
    c. This new structure would remain in place for at least the current term.

4. The municipal Boundary for the municipality of Trinity Bay North should be expanded to include the existing municipal boundary of Little Catalina and to include any gaps between the two areas. .
    a. The planning boundary for Trinity Bay North should be expanded to include the existing planning area of Little Catalina as well as the water supply area to ensure water supply security.
    b. A new Municipal Plan, including Development Regulations should be developed as soon as possible following the merger.
    c. Because a Municipal Plan was not prepared following the amalgamation in 2005 and is now recommended due to the annexation, the cost for the development of the plan should be included in negotiations with the Department of Municipal Affairs.

5. The Councils of Little Catalina and Trinity Bay North should undertake negotiations with the Department of Municipal Affairs to determine the possible

investment required to overcome barriers to the merger through a 5 year investment plan.

a. Debt
    i. The current debt owed by Little Catalina of approximately $1.8 million should be written off if the new municipality is to be sustainable.
    ii. The old debt of Trinity Bay North remaining from the amalgamation (approximately $118,000) in 2005 should be considered as well, to provide an equal start for all communities involved in the newly structured municipality.

b. Infrastructure. Negotiations should cover infrastructure in Little Catalina and in Trinity Bay North for projects and areas that the councils feel are priorities, including water and sewer and investing in the road network.

6. In an effort to maintain citizen participation and community identity:
    a. Any existing community committees should be maintained in some format.
    b. The Town hall/fire department building in Little Catalina should be maintained as a community centre and to continue to house the emergency response equipment.

7. The existing fire department in Little Catalina should remain in operation to service the community but operate as a satellite division of the main fire dept of Trinity Bay North. There would be one Fire Chief responsible for both stations but each location could maintain a fire crew and the entire Department would be responsible to the Trinity Bay North council.
    a. The newly structured council should consider the possibility of financial remuneration for the new Fire Chief in light of the significant demand of managing two stations.
    b. The council should consider working with the Fire Department in developing a long term plan and related policies to address operations, equipment, financial and personnel allocations to ensure that the best level of service is being delivered.

8. Tax rates must be unified for the entire municipality but to prevent significant rapid increase the councils should request that the Minister of Municipal Affairs grant them the authority to harmonize the tax rates over a reasonable agreed upon time period up to the current rates of Trinity Bay North.

9. If the current council of Trinity Bay North determines that its existing staff compliment is sufficient to manage the operations of the newly expanded town then at a minimum there should be an overlap period where some existing Little Catalina staff are maintained to ease in the transition.

Appendix A

Terms of Reference

TERMS OF REFERENCE

IN THE MATTER

OF

PROPOSED ANNEXATION

OF

THE TOWN OF LITTLE CATALINA

TO

THE MUNICIPALITY OF TRINITY BAY NORTH

January 2009

The Minister of the Department of Municipal Affairs having Ordered a Feasibility Study, to be prepared at the request of the Towns of Little Catalina and Trinity Bay North to annex Little Catalina to Trinity Bay North so as to create one single municipality, hereby requires that the said Study be conducted in accordance with the Municipalities Act, 1999 and the following Terms of Reference:

1. The person appointed to conduct the feasibility report shall prepare a preliminary written report containing:

   (a) a clear statement of the purpose of the report;

   (b) a statement explaining and describing the existing situation in the area under consideration, relative to the purpose of the report, and an outline of the possible impact of the proposal on the area;

   (c) an evaluation of the effect of the proposal relative to the following criteria:

      (i) **access** of the people to elected and appointed officials;
      (ii) **representation** in accordance with the distribution of population;
      (iii) **community identity**;
      (iv) **suitability** and need of the area for municipal servicing;
      (v) **physical constraints** to municipal servicing;
      (vi) **administrative capability** of the municipality;
      (vii) **co-ordination** of municipal services and functions throughout the area concerned;
      (viii) **cost efficiency** of the type of administration proposed for the scale of services required;
      (ix) **feasibility** in terms of revenues and expenditures;
      (x) **equity** in terms of both the taxpayer=s ability to pay and the benefits to be received;
      (xi) **response** of tax yields to changes in economic activity;
      (xii) **equality** among adjoining municipalities considering their different needs and assets
      (xiii) **simplicity** of proposed municipal structure;
      (xiv) **acceptability** of proposal at local level.

2. The person appointed to prepare the feasibility report shall make suitable provisions for the inspection by the general public, of any plans and reports that outline the purpose of the feasibility report.

3. The person conducting the feasibility study shall hold two public hearings - one in the Town

of Little Catalina and one in the Town of Trinity Bay North. These public hearings are intended for the purpose of giving the general public an opportunity to have input into the process.

4. The public hearing will follow the process as outlined in the Public Inquires Act.

5. The person appointed to prepare the feasibility study will finalize the report after the public hearings are concluded.

6. The report will be submitted to the Minister and include recommendations pertaining to the following:

   (a) a description of the proposed boundary;
   (b) the name of the town;
   (c) the status of the council;
   (d) the number of councillors;
   (e) the number of wards and their boundaries and the number of councillors to represent each ward, if wards are recommended;
   (f) adjustments of assets and liabilities between towns and communities affected thereby; and;
   (g) the effective date.

7. The final report will be submitted to the Minister not later than February 19, 2010.

Appendix B

Legislative Order

Appendix C

Public Notice

Notice

Notice of public hearings regarding the Feasibility Study of the Annexation of the Town of Little Catalina to the Town of Trinity Bay North.

Public Hearings will be held as per the details below to consider any objections, comments, support or other representations which may be raised by any person or group of persons respecting the Feasibility Study to Annex the Town of Little Catalina to the Town of Trinity Bay North:

1. February 2nd, 2010 at 7pm in Little Catalina at the Town Hall
2. February 3rd, 2010 at 7pm in Trinity Bay North at the Lions Club

A statement on the proposal outlining the purpose of the Feasibility Study may be inspected by any interested persons at the Little Catalina and Trinity Bay North Town offices.

Any persons wishing to make objection or comments or support or make other representations to the purpose of the Public Hearing shall, at least 48 hours before the date set for the Public Hearing, deposit at either the Town Council Offices or at The Department of Municipal Affairs at the address below, a signed written statement outlining said objections, comments, support or other representations, or a written notice of intent to make an oral submission at the Public Hearing. Submissions are to be deposited in sealed envelopes and marked "Public Hearing - Little Catalina and Trinity Bay North Feasibility Study."

Written submissions will be accepted up until February 10th, 2010 and can be submitted via the contact information as follows:

Email: ryanlane@gov.nl.ca
Fax: 1-709-729-3605 (To the attention of Ryan Lane)
Mail to:
Ryan Lane
Department of Municipal Affairs
4th floor, West Block
Confederation Building
P.O. Box 8700
St John's NL
A1B 4J6

Newfoundland Labrador

Appendix D

Public Hearing Presentation
On Draft Recommendations

Public Hearing

Regarding the proposed annexation of Little Catalina to Trinity Bay North

Trinity Bay North Lions Club
February 3, 2010

Introduction

- My role
- Session will be recorded
- One person at a time
  - Please State your name and the community you are from.
- Procedure for the hearing

Purpose & Methodology

- This Feasibility Study is conducted as ordered by the Minister of Municipal Affairs. The Public Hearing is a required part of the process to give everyone to come forward and present their thoughts and concerns.
- The approach includes current situational analysis, options, and consultations followed by recommendations.

Amalgamation vs Annexation

- Amalgamation
  - Each existing Town is dissolved and a new municipality is created.
  - Complete election is required to fill new council.
- Annexation
  - One municipality remains in operation and absorbs another(s).
  - Existing council remains in place with possible changes.

Process

1. Towns request feasibility study.
2. Study is completed and results presented to Towns and Minister.
3. Negotiations commence between the Towns and Municipal Affairs over issues like debt, and investment.
4. A Memorandum of Understanding is developed outlining the agreed upon terms.

Process continued...

5. Town Councils decide if they wish to proceed.
6. If yes they sign the MOU, if not the process is halted.
7. Once signed the MOU must be approved by Cabinet before it can come into effect.
8. Little Catalina would be dissolved and all assets and liabilities pass to Trinity Bay North.
9. By-election held to fill new seats.

Study Analysis Highlights

- Study is broken into major sections of analysis and recommendations.
- The Executive Summary provides a general overview of the study.
- Study is still in draft form and final version will reflect public hearing discussions

Main Recommendation

1. That the Town of Little Catalina be annexed to the Municipality of Trinity Bay North and all assets and liabilities be passed from the former to the latter.
2. Because the process would be an annexation as opposed to an amalgamation the name of the municipality would remain as Trinity Bay North.

Structure & Administration

- Staff levels are basic in LC and adequate in TBN.
- Staff costs increasing in LC.
- LC council acclaimed for multiple terms, currently 1 vacant seat.
- Considerable duplication.

Recommendations

3. The council of TBN be expanded from 7 to 9 seats including 1 seat for the new ward of LC and 1 at large
4. Municipal Boundary be a combination of existing boundaries.
9. LC staff would remain employed during a short overlap period.

Services & Community

- Basic services provided to the majority of both towns.
- Some cooperation (water, waste, fire) but considerable duplication.
- Sense of community and volunteer input in community highly valued.

Recommendations

6. Community
   1. Existing committees remain in some capacity.
   2. Town hall of LC remain open as Fire hall and community building.
7. Fire department amalgamated under 1 Chief but maintain equip and fire fighters in LC.

Financial Situation

- LC operating at a continued deficit of approx $130,000 per year due to past arrears-currently at $1.8 Million.
- LC currently unable to pay down debt.
- TBN solid financial shape but still some debt remaining from the amalgamation.
- Taxation rates similar but slightly lower in LC.

Recommendations

5. TBN and LC negotiate with Municipal Affairs to reduce debt and invest in infrastructure for annexation to be effective.
8. Tax rates should be harmonized over a reasonable time period to the TBN levels.

Next Steps

- Integrate Public Hearing discussions into final Study report.
- Present to Councils and Minister
- Council to finalize negotiations and determine further action based on MOU details.

Comments

- Written submissions will be accepted up to the end of business on **February 10**, 2010

Ryan Lane
Department of Municipal Affairs
4th Floor West Block, Confederation Bldg.
P.O. Box 8700
St John's, NL
A1B 4J6

Appendix E

Public Hearing Notes

Public Hearing #1

Little Catalina Town Hall
February 2, 2010

Paraphrased discussions relevant to the Proposed Annexation:
Hearing was called to order by the Commissioner at 7pm. Approximately 30 residents in attendance.

Following the welcome and general introduction to the process and purpose of the Hearing the Commissioner proceeded to deliver a presentation outlining the analysis included in the draft report, followed by the recommendations. Following the presentation the floor was opened to comments or questions. Listed below are the paraphrased comments and questions from the discussion.

Harold Dalton	Was the recommendation on council seats and the new ward based on population and representation?
Commissioner	No. The proposed structure is based on the existing structure of the TBN council because they would remain intact in an annexation.
Herman Goodyear	There will always be an "us and them" attitude in the area.
Commissioner	That is difficult to gauge in a study of this nature and can improve over time.
Clarence Stagg	We're hearing that that it's already a done deal. IF so we need the details in writing to make sure they are followed.
Commissioner	The negotiations are still ongoing and either council can withdraw from the process at anytime up until the MOU is signed. The MOU acts as a written agreement between all parties involved to ensure the details are followed.
Mr. Stagg	We understood that residents would get to vote on the deal.
Commissioner	That decision is entirely up to council. They may call for a plebiscite or they may decide without one. It is within their authority to decide.
Mr. Dalton	Why did you choose annexation instead of amalgamation?
Commissioner	That decision was made by the councils when the original request was made to the Minister to undertake the study.
Mr. Goodyear	The Town hall would no longer be close and would not be centrally located.
Commissioner	The existing Town hall in TBN would be approximately the same distance from both ends of the new municipality and is only about 5 or 6 minutes from the location of the LC Town Hall.
Mr. Goodyear	Is equipment part of the negotiations?
Commissioner	Not usually. It is usually restricted to debt and capital infrastructure investment.

Mr. Goodyear	What happens with existing by-laws in LC?
Commissioner	As LC would be dissolved then the new area would have the existing by-laws of TBN applied from then on.
Frasier Eddy	Do the recommendations usually get followed from these reports?
Commissioner	While they are only recommendation they are usually followed because they tend to represent the reality of the situation. But in the end they may all be disregarded.
Mr. Dalton	What happens with the situation of the Dept. of highways maintaining the road?
Commissioner	Any situation like that would remain the same and is actually outside the discussions for this proposed annexation.
Mr. Stagg	If they go to an all at large council they could have total control.
Commissioner	It is my understanding that they are going to an at large structure for the general election in 2013. At that time it will be just like any election where it ids the citizens responsibility to ensure that your concerns are being addressed.
Mr. Goodyear	Is 10 the average tax rate in the province?
Commissioner	I'm not sure exactly what the average would be but it should be around 10 mils.
Mr. Eddy	If this moves ahead as presented then it would be a good deal for us. We don't have any options left.
Commissioner	This would be a very good deal for Little Catalina.
Mr. Stagg	What happens to the recommendations when the newly structured council is in place? For example could they shut down the Fire Dept? Can that be included in the MOU?
Commissioner	Could you comment on that Mr. Warren?
Keith Warren	The MOU and the negotiations are usually limited to debt and capital investments.
Commissioner	While they could decide to do that as it is their decision in the end, remember that they are engaging in this process in good faith to work a deal that is to the benefit of the whole area. They don't benefit by making decisions that harm you.
Mr. Dalton	In similar situations elsewhere open public meeting help to bring everyone onto the same page and increase communication.
Commissioner	That is in small part what this process is meant to do but there is always opportunity to have open public discussion on any issues for the area.
Mr. Goodyear	How soon could this happen?
Commissioner	It could be possible to have the by-election within a couple of months.
Commissioner	Thank you all for coming and remember that you can submit written comments up to February 10.

Public Hearing #2

Trinity Bay North Lion's Club
February 3, 2010

Paraphrased discussions relevant to the Proposed Annexation:
Hearing was called to order by the Commissioner at 7pm. Approximately 45 residents in attendance.

Following the welcome and general introduction to the process and purpose of the Hearing the Commissioner proceeded to deliver a presentation outlining the analysis included in the draft report, followed by the recommendations. Following the presentation the floor was opened to comments or questions. Listed below are the paraphrased comments and questions from the discussion.

Jerry Spurrell	You mentioned that staffing costs for LC were increasing, why?
Commissioner	Increase has been constant over the past 5 years and I was under the impression that the increase was du to administrative costs.
Mr. Spurrell	Can it be due to increased infrastructure maintenance?
Commissioner	It is possible but that are staffing related cost so I believe they are administrative increases but I cannot confirm that at this time.
Bob Keough	Is there any provision in the feasibility study process to address infrastructure maintenance or upgrading?
Commissioner	Not directly but that is usually considered during the negotiations with Municipal Affairs.
Mr. Keough	In the long run won't the other communities end up propping up LC for their infrastructure?
Commissioner	Not really because LC is able to currently maintain what it has but it cannot handle the debt load it currently carries, so in the short term the deal negotiated will help the infrastructure investment and in the long run they should be able to pay for their fair share with taxes from the area.
Mr. Keough	There should be a way to know that maintenance costs and there should be a fund set aside to cover that cost.
Darryl Johnson	One current requirement is for all towns to have a detailed infrastructure inventory and
TBN Manager	that helps in the process. We are negotiating a deal to get more infrastructure investment above and beyond what we currently would receive.
	Is this a cost saving measure by the province? Are they driving it?
Commissioner	With the money the Province tends to invest in these kinds of deals I don't think it is any kind of cost saving measure. It is a process that was requested by the Town's and not driven by the Province.

Mr. Johnson	To be clear TBN was approached by LC to see if we would agree to take part in the Feasibility Study and council agreed to take part. The previous amalgamation of TBN has been seen as a very positive thing by the Department of Municipal Affairs and has been highlighted by Ministers as a good example of cooperation.
Brendan Peters TBN Mayor	TBN has been held up as a great example of how to work together and other areas that are looking at amalgamations have called to get our advice on how it worked for us.
William Falk	The drinking water in the area is heavily chlorinated and is "not fit to drink" where as in LC they have a flow meter that allows them to keep a constant level but the fish plant here causes the water flow to fluctuate. Is there anything that can be done about that?
Mr. Johnson	That is outside of the discussion for the annexation.
Mr. Falk	Is there any way water/sewer work can be included in the negations.
Commissioner	Infrastructure and debt are the main components of the negotiations and issues around maintenance are generally not considered
Mr. Falk	How can residents find out the process or details around the negotiations?
Commissioner	Ask the Town Council.
Unidentified Councillor	Having one Fire Chief would cause a rift between the two fire stations. Maintaining two fire chiefs would be better to keep thing operating smoothly.
Commissioner	Someone has to be responsible for both stations and the recommendation is that one person would be more appropriate then two chiefs.
Unidentified Fire Fighter	May be some issues with one Chief. How would having two stations affect funding and resource allocation. Example equipment carrier, if both are in need who gets it?
Commissioner	That is a council decision based on the advice of the Fire Chief.
Mr Johnson	If there was a decision to be made for new equipment then the new Chief and I would meet with each station to determine need and the best course of action and then advise council and they would decide.
Fire fighter	We want to make sure our funds raised and equipment is kept at our location.
Commissioner	The Little Catalina Department has expressed the same concerns.
Adam Fire Fighter	I'm in favor of the towns coming together. The regulations concerning fire equipment may change in the near future to require that equipment be replaced after 20 years of service. The pumper truck in LC is about 2 years older then the oldest one in Catalina. It would then have to be replaced first. Wouldn't it make more sense to have one station with all of our equipment in one centralized location?
Commissioner	One central location would likely meet any standards and would be an ideal condition but to attempt to do that in a very short amount of time can cause significant disagreements. A longer term plan to determine the best situation for the fire services should be developed when the new council is in place. In the end the location and structure of any Fire Department is a council decision.
Adam	We have an established budget and occasionally need additional funds, how will that be impacted by having two stations? Will we get less money?
Commissioner	That is a council decision but your need for operating funds will not change so I would

	doubt that your budget would change.
Mr. Johnson	To clarify the budget of the Catalina Department will not suffer and both towns have begun working on a possible joint budget and at this time it looks like there could be a slight increase in the budget.
Howard Duffett Councillor TBN	How will the maintenance for the extra infrastructure in LC work? Our Maintenance man is currently over worked and does the job of 10 men, how can he handle additional work?
Commissioner	Unfortunately many municipal workers in the Province are over worked. The recommendation is to maintain TBN staff as they currently exist but if the annexation takes place and the workload is too much for existing staff then council should hire additional staff.
Councillor Duffett	Our water system is not very good and I wouldn't drink it. Why can't we get 90/10 cost shared funding to install a $150 million water treatment instead of paving roads in LC?
Commissioner	There is a significant difference in $1million of road work in LC as opposed to a $150 million water treatment plant. In addition a plant of that size could require as much as $500 to $600 thousand per year to operate. Also in this case the water supply is owned by the Province of NL so that would add additional complications, but in the end it is a council decision. If council wished to proceed on the development of a water treatment plant then they could do so.
Mayor Peters	Even the 10% of $150 million would be out of our reach as a town.
Mr. Johnson	The distribution system is owned by the town but the pumping system is owned by the Province. We have made significant investment in the system in recent years. We are doing the best we can to deliver the service for what we can afford. Even if we could convince the Province to install a treatment plant we cannot afford the cost or operations at over $600, 000 per year.
Neville Samson Councillor TBN	The budget of LC is small at about $240, 000 per year and they have issues with tax collection at only about 70%. Have they said why that is so low? Do they cut off water for non payment?
Commissioner	While I am aware of their tax collection levels and they are lower then they should be, I am not aware of their collection methods.
Councillor Samson	The town and surrounding area is suffering from a shrinking, aging population and a shrinking tax base. To maintain LC we would need to maintain a higher tax base and LC is very spread out. They have a lot of road. This is a major concern for me.
Commissioner	There are infrastructure issues and the town of LC is somewhat spread out but the infrastructure is mostly in place already. As for population, you have about 450 people living about 6 minutes away who want to be part of this town.
Dave Gullage	The recommendation regarding a ward seat for LC. I thought we had decided to go with an at large system?
Commissioner	I understand you will be moving to an all at large structure for the next election but if the annexation goes ahead then LC should have representation on the new council for at least the current term.
Mr. Gullage	What is the rationale for allowing the LC Recreation Committee to remain in

	operation?
Mr. Johnson	They would be allowed to operate as a sub-committee of the TBN Recreation committee.
Commissioner	The recommendation is that they be allowed to operate in some capacity which could mean as some kind of sub-committee, but my suggestion is that you continue to allow them to volunteer and provide a service to that area.
Unidentified	How likely are the recommendations to be followed and can council disregard them?
Commissioner	The recommendations are usually followed in these processes because they tend to represent the majority of thought, but in the end they can be disregarded as they are only recommendations.
Adam	The structure of one Fire Chief could create bias toward one of the stations. The St. John's system has multiple Chiefs but one un-biased commissioner who could help make recommendations to council. I recommend that you explore that option.
Commissioner	That is a good idea and the Fire Commissioners' office will be consulted prior to the final recommendations being released.
Mayor Peters	I understand what Adam is saying but over on Fogo Island they're looking at amalgamation and they have something like 7 fire departments, would it make sense for them to keep 7 fire chiefs? I don't think it would.
Kevin Cox	Remember that the Fire Chief is a volunteer and that there would be considerable strain
Fire Fighter	on an individual responsible for two stations. And What does TBN get from this deal? What happens if the $1.8 million for LC doesn't get written off?
Commissioner	It is not likely the annexation would happen without the debt write off for LC.
Mayor Peters	It would not happen with out the debt write down.
Commissioner	Benefits for LC would include debt write down and investment in infrastructure like roads or water and sewer. In TBN left over $118 thousand is being fought for I'm sure along with significant infrastructure investment. Additionally it would increase your tax base and therefore increased capacity. Therefore you can use the extra capacity to borrow or leverage even more money on the 90/10 cost share. There are also benefits of a united approach for the area. The 4 former towns have been partnering for many years and it just makes common sense to work together.
Mr. Cox	I've been asked why should the taxpayers of TBN support two fire halls. I'm For amalgamation, don't get me wrong but I have been asked that question.
Mr. Johnson	Both towns will benefit and TBN wouldn't consider anything that involved taking on any debt. We have done very well in the negotiations so far, much better then the 2005 deal. The Fire Department is an incredibly important part of the Town and any decisions will be made in consultation with the Fire Chief but the decision rests with council and that decision should be made without bias.
Commissioner	As for keeping two stations open in the long run that may not be the ideal but at least for the transition period it makes the most sense.
Mr. Johnson	In discussions with LC we may be able to keep that building open and have it pay for itself through rental fees and the like because it is a very busy building. In that case the operations can be kept at a reasonable level.
Mr. Cox	So keeping the 2nd hall open won't cost TBN any more then it does now.

Commissioner	The operational costs should remain pretty constant and therefore it should not cost any extra to keep both stations open.
Adam	Would having two stations and therefore a larger department mean that we could have a better shot at receiving new equipment? Would we have more pull and would our capacity be increased?
Mr. Johnson	Plus it's looked more favorably upon by the Province.
Commissioner	Absolutely.
Mr. Cox	The existing Chiefs work together very well so would it be possible to keep both and have the appropriate Chief in charge depending on the location of the fire?
Mr. Johnson	Can you look to see what has happened in other areas?
Commissioner	That will be part of the next step in the research.
Keith Warren Municipal Affairs	Currently in the discussions on Fogo Island they are looking at reducing the number of departments down to 3 stations and that there would be one Fire Chief and each location would have a Deputy Chief. The Deputy would be responsible for their station and responsible to the Chief.
Mr. Spurrell	A lot of the roads in LC are not paved. Under the new Gas Tax program does it say that you have to pave existing roads first before you do other work?
Commissioner	No, that is not how the Gas Tax Program works.
Mr. Spurrell	Aren't those the priorities for LC?
Commissioner	That may be their priorities as part of the negotiations with the Department of Municipal Affairs but the Gas Tax program does not state that
Commissioner	Thank you for coming and remember that you may submit written comments up until February 10.