

FINAL REPORT

FEASIBILITY STUDY
TO MERGE THE TWO COMMUNITIES OF
VICTORIA AND SALMON COVE
INTO
ONE LOCAL GOVERNMENT ADMINISTRATION

April 30th, 2007

Submitted to:

Minister
of the
Department of Municipal Affairs

By:

Commissioner:
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Executive Summary

The Minister of the Department of Municipal Affairs has ordered that a Feasibility Study is to be prepared to assess the advantages and/or disadvantages of merging the two communities Salmon Cove and Victoria and delivering municipal services to the two communities through the formation of one single entity versus two separate and distinct municipal structures. These towns are adjacent to one another along Route 70 on the Bay de Verde Peninsula. The following is a summary of the current situation, the analysis that was conducted as part of the study, the issues that were raised by residents and the recommendations for a proposed merger.

Context

The Town of Salmon Cove was incorporated in August of 1974 and has a population of 707 which is a decline of 5.2% from the 2001 census. The administrative structure and operations of the Town are conducted by the non-unionized staff of 3 Full Time Equivalents (FTE's) – this includes full time and part time personnel. The operating budget for 2007 is \$645,000. It is governed by a seven member Council.

The Town of Victoria was incorporated in 1971 and has a population of 1769 which is a decline of 1.6% from the 2001 census. The administrative structure and operations of the Town are conducted by the unionized staff of 5 Full Time Equivalents (FTE's) – this includes full time and part time personnel. The operating budget for 2007 is \$1,169,000. It is governed by a seven member Council.

Both towns deliver a similar set of services to their residents:

- Water Distribution (Victoria also provides water treatment and supplies water to Salmon Cove)
- Sewer Collection (Victoria also provides primary and secondary sewage treatment)
- Fire Protection (Salmon Cove also provides services to Perry's Cove)
- Road Maintenance (Department of Transportation maintains Route 70 and 74 which are the main routes in both Towns)
- Snow Removal
- Solid Waste Collection and Disposal (contracted to the same private contractor in both towns)
- Street Lights
- Capital Works
- General Government Administration

Benchmarking Analysis

In determining the financial feasibility for the merger of the two Towns an analysis was conducted which compared the combination of the two towns to the three comparators: Spaniard's Bay, Burin and Springdale. These towns were chosen as comparators because their populations were similar to the total population of Salmon Cove and Victoria combined (Vic-Sal Model).

In comparing the characteristics of a merged town to the comparators it was evident that the combined town would have a significant property assessment gap and a small commercial assessment base in comparison to the comparators. The table below illustrates the gaps.

Assessment Values among Comparators

2007 Data	Salmon Cove	Victoria	Burin	Spaniard's Bay	Springdale	COMBINED Vic- Sal
Residential Assessment	\$14,665,316	\$41,656,100	\$50,050,209	\$67,245,915	\$70,618,287	\$56,321,416
Commercial Assessment	\$261,031	\$1,123,800	\$26,266,391	\$8,922,685	\$8,202,080	\$1,384,831
Total Assessment Value	\$14,926,347	\$42,779,900	\$76,316,600	\$76,168,600	\$78,820,367	\$57,706,247

In fact, the difference between the average assessed value of the comparators and the Vic-Sal Model is \$19.4 million or 25%. However, given the lack of commercial activity in Salmon Cove and Victoria it may be more appropriate to focus on the gap between residential assessed values. Given that Burin has a lower residential assessed value than the combined Vic-Sal Model it was dropped from the gap comparison and the average of Spaniard's Bay and Springdale was used. This resulted in a gap of \$12.6 million which translates into a \$113,000 revenue shortfall at an average mil rate for the comparators of nine. This will be used as the financial revenue target that has to be met through a combination of operational efficiencies, savings, tax increases and debt reduction.

In the benchmarking of services it was determined that two areas offered readily attainable savings and those were General Government savings of \$19,500 through the elimination of seven councilors and reduction of duplicated activities such as accounting services and Garbage Collection savings of \$10,000 by contracting at the rate in the current Victoria contract. Additional savings may be realized through resource reductions and savings in other services. However, these will require additional effort to quantify and determine the operational impacts.

Proposed Financial Actions

With \$29,500 in savings the revenue objective will require a combination of either tax increases or debt to be written off in order to reach the objective. Therefore, if the objective is set at \$113,000 and the estimated savings total \$29,500 then an additional \$83,500 of additional revenue or decreased expenditures, or a combination of the two, is required. Given that Victoria will be in a position to offer a tax decrease in the future any proposal to increase taxes as a result of a merger is not likely to attract the support of

residents. With regards to Salmon Cove it seems evident that the property tax revenue objective that has been adopted by Council is too low and has resulted in less revenue drawn from the tax base in proportion to other communities. In the table below these statements are illustrated using a comparison of Salmon Cove and Victoria to the comparators with regards to two aspects: Portion of Revenue derived from Property Tax and the Portion of Expenditures dedicated to Debt Service. The proposed financial model for the merged entity is also compared.

Revenue and Debt Servicing of Proposed Model versus the Comparators

	Portion of Revenue derived from Property Taxes	Portion of Exp Dedicated to Debt
Salmon Cove 2007	22%	62%
Victoria 2007	37%	44%
Burin	36%	24%
Spaniard's Bay	42%	36%
Springdale	36%	24%
Proposed Vic Sal Model	41%	31%

From this table we can see that Salmon Cove derives 22% of its revenue from property taxes and spends 62% of its revenue from all sources on debt servicing. Victoria derives 37% of its revenue from property taxes and spends 44% of its revenues from all sources on debt servicing. The ranges for the comparators are 36% to 42% of revenue derived from property taxes and 24% to 36% of expenditures dedicated to debt servicing. The proposed model with the financial target of \$113,000 in annual savings and debt reduction factored in would achieve 41% of revenue from property taxes and spend approximately 31% of its revenue from all sources on debt servicing. A detailed comparison of current tax rates and charges against the proposed model to achieve the financial objective is presented in the table below.

Current and Proposed Mil Rate and Charges

	Salmon Cove	Victoria	Combined
Mil Rate - Res	9 Mil	10 Mil	9.981 Mil
Minimum Tax Rate	\$300	\$240	\$268
Mil Rate - Comm	15 Mil	10 Mil	10 Mil
Water and Sewer Tax	\$380	\$360	\$364
Water Only Tax	\$220	\$280	\$250
Poll Tax	\$200	\$200	\$200
Business Tax	varies	varies	varies
Utility Tax	2.5% of gross	2.5% of gross	2.5% of gross

These actions will establish a sustainable financial base for the new entity that will also allow the exploration of enhance services or additional capital projects through the use of the reserve funds from the financial objective - \$113,000.

Key Issues for Residents

Sewer Lagoons

The operation of sewer lagoons in order to treat the sewage collected in the Town of Victoria has become a central issue in this study. Many perceive that the lagoons are not operating and are actually polluting the Salmon Cove River. An independent engineer has identified operational concerns with the lagoons but no pollution has been substantiated. In addition to the operational concerns the Town of Salmon Cove installed a trunk sewer about 15 years ago that was oversized for the needs of the town itself so that it could be connected to the Town of Victoria in the future. This connection would then allow the sewer lagoons to be decommissioned.

However, the connection of the two sewer collection systems has never taken place and is hampered by two issues. Firstly, if the systems are connected and the lagoons closed then the current primary and secondary treatment of Victoria's sewage would be stopped. This would result in additional raw sewage flowing through the Salmon Cove system and being released into Conception Bay North through the ocean sewer outfall. This is seen as having negative environmental affects and is not receiving the support of the Provincial government. In addition the Town of Victoria has begun a process to construct a third sewer lagoon that will fix the operational issues that plague the current system. This has received Provincial support.

Secondly, the Salmon Cove system that was installed 15 years ago is not capable of handling the volume from Victoria due to population increase and water infiltration into the Victoria sewer collection system. The water infiltration during peak rainfall increases the flow for the system by seven times. This would cause operational problems for the Salmon Cove system.

Cost of Water Provision

The Council for the Town of Salmon Cove has expressed concern over the cost that the Town of Victoria is invoicing for the provision of potable water. No formal agreement is in place for the allocation of costs for the provision of services between the Towns. An analysis was conducted of the operational costs for the provision of water using operational costs supplied by Victoria for 2005. It costs approximately \$100,000 in 2005 to operate the treatment and distribution system. Two methods were used to derive a range for an appropriate cost for service provision to the Town of Salmon Cove. One method is based on the proportion of population in Salmon Cove versus the total for both towns and the other uses a rate based on the number of connections in Salmon Cove versus the total for both Towns. The table below illustrates the results of these two methods.

Methods to derive allocation of Operating costs

Two methods to derive a total cost	
Cost per person in both towns (1798 + 746)	\$39.55
Cost by population method for Salmon Cove	\$29,505.71
Cost per connection in both towns (662+206)	\$115.92
Cost by connection method for Salmon Cove	\$23,879.86
Actual cost that Salmon Cove paid in 2005	\$27,657.00

We can see that using the operating costs that were provided for this analysis that an appropriate range for the cost for service provision to Salmon Cove should be \$24,000 to \$29,500. In addition, Salmon Cove had a water charge for fiscal year 2005 of \$180 per connected household. This charge applied to the 206 connections in Salmon Cove derives revenue of \$37,080.

Benchmarking of Elected Officials

The Comparators were surveyed on a number of points other than the cost of services and the infrastructure that they provide. One additional focus area for comparison was the number of elected officials that govern the town. In the table below the number of elected officials as well as the population of each town is presented. We see that all of the Towns function with the same level of oversight and guidance provided by seven elected representatives. All have a similar structure of mayor, deputy mayor and five councillors generally elected at large. In the three comparator towns we have a representation ratio range of 385 to 435 people per elected representative. In Salmon Cove we currently have a ratio of 107 people per elected representative and Victoria has ratio of 257.

Elected Officials among Comparators

	Salmon Cove	Victoria	Burin	Spaniard's Bay	Springdale
Mayor	Mayor	Mayor	Mayor	Mayor	Mayor
Deputy Mayor	Deputy Mayor	Deputy Mayor	Deputy Mayor	Deputy Mayor	Deputy Mayor
5 Councillors	5 Councillors	5 Councillors	5 Councillors	5 Councillors	5 Councillors
Population	746	1798	2712	2694	3044
Per Council Member	107	257	387	385	435

On a combined basis, using 2001 census data, the Towns of Salmon Cove and Victoria would have a population of 2544 for a ratio of 364 people per elected representative for a seven member council. This ratio would seem within reason given the size of the population. The geographic size of the area is also not a factor that would warrant adjustment of the ratio.

Summary of Proposed Recommendations

The recommendations that have been proposed for the merger of the two Towns and the establishment of a new entity align with the objectives established for the report commissioned by the Minister. The recommendations contained in this report reflect the opinion of the Commissioner that the merger of these two towns is feasible and will be a positive initiative for the residents of both towns. This sentiment was expressed by residents during the consultations and the public hearing process. The following recommendations should form the basis for the Minister's consideration of the feasibility of this merger:

Recommendation One

A merger entity should be an incorporated entity and governed by a seven member Council comprised of a mayor, deputy mayor and five councillors. With a combined population of approximately 2500 the representation ratio would be approximately 360 people per elected representative in a merged entity. For electoral purposes the Mayor and three councillors should be elected at large with three other councillors representing specific wards. Ward boundaries should be determined by the Transition Team.

Recommendation Two

The proposed organizational structure should be used as a framework for the new entity with changes made upon further investigation of the exact allocation of roles/responsibilities as well as a further investigation of the resourcing needs of the new entity. No closure of any current municipal building or the sale of any municipal assets is proposed without further study of the exact operational requirements.

Informal relationships that exist with groups such as Salmon Cove / Perry's Cove Fire Department, Salmon Cove Futures Development Association, Salmon Cove Archives, Victoria Museum should be formalized to ensure continued support of these groups in the same manner and level as they enjoyed in the former Towns.

Recommendation Three

A financial target of \$113,000 has been established to reflect the assessment gap that exists between the comparator towns and the combined assessments of Salmon Cove and Victoria. A reserve fund should be established in which the financial target is allocated in order to fund new initiatives of the new entity. The suggested method of reaching the financial target of \$113,000 is as follows:

- Through actions that will achieve the \$29,500 in savings as identified in government services and garbage collection;
- Investigate the potential for additional savings and efficiencies;
- Province assume \$83,500 in current annual debt on behalf of both Towns;
- Establish a Mil Rate of 9.981 for residential properties and a minimum tax method rate of \$268.37. Commercial Mil rate should be established at 10 Mils. Water and Sewer rate will be adjusted to \$364.00 and the Water only rate will be adjusted to \$250.00.

Recommendation Four

A new entity should be established with a municipal boundary that is a combination of both of the boundaries of the current Towns. Consideration should be given to the inclusion of the unincorporated lands of Perry's Cove and others. The Planning Area Boundary should be extended to include lands extending to the municipal boundary of Blackhead Broad Cove Small Point – Adam's Cove.

Recommendation Five

It is recommended that the implementation date for the new town should be at the start of a new fiscal year such as January 1st, 2008 or 2009. This will simplify the transition to a new budget and accounting structure versus a mid year combination of financial data.

It is recommended that a special election be held in September 2007 for a 2008 merger effective date and September 2008 for a 2009 merger effective date.

Implementation of Proposal

The Province should appoint a Transition Team (Person) to implement the new entity and merge the services and administrative structures. This will accomplish two objectives; it will ensure that existing staff can focus on current operational issues without having to tackle an additional complex project. It will also provide a forum for the discussion of policy and issues that will affect the new entity. This Transition Team (Person) would also conduct consultation on the new name for the entity. The Transition Team (Person) would be tasked with budget oversight, approval of spending in the interim between dissolution of the former councils and the effective date for a new council as well as developing and implementing the new structures and processes for the continuance of operations on day one of the new entity.

Some additional one time transition funds should also be made available to facilitate use of additional professional resources to assist staff with the merger and to offset the costs of converting to one entity. This would include assistance with such things as labour relations, consulting resources for operational improvements or further savings, accounting, information technology, and other items that may arise due to the establishment of the new entity.

Conclusion

The proposed merger of Salmon Cove and Victoria offers benefits for residents in terms of financial savings and administrative simplicity. From a regional perspective we currently have administrative entities/structures that do not reflect the regional nature of people's activities and service delivery needs.

For example, we have:

- Sewer service which is a regional issue for residents that crosses the municipal boundary but is complicated by the two administrative structures that have not dealt adequately with the issue of interconnecting or operation of the lagoon system.
- Provision of potable water is a regional issue for residents that crosses the municipal boundary but is complicated by the two administrative structures that have not reached a consensus on the allocation of costs or a transfer of funds.
- Garbage collection is a common service that is delivered through a private contractor for both communities. Both administrative structures receive different contractual unit costs for the same service which would not happen in a combined entity.
- Fire protection also crosses the municipal boundary with Salmon Cove and Perry's Cove uniting to provide service in their Towns. Victoria and the Salmon Cove / Perry's Cove department have a reciprocal agreement to support one another in times of need.

In addition, the proposed merger offers opportunities to reduce the cost of municipal administration by at least \$29,500. The reduction of duplicated efforts means that resources can be put towards service enhancements or new services. This results in a better service offering to residents.

In many respects the merger of these two Towns will simply reflect the way that people are currently working and living but offer them an opportunity to grow the region in a sustainable manner.

Section 1 Introduction

Purpose

The Minister of the Department of Municipal Affairs has ordered a Feasibility Study be prepared, at the request of the Towns of Victoria and Salmon Cove, to merge the two communities into one local government administration. The Study will assess the advantages and/or disadvantages of delivering municipal services to the two communities through the formation of one single entity versus two separate and distinct municipal structures. The Study was conducted in accordance with the Municipalities Act, 1999 and the specific Terms of Reference for the study which is contained in Appendix A.

The Minister has appointed Ken Kelly of UVH Group to act as the Commissioner for this feasibility study.

Process that was followed for the Study

The project was conducted in two phases. The first phase focused on data gathering, benchmarking of municipalities, analysis and public consultation. This material was captured in a preliminary report which concludes with a proposal for a merged administrative structure. The second phase focused on the conduct of public hearings based on the preliminary report recommendations and the proposed merged administrative structure. The final report for the project was formalized at the end of the public hearing phase and incorporated the feedback and comments that were received from all sources on the proposed merged administrative structure.

Structure of Report

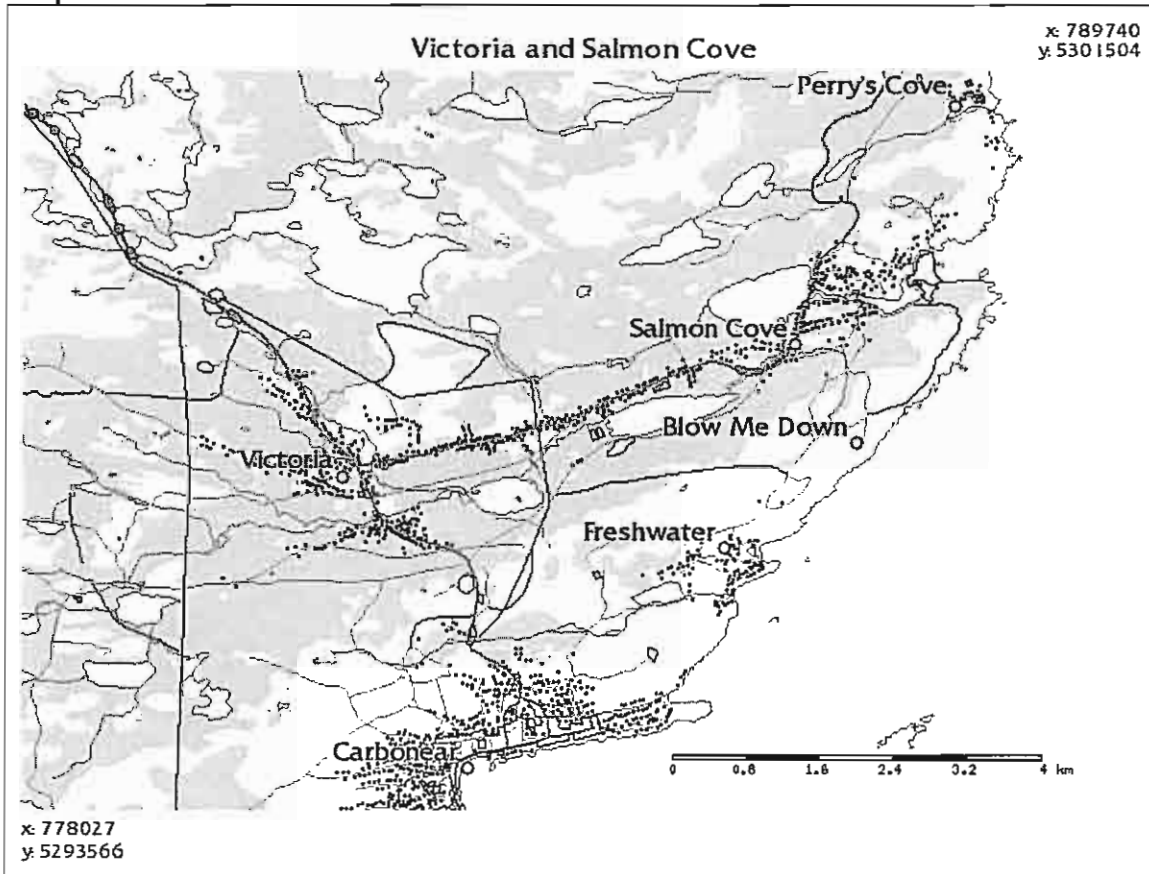
The Report has been structured to follow the development of the preliminary recommendations. In Section 1, we set the context for the merger discussion by detailing the particulars of the two Towns as they currently exist. This includes data pertaining to population, finance, organizational structure, services delivered and infrastructure. In Section 2 of the report we present the benchmarking of Salmon Cove and Victoria with the Towns of Spaniard's Bay, Springdale and Burin. In Section 3 of the report we identify the issues that were raised during the public consultation.. In Section 4 of the report we present the recommendations on the feasibility of merging the two administrative structures of the Towns of Salmon Cove and Victoria. As well this section assesses the proposed merger against the criteria contained in the Terms of Reference. Section 5 of the report contains a summary of the public hearings that were held to solicit public feedback on the proposal.

Community Overview

Salmon Cove

The Town of Salmon Cove is located 125 km from St. John's, on Route 70 on the Bay de Verde Peninsula. Most of the town has developed along the banks of the Salmon Cove River as it enters Conception Bay North. We see a traditional pattern of settlement with the older portion of the Town focused close to the main ocean access points while the newly settled residential streets are located further inland and focus on ease of access to the Provincial road network. It is located approximately 12 kms from Carbonear which is the industrial and commercial centre for the area as illustrated in MAP 1 below. The Town itself was incorporated in August of 1974.

Map 1 Victoria and Salmon Cove



Source: NL Mapping and Surveys Division base maps.

The recent 2006 census data indicates that the population of the Town has declined from 746 to 707 or a decline of 5.2%. This is illustrated in Table 1.

Table 1: Population 2006 Salmon Cove and Province

Population and dwelling counts Salmon Cove		
	Total	Total
Population in 2006	707	505,469
Population in 2001	746	512,930
2001 to 2006 population change (%)	-5.2	-1.5
Total private dwellings	300	235,958
Private dwellings occupied by usual residents	271	197,245
Population density per square kilometre	168	1.4
Land area (square km)	4.21	370,494.89

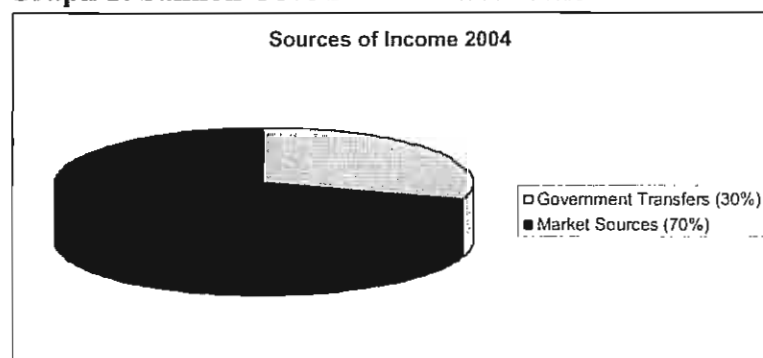
Source: Statistics Canada, Census 2006

While the town is purported to have been settled for the fishery there is little immediate reliance on the fishery today. Those involved in the fishery tend to commute to other towns such as the fish plants in Carbonear and Bay de Verde. A small commercial services sector exists in the Town comprised of hair salons, garages, a convenience store and activities of the Future Development Association. Employment in Salmon Cove is predominantly outside of the community.

The low level of organic or internal employment in the town does not translate into a reliance on provincial transfers that exceeds the provincial average even though overall income levels are below the provincial average. The Community Accounts, which is data compiled into a community profile and maintained by the Province, indicates that for 2004 the income for every man, woman, and child (personal income per capita) in Salmon Cove was \$16,800. For the province, personal income per capita was \$20,600. After tax personal income per capita, adjusted for inflation, was \$11,300 for Salmon Cove in 2004. For the province it was \$13,400.

The 2004 self-reliance ratio for Salmon Cove was 70%. This is a measure of the community's dependency on government transfers such as: Canada Pension, Old Age Security, Employment Insurance, social assistance, etc. The higher the percentage of income that comes from transfers the lower the self-reliance ratio. The provincial self-reliance ratio for 2004 was 78%. Salmon Cove is moderately more dependent on provincial transfers than the Provincial Average.

Graph 1: Salmon Cove Self-Reliance Ratio



Source: Community Accounts, Economics and Statistics, Department of Finance, Government of Newfoundland and Labrador

Services Provided

Through its staff, infrastructure, and purchased services the Town of Salmon Cove provides an array of services to its residents.

- Water Distribution
- Sewer Collection
- Fire Protection
- Road Maintenance
- Snow Removal
- Solid Waste Collection and Disposal
- Street Lights
- Capital Works
- General Government Administration

Infrastructure and Equipment Inventory

Water Distribution System

The Town of Salmon Cove has a gravity feed water distribution system that provides potable water to most residential properties in the town boundary. The water main consists of 2500 metres of DI pipe. Salmon Cove purchases services from the Town of Victoria for the delivery of potable water to its town boundary. At which point Salmon Cove is responsible for distribution within the Town.

The majority of residential and commercial properties located in Salmon Cove are connected to the water distribution system. As of the writing of this report there were 215 properties within the town that were connected to the water system. The remaining 84 properties are assumed to be providing their own potable water through the use of a well located on the property. Additional capital projects are required to service the entire Town

Sewer Collection System

The Sewer Collection System in the Town consists of a 3400 metre PVC sewer main with 2 lift stations. There is no treatment capacity at the moment and the sewage is discharged using a diffused outfall (multi discharge ports) into Conception Bay North. The diffused outfall is achieved using smaller ports that run away from the main outfall pipe to cover a large area. By discharging the raw sewage over a larger area a higher level of dilution can be achieved. No solids or plastics removal takes place in the system.

The force main was installed approximately 15 years ago and was oversized for the projected capacity of the Town of Salmon Cove. The diameter of the force main was increased from an eight inch to a twelve inch. The additional capacity of the forcemain was intended to facilitate a future connection of Victoria to the Salmon Cove sewer collection system.

Slightly more than half of the residential and commercial properties located in Salmon Cove are connected to the sewer collection system. As of the writing of this report there were 170 properties within the town that were connected to the sewer system. The remaining 129 properties are assumed to be using a septic field that is located on the property. Additional capital projects will be required to service the remaining properties in the community.

Road Network

The road network is comprised mostly of the main road which is Provincial Highway Route 70 which travels through Victoria and into Salmon Cove and acts as the main collector road within the community of Salmon Cove. Route 70 leaves Salmon Cove and carries on up the Bay de Verde Peninsula to Perry's Cove and other communities. This road and the bridge structures that are part thereof are maintained by the Department of Transportation and Works. The Town contains many paved and gravel roads that extend from the main thoroughfare to provide access to residential, commercial and institutional properties. There are approximately 6.4 km of paved and 11.9 of unpaved roads that are maintained by the town.

Recreation and Tourism Assets: Parks, Fields and Trails

Within the local area of Salmon Cove residents have ample opportunity for informal recreation activities. Recreational programs are provided by the Salmon Cove /Perry's Cove Fire Department utilizing the former Salmon Cove Lions Community Center, which is now owned by the Town of Salmon Cove. The volunteer firefighters use the Community Centre in their efforts to generate funds for fire protection services. The volunteer force administers and provides some of the recreational programs such as softball in the summer. Adjacent to the Community Centre is a Preschool Playground.

The Town of Salmon Cove supports a community organization "Salmon Cove Future Development Association" which administers and develops tourism focused services and infrastructure within the Town. Currently it utilizes a land lease for Salmon Cove Sands which is a 1/2 km of sandy beach with tourist amenities for the use of day visitors. These amenities include 1600 feet of Boardwalk which skirts the inner fringes of the beach with observation deck and lookout, cooking chalet, concession chalet, tourist chalet, toilet facilities, picnic area, seating benches and a hiking trail – "Trail of the Eagles". A bandstand has been constructed and features the Annual Summer Beach Pea Festival held in July and other seasonal concerts.

In addition the Future Development Association has an experimental research station, where the perennial Beach Pea and other crops are grown.

An archives for information related to the Town of Salmon Cove is also housed in the Town Hall and maintained by a community group.

Buildings

The Town Hall is the main building used for the administration of the Town located on Main Street East which parallels the Salmon Cove River. This building houses the Administrative Offices, Council Chambers, Post Office (rented space), Archives and the Salmon Cove Future Development Association.

In addition the Town also owns the Community Center and Fire Hall.

Equipment

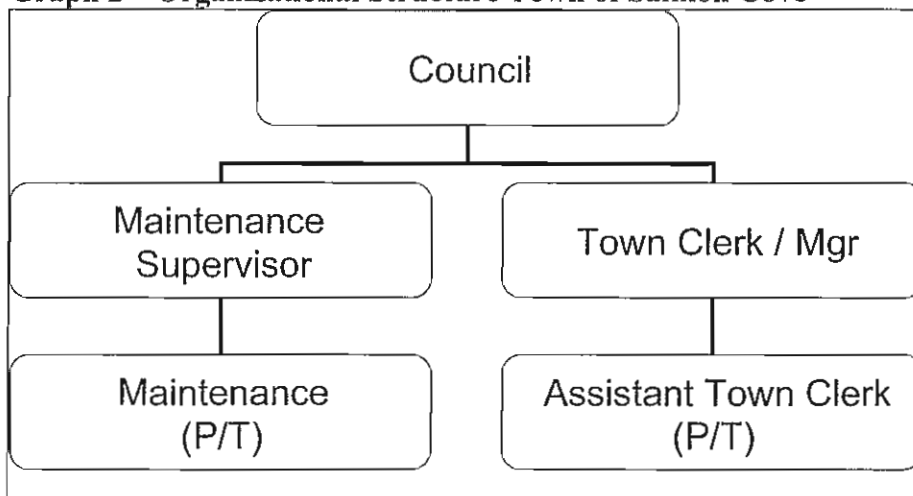
The major equipment that is utilized by the Town for the provision of services includes the following major items: 1986 Chevrolet Fire Truck, 1987 Ford Fire Van and 2003 Dodge Ram Pickup 4X4. No heavy equipment is owned or leased by the Town.

Organizational Structure

The Town of Salmon Cove is governed by a seven person body comprised of five councillors, a deputy mayor and mayor. These individuals are elected at large for a term of four years.

The administrative structure and operations of the Town are conducted by the staff of 3 Full Time Equivalents (FTE's) – this includes full time and part time personnel. The Organizational Chart below illustrates the Town Structure. The Town of Salmon Cove is not unionized.

Graph 2 – Organizational Structure Town of Salmon Cove



Financial Snapshot (2005 Actuals and 2007 Budget)

The 2005 Financial Statements and the 2007 Budget for the Town of Salmon Cove was reviewed. The data from both of these documents has been summarized and is presented in the Table below.

Table 2 – Financial Snapshot Town of Salmon Cove

Salmon Cove		
	2005	2007
Revenue	Financial Statements	Budget
Taxation		
Property Tax	\$134,510	\$145,081
Business Tax	\$22,425	
Poll Tax	\$6,799	
Water and Sewerage Tax	\$64,254	\$74,500
Licesnses, Permits and Tax Certificates	\$310	
Other Revenue - Own Sources & Other Grants	\$11,021	\$53,521
Provincial Government Grants		
Municipal Operating Grant	\$38,371	\$38,372
Province's Portion of Debt Charges	\$427,761	\$333,841
	\$705,451	\$645,315
Expenditures		
General Government	\$87,424	\$91,377
Protective Services	\$5,375	\$5,300
Transportation Services	\$38,614	\$44,600
Environmental Health	\$84,585	\$76,000
Planning and Development	\$0	\$0
Recreation and Cultural Services	\$0	\$1,000
Fiscal Services	\$493,060	\$427,038
	\$709,058	\$645,315
Surplus (Deficit) for Year	-\$3,607	0

Some of the observations that we can make based on the actual financial statements and budgets focus on the level of revenue derived from the property tax base and the proportion of expenditures that are used to service debt.

The Province is providing a significant amount of the revenue stream of the Town of Salmon Cove according to the 2007 budget data. The Municipal Operating Grant of \$38,372 combined with the Province's Portion of Debt Charges \$333,841 represents 58% of the Town's revenue stream. Only 22% of the Town's revenue stream is derived from

the property tax base with an additional 12% coming from water and sewer charges. A detailed analysis of the cost for each service is presented in Section 2.

Long Term Debt

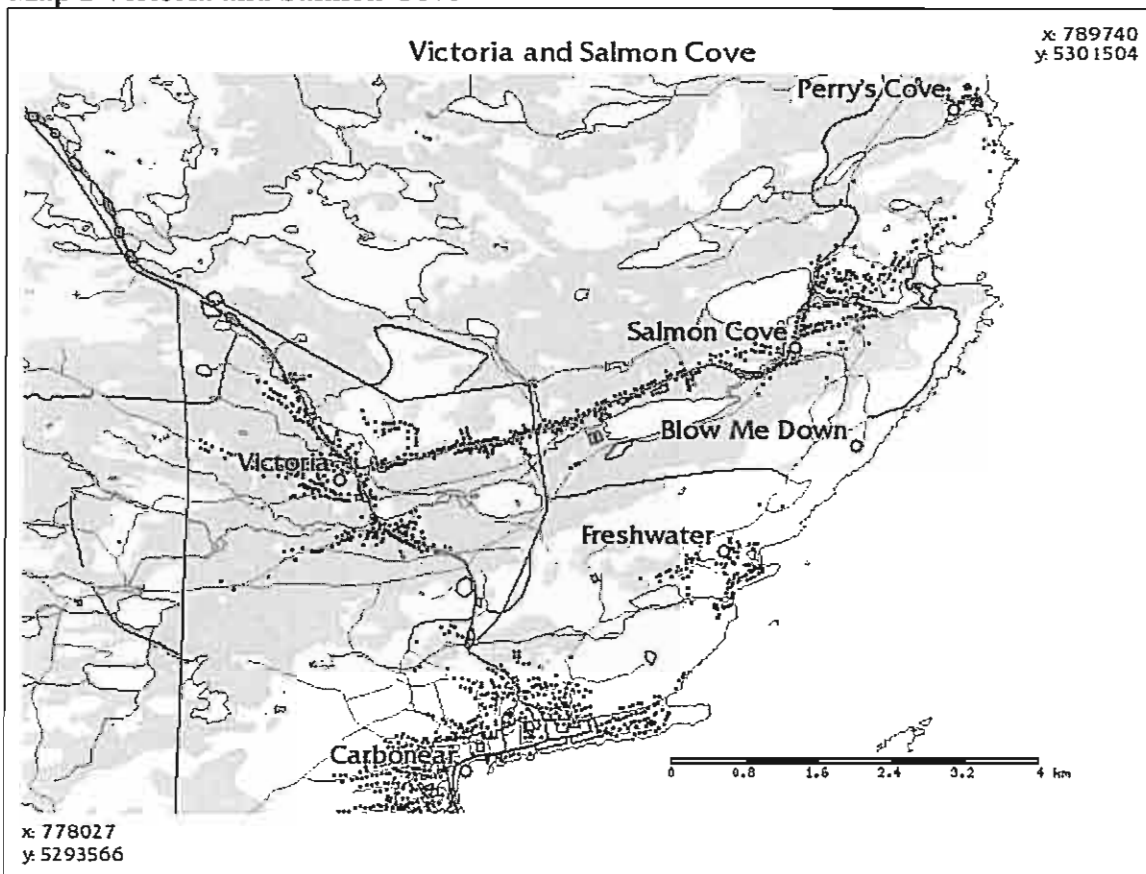
The Town of Salmon Cove has struggled with its debt servicing. It has taken advantage of cost sharing arrangements offered by the Province over the years. The Town sought debt relief from the Province in the last fiscal year and approximately \$1.2 million in debt was written off. As of December 31st, 2006 the Town had \$1,630,630 dollars owing for long term debt. This includes both the Town's portion and the portion assumed by the Province. The Town has a capital works program planned for this year that amounts to \$2.462 million approximately. As an example, if this level of debt was cost shared at a 70/30 ratio with the Province the annual principal and interest payments would likely be in the range of \$70,000 with a loan term of 15 years at a rate of 5%. In order to carry this type of additional debt the Mil rate in Salmon Cove would have to increase by an additional 5 mils. The Town would have a mil rate of 14 without factoring in any additional operating costs.

This level of debt is not seen as sustainable for a Town. In Section 2 of this report we present data on financial comparisons which will help illustrate a sustainable level of debt to revenue ratios.

Victoria

The Town of Victoria, located on Route 70, is often referred to as the "crossroads to Trinity and Conception Bays." Victoria offers a connection to the Western portion of the Bay de Verde Peninsula along Route 74 as well being situated on the provincial highway that leads north easterly along the coast of Conception Bay and up the peninsula along Route 70. It is approximately 51 km from the Trans Canada Highway (TCH) and 114 km from St. John's. It is approximately 8 kms from Carbonear which is the industrial and commercial centre for the area as illustrated in MAP 2 below. The Town was incorporated in 1971 and is the location for the Eastern School Board elementary school that serves this area - Persalvic elementary school.

Map 2 Victoria and Salmon Cove



Source: NL Mapping and Surveys Division base maps.

The recent 2006 census data indicates that the population of the Town has declined from 1798 to 1769 or a decline of 1.6%. This is illustrated in Table 3.

Table 3: Population 2006 Victoria and Province

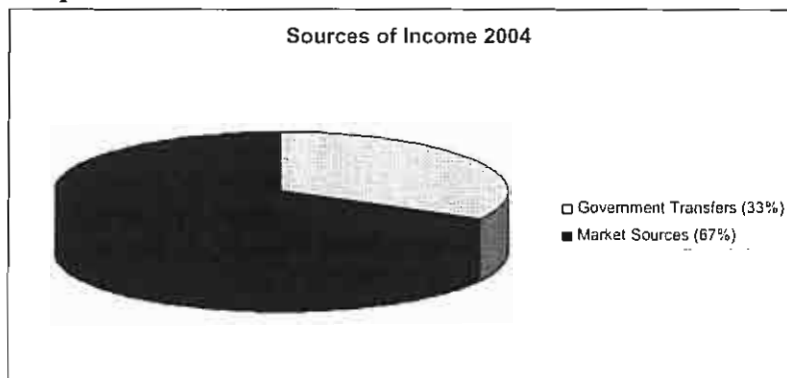
Population and dwelling counts Victoria		
	Total	Total
Population in 2006	1,769	505,469
Population in 2001	1,798	512,930
2001 to 2006 population change (%)	-1.6	-1.5
Total private dwellings	733	235,958
Private dwellings occupied by usual residents	669	197,245
Population density per square kilometre	100.3	1.4
Land area (square km)	17.64	370,494.89

Source: Statistics Canada, Census 2006

The 2004 income for every man, woman, and child (personal income per capita) in Victoria was \$15,800. For the province, personal income per capita was \$20,600. After tax personal income per capita, adjusted for inflation, was \$10,800 for Victoria in 2004. For the province it was \$13,400.

The 2004 self-reliance ratio for Victoria was 67%. This is a measure of the community's dependency on government transfers such as: Canada Pension, Old Age Security, Employment Insurance, social assistance, etc. The higher the percentage of income that comes from transfers the lower the self-reliance ratio. The provincial self-reliance ratio for 2004 was 78%. Victoria is moderately more dependent on Provincial transfers than the provincial average.

Graph 3: Victoria Self-Reliance Ratio



Source: Community Accounts, Economics and Statistics, Department of Finance, Government of Newfoundland and Labrador

Services Provided

Through its staff, infrastructure, and purchased services the Town of Victoria provides an array of services to its residents.

- Water Distribution
- Sewer Collection
- Fire Protection
- Road Maintenance
- Snow Removal

- Solid Waste Collection and Disposal
- Street Lights
- Capital Works
- General Government Administration

Infrastructure

Water

The Town of Victoria operates a water distribution and treatment system that has its source in Blue Hill Pond. The treatment and water quality are monitored on a daily basis. This includes winter testing and preventative maintenance which requires personnel seven days a week to perform the tests and maintenance. Given the location of the equipment and facility the Town must also maintain an access road and perform snow removal to facilitate access during winter months.

The distribution system is comprised of a 16,700 metre DI water main and is a gravity based system. The system is capable of “fire flows” which means that the system can produce sufficient pressure to meet the requirements of fire fighting equipment.

Within the Town of Victoria there are 729 connections to the water distribution system which leaves approximately 15 properties that are not tied into the system. Victoria also supplies the Town of Salmon Cove as stated earlier. The system that is in place in Victoria is capable of supplying a much larger population without causing any problems such as dropping water pressure, low flow or jeopardizing the supply. There is the potential to extend the system to other communities if the capital cost is within reason.

Sewer

The Sewer collection system is comprised of a 14,300 meter AC sewer main which is a gravity based system leading to primary and secondary treatment in an aerated two cell lagoon sewage treatment system. There are three lift stations that are used to carry the sewage to the treatment lagoons. There are some issues with both the design and the operation of the current treatment lagoons.

The lagoons provide treatment by allowing solids and particles to settle in the lagoons while the aeration system subjects the liquid to increased oxygen levels. This system does allow the build up of sludge in the cells which is supposed to be removed by isolating the cell, draining it and using a hydro vac or excavator to remove the sludge. In some cases the sludge cannot be treated on site therefore it is trucked to a disposal site. A recent study of the existing lagoon system by Harris & Associates, indicates that the first cell has reached its sludge storage capacity and the entire aeration / blower system is nonfunctional and in need of repair. The second cell does not have this problem as the majority of solids and particles normally settle out in the first cell. However, there is no mechanism in place to divert flow from one cell to the other thereby isolating a cell so that maintenance can be performed.

Victoria is presently in the process of completing the design of a third cell for the lagoon and a mechanism that will allow the cells to be isolated. It is expected that a tender will be issued for the construction of the third cell during 2007.

In addition to the sludge build up in the first cell of the lagoon there is a high level of infiltration that is being experienced. A few years ago the Town undertook a program to identify and reduce the infiltration of the sewer system. A program of rodding, jetting, and smoke testing to identify leaks or points of infiltration was completed. A number of tie-ins that were not capped properly were identified. However, the main issue for infiltration seems to be the use of sump pumps in basements that are improperly connected to the Town sewer for drainage instead of draining onto the property.

There are 700 properties in the Town that are connected to the sewer system which represents about 94% of the properties that have either a residential or commercial building onsite. In this regard new connections will come from future development of residential lots in the Town

Roads

Two portions of the Provincial Highway network form the base of the road network in Victoria. Route 70 and 74 diverge in the center of Victoria. These roads are maintained by the Department of Transportation as well there are 1.5 km of gravel roads that the Department maintains. From the Provincial road network there are a number of residential streets that have been developed and are maintained by the Town. The town is responsible for approximately 5.5 km of paved roads and 9.3 km of unpaved roads.

Recreation and Tourism Assets: Parks, Fields and Trails

Victoria provides recreational facilities on March Road with a playground, recreation centre and sports field. In addition, it has two museums – the Victoria Hydro Electric Museum and the Victoria Lifestyles Museum as well as a library located in the Town Hall.

Equipment

The Town of Victoria utilizes the following equipment in the provision of services to its residents: 2002 Hyundai Loader with plow, 1999 GMC Single Axle tandem dump with plow, 2000 Dodge Ram 4WD with plow, 1986 Ford pickup, 2006 Freightliner Pumper Truck, 1990 Chevrolet Fire Truck, 1975 GMC Fire Truck.

Buildings

The main administrative building for the Town of Victoria is located on Route 74 and houses the administrative offices, Public Works office and equipment, council chambers as well as the library. A Public Works garage is also on the site as well as the Fire Hall. In addition the Town has a recreation centre on March Rd. and two museums.

- Solid Waste Collection and Disposal
- Street Lights
- Capital Works
- General Government Administration

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Buildings

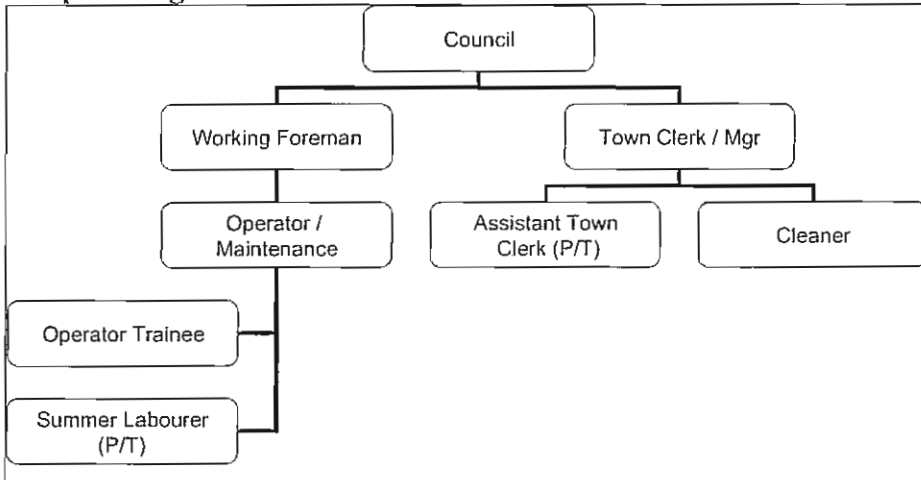
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Organizational Structure

The Town of Victoria is governed by a seven person body comprised of five councillors, a deputy mayor and mayor. These individuals are elected at large for a term of four years.

The administrative structure and operations of the Town are conducted by the staff of 5 Full Time Equivalents (FTE's) – this includes full time and part time personnel. An Organizational Chart below illustrates the Town Structure. The Town's staff are unionized and a collective agreement is in place to govern the working relationship between the Town and its staff.

Graph 4 Organizational Structure Town of Victoria



Financial Snapshot (2005 Actuals and 2007 Budget)

The 2005 Financial Statements and the 2007 Budget for the Town of Victoria was reviewed. The data from both of these documents has been summarized and is presented in the Table below.

Table 4 Financial Snapshot

Victoria			
		2005	2007
Revenue	Financial Statements		Budget
Taxation			
Property Tax	\$365,682		\$428,174
Business Tax	\$67,519		
Poll Tax	\$36,344		
Water and Sewerage Tax	\$238,172		\$269,968
Water and Sewerage Tax - Town of Salmon Cove	\$28,145		
Sanitation and Garbage Collection Income	\$500		
Other Revenue - Own Sources	\$38,272		\$168,728
Provincial Government Grants			
Municipal Operating Grant	\$73,409		\$73,410
Province's Portion of Debt Charges	\$244,807		\$228,445
Other Grants	\$3,595		
	\$1,096,445		\$1,168,725
Expenditures			
General Government	\$239,930		\$344,352
Protective Services	\$28,355		\$37,000
Transportation Services	\$89,359		\$92,000
Environmental Health	\$186,483		\$141,000
Planning and Development	\$3,215		\$1,000
Recreation and Cultural Services	\$15,350		\$4,000
Fiscal Services	\$542,654		\$549,748
	\$1,105,346		\$1,169,100
Surplus (Deficit) for Year	-\$8,901		-\$375

Some of the observations that we can make based on the actual financial statements and budgets focus on the level of revenue derived from the property tax base and the proportion of expenditures that are used to service debt.

Using the 2007 budget data we see that the Town of Victoria has a diversified revenue stream without no heavy weighting on either category. The Municipal Operating Grant of \$73,410 combined with the Province's Portion of Debt Charges \$228,445 represents 26% of the Town's revenue stream. In addition, 37% of the Town's revenue stream is

derived from the property tax base with an additional 23% coming from water and sewer charges.

Long Term Debt

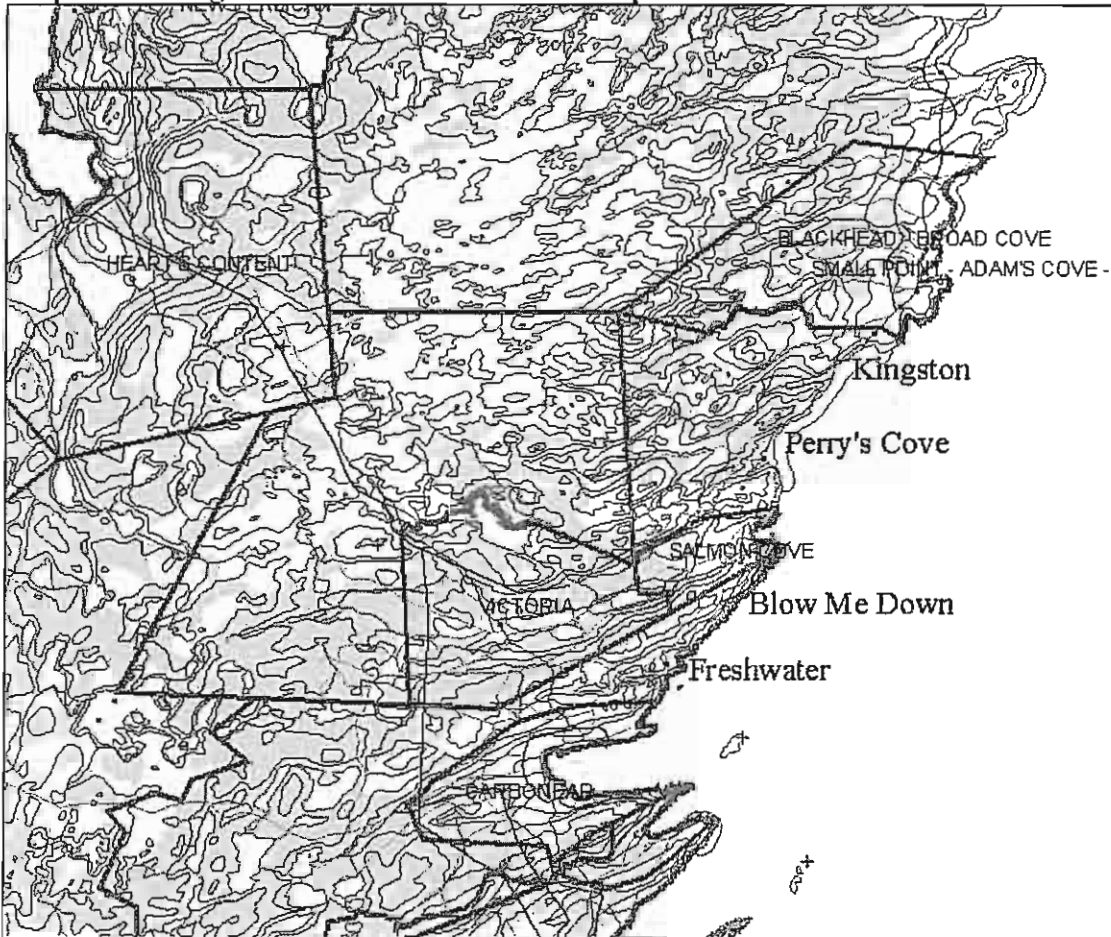
The Town of Victoria like other municipalities has used long term debt to finance capital projects. It has taken advantage of cost sharing arrangements offered by the Province in order to extend the level of infrastructure that it can implement. As of December 31st, 2006 the Town had \$2,161,501 dollars owing for long term debt. This includes both the Town's portion and the portion assumed by the Province. The Town of Victoria expects to be retiring some of its long term debt in 2008. This is expected to relieve the Town of approximately \$250,000 in annual interest and principal payments. However, the Town has a capital works program planned for this year that amounts to \$1.150 million approximately. This will mean that new debt will be acquired. The acquisition of new debt for capital projects will likely be repeated in 2008 as well when additional capital projects continue to be implemented.

This is not seen as an issue and is a regular course of government and municipal business. The Town seems to be able to carry these debt loads but in the future the debt loads should be contained within in a range similar to the comparators that will be introduced in Section 2.

Planning Area Boundaries and Municipal Area Boundaries

The Bay de Verde Peninsula like many other areas in Newfoundland and Labrador is a mix of un-incorporated areas, incorporated towns and heavily populated areas. The Town of Victoria has a town boundary which is outlined in blue in the map below as well as a planning area boundary which is highlighted in red. The Town of Salmon Cove has a town boundary only which is also detailed in blue in the Map 3 below.

Map 3 Planning Area Boundaries and Municipal Area Boundaries



Source: Department of Municipal Affairs, Government of Newfoundland Labrador.

The significance of the planning area boundary is that it brings within the responsibility of the Town of Victoria lands that abut its town boundary and that could affect aspects of the town such as quality of drinking water. This allows the Town to exercise and control development activities on the periphery of the town boundary. This helps avoid situations such as land developing just outside the town boundary without any controls or standards. Control within the planning boundary also helps ensure that the water reservoir that is used for the Town's drinking water is adequately protected as well as any areas that might drain into the reservoir. The lack of a planning boundary for Salmon Cove means that people can develop land adjacent to the Town boundary to avoid

property taxes. These developed lands will likely benefit from future access to services but avoid any land use controls in the interim.

We can also see the unincorporated areas of Perry's Cove and Kingston are depicted in the North easterly portion of the area.

Section 2 Benchmarking Comparison

Approach

During the course of the project financial benchmarking was performed to gain perspective on how the expenditures and revenues of the towns compared to that of other municipalities. The objective of benchmarking is to focus our attention quickly on areas that might yield potential savings as a result of a merger of the administrations of the Towns. To perform the comparison, towns were chosen that would be similar in size to the combined total of the Towns of Victoria and Salmon Cove. Using towns with a similar population or size to that of the combined Victoria and Salmon Cove population helps us understand if there are benefits through economies of scale for service delivery, i.e. "is bigger better". The comparator towns are Spaniard's Bay, Burin and Springdale. One overriding caution in interpreting this data is that it assumes that each town is equal in service standards that are provided, geography, volumes etc... Therefore, the data comparison is not definitive and requires further investigation of the actual service otherwise it can be misleading. This is evident when comparing a service such as snow removal in which case the key cost factors such as the service standard and actual snowfall can dramatically affect expenditures. Comparisons that involve communities that differ too widely in either factor can lead to misconceptions with regards to either community's delivery of service. Benchmarking is a focusing tool and not an opinion of good or bad service delivery.

In the following table we present some of the relevant characteristics of these towns in relation to the subject towns of Victoria, Salmon Cove and a combined model of Victoria and Salmon Cove (Vic-Sal).

Characteristics

Table 5 Comparison Characteristics

2007 Data	Salmon Cove	Victoria	Burin	Spaniard's Bay	Springdale	COMBINED Vic- Sal
Population	746	1798	2950	2694	3045	2544
Number of Residential Properties for tax purposes	522	911	1282	1518	1394	1433
Residential Assessment	\$14,665,316	\$41,656,100	\$50,050,209	\$67,245,915	\$70,618,287	\$56,321,416
Mil Rate	9 Mils	10 Mils	8.5 Mils	9.5 Mils	8.5 Mils	9.743 Mils
Minimum Tax	\$300	\$240	\$300	\$350	\$250	\$262
Average Property Assessed Value	\$28,094	\$49,737	\$39,041	\$44,299	\$50,659	\$39,303
Average Tax Bill	\$253	\$497	\$332	\$421	\$431	\$383
Number of Commercial Properties for tax purposes	13	10	105	142	88	23
Commercial Assessment	\$261,031	\$1,123,800	\$26,266,391	\$8,922,685	\$8,202,080	\$1,384,831
Mil Rate	15 Mils	10 Mils	8.5 Mils	9.5 Mils	8.5 Mils	10 Mils
Total Assessment Value	\$14,926,347	\$42,779,900	\$76,316,600	\$76,168,600	\$78,820,367	\$57,706,247

In terms of characteristics we can see from the data presented in the Table 5 that the Combined Victoria and Salmon Cove (Vic-Sal model) is very similar to Spaniard's Bay in terms of population, number of residential properties, and Mil Rate. Of particular interest is the total assessed value of each of the three comparators in relation to the Combined Vic-Sal model. The most striking characteristics are the low level of commercial assessment in Victoria and Salmon Cove as well as the total assessment gap. The three comparators have a very similar total assessment with a difference between Spaniard's Bay (the lowest of the three) to Springdale (the highest of the three) of only \$2.65m or 3.4% of the average of the all three. This is very important given the differences in population, commercial activity, number of properties, real estate markets, geography and historical development. In relation to the Combined Vic-Sal model there exists an approximate \$19.4m assessed value gap to the average of the three comparators or 25%.

Benchmarking

In the following tables we discuss the common services delivered by each of the five municipalities. The first table in the discussion of a service will be the 2005 Actual Financials followed by a second table of the 2007 Budget data. In each case the financial data is compared on the basis of three unit costs: 1) population, 2) per residential/commercial unit in the town, and 3) per \$1000 of assessed value for both residential and commercial in the town. In some cases an additional and perhaps more relevant unit of comparison is used when discussing services such as such cost per kilometer or number of connected households. The comparisons are meant to bring context to the revenue and expenditure data of Victoria and Salmon Cove.

General Government

This area of municipal finance includes items such as Council expenses, remuneration for Councillors, salaries for staff, employee benefits and payroll burden, travel, supplies, purchased services, and insurance. Other items that become part of this category are expenses for municipal elections, property assessment service fees as well as common services such as engineering services, general maintenance, professional development/training and public relations. These items are standardized for the budget data that is submitted to the Province; however, the actual financial statements that are developed by independent accountants will vary in the inclusions under broad categories such as General Government. Given the tendency for there to be some relative differences across municipalities both budget data and actual financial data have been used in the comparison and discussion of services.

Table 6 depicts the 2005 actual unit costs and the 2007 budget actual costs.

General Government 2005 Financial Statements						
	Victoria	Salmon Cove	Spaniard's Bay	Burin	Springdale	Combined Vic-Sal
General	\$239,930	\$87,424	\$327,255	\$432,456	\$254,389	\$327,354
Population	1798	746	2694	2712	3044	2544
	\$133.44	\$117.19	\$121.48	\$159.46	\$83.57	\$128.68
Res and Comm Units	744	299	1035	1215	1434	1043
	\$322.49	\$292.39	\$316.19	\$355.93	\$177.40	\$313.86
Assessed Value	\$37,495,000	\$14,320,000	\$60,522,599	\$56,606,190	\$70,651,660	\$51,815,000
Cost per \$1000 of Assessed Value	\$6.40	\$6.11	\$5.41	\$7.64	\$3.60	\$6.32

General Government 2007 Budget						
	Victoria	Salmon Cove	Spaniard's Bay	Burin	Springdale	Combined Vic-Sal
General Gov	\$344,352	\$91,377	\$286,574	\$466,050	\$296,338	\$435,729
Population	1798	746	2694	2950	3045	2544
	\$191.52	\$122.49	\$106.37	\$157.98	\$97.32	\$171.28
Res and Comm Units	744	299	1660	1387	1482	1043
	\$462.84	\$305.61	\$172.63	\$336.01	\$199.96	\$417.77
Assessed Value	\$42,779,900	\$14,926,347	\$76,168,600	\$76,316,600	\$78,820,367	\$57,706,247
Cost per \$1000 of Assessed Value	\$8.05	\$6.12	\$3.76	\$6.11	\$3.76	\$7.55

The comparison across municipalities for General Government lacks any clear focus areas or trends. The 2005 Actual Financial data for Population, Residential and Commercial Units and the Cost per \$1000 of Assessed Value shows that all municipalities are within a very small range with the exception of Springdale. The 2007 Budget data does show that Victoria is higher than the other four municipalities on all unit cost factors. A new practice for this year's budget has been the inclusion of all salary costs in the General Government category.

We would expect that in a merged administration there would be minimum savings of \$13,500 for Council related expenses and \$6000 for Professional Services in the General Government category. This represents accounting and professional services for one municipality, the support activities for one Council, and remuneration for seven Councillors instead of fourteen. There may be additional savings for the streamlining of IT systems and the reduction of one financial system and its maintenance costs.

Total savings for General Government estimated to be \$19,500 annually.

Garbage collection and disposal

This area of municipal service delivery is very straightforward and includes the collection of household garbage on a weekly basis in both communities. The garbage is then transported to Robin Bay Landfill for disposal. Both Towns use contracted services in order to provide the collection and transportation services. The contracts cover the services provided by the contractor and the tipping fees paid to the Regional Landfill.

The waste stream for both towns is predominantly residential and should be comprised of the same average amount of garbage per household. The average household has approximately 2.4 people in Victoria and 2.5 in Salmon Cove. If we assume that the same amount of garbage is produced for each household then the unit cost per Residential and Commercial unit should be the most relevant unit cost in the analysis of this service. Both communities are approximately the same distance for transportation of collected waste. Table 7 below depicts the 2005 and 2007 data.

Table 7 Garbage Collection and disposal

Garbage 2005 Financial Statements						
	Victoria	Salmon Cove	Spaniard's Bay	Burin	Springdale	Combined Vic-Sal
Garbage	\$66,015	\$41,697	\$93,064	\$130,943	\$82,500	\$107,712
Population	1798	746	2694	2712	3044	2544
	\$36.72	\$55.89	\$34.54	\$48.28	\$27.10	\$42.34
Res and Comm Units	744	299	1035	1215	1434	1043
	\$88.73	\$139.45	\$89.92	\$107.77	\$57.53	\$103.27
Assessed Value	\$37,495,000	\$14,320,000	\$60,522,599	\$56,606,190	\$70,651,660	\$51,815,000
Cost per \$1000 of Assessed Value	\$1.76	\$2.91	\$1.54	\$2.31	\$1.17	\$2.08

Garbage 2007 Budget						
	Victoria	Salmon Cove	Spaniard's Bay	Burin	Springdale	Combined Vic-Sal
Garbage	\$77,000	\$42,000	\$124,100	\$137,700	\$85,000	\$119,000
Population	1798	746	2694	2950	3045	2544
	\$42.83	\$56.30	\$46.07	\$46.68	\$27.91	\$46.78
Res and Comm Units	744	299	1660	1387	1482	1043
	\$103.49	\$140.47	\$74.76	\$99.28	\$57.35	\$114.09
Assessed Value	\$42,779,900	\$14,926,347	\$76,168,600	\$76,316,600	\$78,820,367	\$57,706,247
Cost per \$1000 of Assessed Value	\$1.80	\$2.81	\$1.63	\$1.80	\$1.08	\$2.06

The comparison of municipalities indicates that the actual unit cost in 2005 and the budgeted unit cost in 2007 for Salmon Cove is much higher than other communities. There is a \$40 dollar per Residential and Commercial Unit difference with Victoria budgeting \$103.49 and Salmon Cove budgeting \$140.47. The other comparators have lower unit costs than either Towns which may indicate that economies of scale play a role in the delivery of this service. This is very evident in the unit cost achieved by Spaniard's Bay which would have similar transportation overhead but manages a per Res/Comm unit cost of \$89.92 in 2005 and budgets \$74.76 in 2007. The Actual cost in 2005 and 2007 for Salmon Cove differ by only \$303 so the budget figure is considered

accurate. Victoria has increased its budget in 2007 by about \$11,000 which would indicate that the actual unit cost could be lower than projected.

Using the benchmarking to focus on particular areas for savings it is suspected that some savings could be achieved in contracted garbage collection. The cost for this service is comprised of two factors; 1) the actual cost of the contractor, and 2) the tipping fees. The garbage collected seems to be very consistent over the course of the year with the expectation of some additional waste in weeks when Spring clean up is scheduled. The cost of the tipping fees should be removed from the equation as a constant factor and we should focus on the cost paid for the actual collection and transportation in order to explore savings potential. An analysis of the actual contracted costs shows that Victoria is paying \$80 per Res/Comm unit under its contract and Salmon Cove is paying \$114 per Res/Comm unit under its contract. This is a \$34 per Res/Comm unit difference. If the unit cost of \$80 could be achieved in Salmon Cove this would represent annual savings of approximately \$10,000. One has to recognize that the size of the Salmon Cove contract is a factor in their cost per unit. The tender for this service in Salmon Cove attracted only one respondent. In a merged administration it is suspected that a larger contract could generate further savings as the larger contract would be more attractive to companies outside of the immediate areas of the towns. This assumption is supported by the unit costs achieved in Spaniard's Bay. In addition, a merged Town may consider developing the cost for internal delivery of the service as means of ensuring the lowest attainable cost to its residents.

Total savings for Garbage Collection and Disposal estimated to be \$10,000 annually.

Fire Protection

In the opinion of residents Fire Protection is often one of the most important services provided by a municipality. It is a service that a homeowner cannot easily duplicate for themselves. Water, sewer, garbage collection and other municipal services can be duplicated by a home owner as stand alone solutions – wells, septic tanks and dumping at the landfill. Salmon Cove and Victoria provide fire protection services through volunteer fire forces that are supported by the Towns through the provision of a fire hall and equipment.

Table 8 depicts the 2005 and 2007 data.

Table 8 Fire Protection Services

Fire protection 2005 Financial Statements						
	Victoria	Salmon Cove	Spaniard's Bay	Burin	Springdale	Combined Vic-Sal
Fire Protection	\$28,156	\$5,375	\$20,274	\$44,167	\$34,733	\$33,531
Population	1798	746	2694	2712	3044	2544
	\$15.66	\$7.21	\$7.53	\$16.29	\$11.41	\$13.18
Res and Comm Units	744	299	1035	1215	1434	1043
	\$37.84	\$17.98	\$19.59	\$36.35	\$24.22	\$32.15
Assessed Value	\$37,495,000	\$14,320,000	\$60,522,599	\$56,606,190	\$70,651,660	\$51,815,000
Cost per \$1000 of Assessed Value	\$0.75	\$0.38	\$0.33	\$0.78	\$0.49	\$0.65

Fire Protection 2007 Budget						
	Victoria	Salmon Cove	Spaniard's Bay	Burin	Springdale	Combined Vic-Sal
Fire Protection	\$34,000	\$5,300	\$39,500	\$67,900	\$55,700	\$39,300
Population	1798	746	2694	2950	3045	2544
	\$18.91	\$7.10	\$14.66	\$23.02	\$18.29	\$15.45
Res and Comm Units	744	299	1660	1387	1482	1043
	\$45.70	\$17.73	\$23.80	\$48.95	\$37.58	\$37.68
Assessed Value	\$42,779,900	\$14,926,347	\$76,168,600	\$76,316,600	\$78,820,367	\$57,706,247
Cost per \$1000 of Assessed Value	\$0.79	\$0.36	\$0.52	\$0.89	\$0.71	\$0.68

In comparison across municipalities we see that Salmon Cove is very cost efficient in fire protection and Victoria tends to be on the higher end of the cost per unit of service. The Town of Salmon Cove volunteer fire fighters seem to be very self-sufficient in terms of covering most of the costs of service provision through fund raising and other avenues of revenue generation. In addition, the volunteer force provides service to the neighbouring Town of Perry's Cove for an annual fee per household. It is suspected that in a merged administration that the cost of service for Salmon Cove may actually increase if the sustained interest of the existing force to subsidize their service is not maintained.

However, there does appear to be opportunities to reduce the cost of the Victoria component which might be accomplished through better coverage through the addition of the Salmon Cove force as well as reduced unit costs for equipment, training and supplies given the larger force that would be created. The amount of these savings has not been quantified and might have to be used to offset any increases that may result in the cost of delivery service to Salmon Cove and Perry's Cove.

There are no annual savings estimated for Fire Protection.

Snow Removal

The municipal provision of snow removal services is often a very complex service to benchmark in a definitive manner. As noted earlier, several key factors must be similar across each municipality to facilitate comparison such as service standard, amount of snowfall, type of equipment used, type of road surface, number of lanes in each direction and many others. In the comparison below an additional unit cost is used that may better

reflect the nature of the service - kilometers of road surface that are maintained. In this comparison we use the total of the paved and unpaved road surfaces in order to derive a unit cost per kilometer.

Table 9 Snow Removal

Snow Removal 2005 Financial Statements						
	Victoria	Salmon Cove	Spaniard's Bay	Burin	Springdale	Combined Vic-Sal
Snow Removal	\$11,818	\$5,484	\$48,200	\$68,469	\$99,052	\$17,302
Population	1798	746	2694	2712	3044	2544
	\$6.57	\$7.35	\$17.89	\$25.25	\$32.54	\$6.80
Res and Comm Units	744	299	1035	1215	1434	1043
	\$15.88	\$18.34	\$46.57	\$56.35	\$69.07	\$16.59
Assessed Value	\$37,495,000	\$14,320,000	\$60,522,599	\$56,606,190	\$70,651,660	\$51,815,000
Cost per \$1000 of Assessed Value	\$0.32	\$0.38	\$0.80	\$1.21	\$1.40	\$0.33

	Victoria	Salmon Cove	Spaniard's Bay	Burin	Springdale	COMBINED
Road Km Paved	5.5	3	42	25	20.5	8.5
Road Km un-paved	9.3	6.9	2	2	10	16.2
Total	14.8	9.9	44	27	30.5	24.7
Snow Removal per km	\$798.51	\$553.94	\$1,095.45	\$2,535.89	\$3,247.61	\$700.49

Snow Removal 2007 Budget						
	Victoria	Salmon Cove	Spaniard's Bay	Burin	Springdale	Combined Vic-Sal
Snow Removal	\$11,800	\$14,000	\$55,900	\$80,930	\$109,500	\$25,800
Population	1798	746	2694	2950	3045	2544
	\$6.56	\$18.77	\$20.75	\$27.43	\$35.96	\$10.14
Res and Comm Units	744	299	1660	1387	1482	1043
	\$15.86	\$46.82	\$33.67	\$58.35	\$73.89	\$24.74
Assessed Value	\$42,779,900	\$14,926,347	\$76,168,600	\$76,316,600	\$78,820,367	\$57,706,247
Cost per \$1000 of Assessed Value	\$0.28	\$0.94	\$0.73	\$1.06	\$1.39	\$0.45

	Victoria	Salmon Cove	Spaniard's Bay	Burin	Springdale	COMBINED
Road Km Paved	5.5	6.4	42	25	20.5	11.9
Road Km un-paved	9.3	11.9	3	2	10	21.2
Total	14.8	18.3	45	27	30.5	33.1
Snow Removal per km	\$797.30	\$765.03	\$1,242.22	\$2,997.41	\$3,590.16	\$779.46

By in large when we compare across municipalities we see that Victoria and Salmon Cove have very efficient per kilometer unit costs. The Towns have the lowest actual per kilometer costs in 2005 and budgeted costs for 2007. The important factor to note is the high number of kilometers that Salmon Cove must maintain given the population and the number of Res/Comm units. This can be viewed as both a positive and negative. In one instance the less dense population means that a higher number of kilometers are cleared of snow but the fact that the area is less dense means that snow clearing operations are not impeded by the lack of available space in which to pile or plow snow and expensive practices such as hauling snow and snow-blowing in order to widen streets is not required.

Snow Removal does not appear to be a focus area for savings but might benefit from snow beat planning that could utilize resources more effectively and achieve savings or a better service standard.

There are no annual savings estimated for Snow Removal operations.

Road Maintenance

The towns of Victoria and Salmon Cove both provide road maintenance operations on Paved and unpaved road surfaces. In a similar fashion to the snow removal comparison it was decided that a per kilometer unit cost would add an additional level of analysis.

Table 10 below depicts that 2005 and 2007 data for road maintenance.

Table 10 Road Maintenance

Road Maintenance 2005 Financial Statements						
	Victoria	Salmon Cove	Spaniard's Bay	Burin	Springdale	Combined Vic-Sal
Roads Maintenance	\$47,429	\$16,177	\$103,187	\$60,259	\$207,747	\$63,606
Population	1798	746	2694	2712	3044	2544
	\$26.38	\$21.68	\$38.30	\$22.22	\$68.25	\$25.00
Res and Comm Units	744	299	1035	1215	1434	1043
	\$63.75	\$54.10	\$99.70	\$49.60	\$144.87	\$60.98
Assessed Value	\$37,495,000	\$14,320,000	\$60,522,599	\$56,606,190	\$70,651,660	\$51,815,000
Cost per \$1000 of Assessed Value	\$1.26	\$1.13	\$1.70	\$1.06	\$2.94	\$1.23

	Victoria	Salmon Cove	Spaniard's Bay	Burin	Springdale	COMBINED
Road Km Paved	5.5	3	42	25	20.5	8.5
Road Km un-paved	9.3	6.9	2	2	10	16.2
Total	14.8	9.9	44	27	30.5	24.7
Road Maintenance per km	\$3,204.66	\$1,634.04	\$2,345.16	\$2,231.81	\$6,811.38	\$2,575.14

Road Maintenance 2007 Budget						
	Victoria	Salmon Cove	Spaniard's Bay	Burin	Springdale	Combined Vic-Sal
Roads Maintenance	\$43,000	\$11,000	\$49,500	\$55,300	\$159,700	\$54,000
Population	1798	746	2694	2950	3045	2544
	\$23.92	\$14.75	\$18.37	\$18.75	\$52.45	\$21.23
Res and Comm Units	744	299	1660	1387	1482	1043
	\$57.80	\$36.79	\$29.82	\$39.87	\$107.76	\$51.77
Assessed Value	\$42,779,900	\$14,926,347	\$76,168,600	\$76,316,600	\$78,820,367	\$57,706,247
Cost per \$1000 of Assessed Value	\$1.01	\$0.74	\$0.65	\$0.72	\$2.03	\$0.94

	Victoria	Salmon Cove	Spaniard's Bay	Burin	Springdale	COMBINED
Road Km Paved	5.5	6.4	42	25	20.5	11.9
Road Km un-paved	9.3	11.9	3	2	10	21.2
Total	14.8	18.3	45	27	30.5	33.1
Road Maintenance per km	\$2,905.41	\$601.09	\$1,100.00	\$2,048.15	\$5,236.07	\$1,631.42

In our comparison across municipalities we see that 2005 actual financial data exceeds the 2007 budget data in each municipality. This more than likely represents the highly volatile nature of road maintenance in that each year can represent completely different levels of effort and expenditure of resources. The effect of climate cannot be

underestimated in the analysis of this service. In some cases the actual financial data also includes some component of vehicle maintenance for the public works fleet such as Spaniard's Bay and Springdale. The Budget data does not include vehicle maintenance for the public works fleet. While both Towns provide road maintenance service neither possess paving equipment such as an asphalt plant, asphalt spreaders, or compaction equipment. Therefore, some road maintenance activities are contracted out in each Town.

One additional factor that will influence the analysis of data is the decision of each municipality to focus their efforts on capital rather than operating. For example, one community may do more road rehabilitation through capital works versus another that chooses to overlay less frequently but perform more spot maintenance which affects the operating budget. So, this is likely to become an operating pressure and risk for increased costs.

Overall the data indicates a similar issue to that of snow clearing – Salmon Cove has a high cost efficiency but a high number of kilometers in relation to its size. In terms of budget the 2007 budget represents 68% of what was spent in 2005 even though the road network has increased.

However, there are potential savings that may materialize through the tendering of larger supply contracts, larger maintenance contracts, as well as the better use of equipment and resources. Staff may be able to “ramp up” for one activity and maintain a focus instead of switching between small activities or “fire fighting” throughout the day. In a combined administration the public works activities may be able to have a wider range of coverage and shifts as well as having some resources focus on planned work while others are responsive or reactionary. This ability to utilize resources in this manner is only possible through the creation of a larger work force, i.e. a merged entity.

There are no estimated savings but there may be potential for efficiencies.

Water

The provision of water services in the Towns is through the Victoria water treatment and distribution network. The Town of Salmon Cove purchases services from the Town of Victoria. The service provides water pressure at “Fire Flow” rates which is a design standard that meets the requirements of fire fighting services. The actual capacity of the Victoria system is much greater than the current needs of the residents of both towns.

Given that the service is only provided to those residents that are connected to the water system a unit cost measure that reflects the number of connections is used to compare each town. This better represents the operating costs of the users.

Table 11 below depicts the 2005 and 2007 data.

Table 11 Water Provision

Water 2005 Financial Statements		W/S			W/S	
	Victoria	Salmon Cove	Spaniard's Bay	Burin	Springdale	Combined Vic-Sal
Water	\$105,471	\$27,657	\$104,366	\$142,213	\$108,690	\$133,128
Population	1798	746	2694	2712	3044	2544
	\$58.66	\$37.07	\$38.74	\$52.44	\$35.71	\$52.33
Res and Comm Units	744	299	1035	1215	1434	1043
	\$141.76	\$92.50	\$100.84	\$117.05	\$75.79	\$127.64
Assessed Value	\$37,495,000	\$14,320,000	\$60,522,599	\$56,606,190	\$70,651,660	\$51,815,000
Cost per \$1000 of Assessed Value	\$2.81	\$1.93	\$1.72	\$2.51	\$1.54	\$2.57

	Victoria	Salmon Cove	Spaniard's Bay	Burin	Springdale	COMBINED
Connected W/S	637	153	936	1075	1297	790
Connected W only	25	53				78
Total	662	206	936	1075	1297	868
Water per connection	\$159.32	\$134.26	\$111.50	\$132.29	\$83.80	\$153.37

Water 2007 Budget		W only			W only	
	Victoria	Salmon Cove	Spaniard's Bay	Burin	Springdale	Combined Vic-Sal
Water	\$44,000	\$18,000	\$59,520	\$161,880	\$68,250	\$62,000
Population	1798	746	2694	2950	3045	2544
	\$24.47	\$24.13	\$22.09	\$54.87	\$22.41	\$24.37
Res and Comm Units	744	299	1660	1387	1482	1043
	\$59.14	\$60.20	\$35.86	\$116.71	\$46.05	\$59.44
Assessed Value	\$42,779,900	\$14,926,347	\$76,168,600	\$76,316,600	\$78,820,367	\$57,706,247
Cost per \$1000 of Assessed Value	\$1.03	\$1.21	\$0.78	\$2.12	\$0.87	\$1.07

	Victoria	Salmon Cove	Spaniard's Bay	Burin	Springdale	COMBINED
Connected W/S	700	170	955	1080	1346	870
Connected W only	29	45				74
Total	729	215	955	1080	1346	944
Water per connection	\$60.36	\$83.72	\$62.32	\$149.89	\$50.71	\$65.68

In comparing the data across each municipality the costs for Spaniard's Bay and Springdale include the costs of Sewer service provision for the 2005 actual data. In the 2007 budget data the costs are strictly water services.

This data is inconclusive given the mixture of data for comparators and the use of low budgeted figures for 2007 budgets by Victoria and Salmon Cove.

One opportunity for lower per unit operating costs would be the expansion of the distribution of water services in Salmon Cove and to other unincorporated areas or other neighbouring towns such as Perry's Cove or Freshwater. All of these options will require investigation and extensive capital projects in order to realize any benefits.

Therefore no savings estimate is envisaged for Water services.

Sewer

The Towns of Victoria and Salmon Cove both operate separate sewer collection and disposal services. While the majority of households in each town are connected there remains about 15 in Victoria and about 84 in Salmon Cove that continue to use individual septic fields for residential sewer disposal. The data for the 2005 actual financial component of the table below is missing as Spaniard's Bay and Springdale combined the expenditures for water and sewer operations in their presentation of financial data.

All of the comparators, Spaniard's Bay, Burin and Springdale, operate sewer outflow disposal systems. The Town of Victoria provides primary and secondary treatment with its existing lagoon system and will be adding additional capability with the extension of the lagoon to include another cell. This topic is discussed further in Section 3 of the report.

Table 12 below depicts the 2005 and 2007 data.

Table 12 Sewer Collection

Sewer 2005 Financial Statements			W/S		W/S	
	Victoria	Salmon Cove	Spaniard's Bay	Burin	Springdale	Combined Vic-Sal
Sewer	\$14,997	\$15,231	\$0	\$19,952	\$0	\$30,228
Population	1798	746	2694	2712	3044	2544
	\$8.34	\$20.42	\$0.00	\$7.36	\$0.00	\$11.88
Res and Comm Units	744	299	1035	1215	1434	1043
	\$20.16	\$50.94	\$0.00	\$16.42	\$0.00	\$28.98
Assessed Value	\$37,495,000	\$14,320,000	\$60,522,599	\$56,606,190	\$70,651,660	\$57,706,247
Cost per \$1000 of Assessed Value	\$0.40	\$1.06	\$0.00	\$0.35	\$0.00	\$0.52

	Victoria	Salmon Cove	Spaniard's Bay	Burin	Springdale	COMBINED
Connected W/S	637	153	936	1075	1297	790
						0
Total	637	153	936	1075	1297	790
Sewer per connection	\$23.54	\$99.55	\$0.00	\$18.56	\$0.00	\$38.26

Sewer 2007 Budget						
	Victoria	Salmon Cove	Spaniard's Bay	Burin	Springdale	Combined Vic-Sal
Sewer	\$20,000	\$16,000	\$39,680	\$26,000	\$68,250	\$36,000
Population	1798	746	2694	2950	3045	2544
	\$11.12	\$21.45	\$14.73	\$8.81	\$22.41	\$14.15
Res and Comm Units	744	299	1660	1387	1482	1043
	\$26.88	\$53.51	\$23.90	\$18.75	\$46.05	\$34.52
Assessed Value	\$42,779,900	\$14,926,347	\$76,168,600	\$76,316,600	\$78,820,367	\$57,706,247
Cost per \$1000 of Assessed Value	\$0.47	\$1.07	\$0.52	\$0.34	\$0.87	\$0.62

	Victoria	Salmon Cove	Spaniard's Bay	Burin	Springdale	COMBINED
Connected W/S	700	170	955	1080	1346	870
						0
Total	700	170	955	1080	1346	870
Sewer per connection	\$28.57	\$94.12	\$41.55	\$24.07	\$50.71	\$41.38

In comparing sewer services across each municipality we see that the Town of Salmon Cove is operating a high cost service mainly as a result of the low number of connected users. With a budgeted unit cost of \$94.12 per connected user this services is almost double the next lowest budgeted unit cost of Springdale at \$50.71.

The only means to reduce the cost of the current system would be to extend the sewer collection network to the other homes in the Town of Salmon Cove thereby spreading the operating costs across more connections. The additional connections will increase the revenue for the Town but a portion of the new connection fees will have to be applied to debt servicing for any capital works associated with the extension of service.

The target unit operating cost for the outflow system should be similar to the outflow system in Spaniard's Bay in which case a connected unit cost of \$42 is achieved. If this per unit cost were achieved than a savings per connection of \$53 would be realized or operating savings of \$9000 annually. However, this is unlikely to be achieved given that the savings may only accrue through the connection of a large number of users greater than the number of unconnected homes that are currently within the Town of Salmon Cove. This could be achieved with the connection of Victoria into the system but this is unlikely as discussed in Section 3.

There are no estimated savings with regards to sewer services.

Summary of Service Benchmarking

Each of the key services that are provided by Salmon Cove and Victoria have been compared to the services that are provided by comparators. The following table is a summary of the projected savings and areas in which further detailed investigation may reveal additional savings.

Table 13 Summary of Service Savings and Efficiencies

Service Area	Savings	Potential for Efficiencies
General Government	\$19,500	yes
Garbage Collection	\$10,000	
Fire Protection		yes
Snow Removal		yes
Road Maintenance		yes
Water		
Sewer		
Total	\$29,500	

It should be noted that there could be more savings that can be achieved through further investigation. In addition, many potential savings may rely upon Council changes to service standards or policies. These changes have not been assumed and are therefore the reason why many service lines have no savings estimated. These savings could require the closure of a building such as a fire hall, the reduction of staff or the sale of equipment.

These types of changes require further investigation as well as they are best made by an elected Council representing the service needs of its residents.

Comparison of Revenue and Expenditures

In addition to the service benchmarking that was conducted an overall comparison was completed of high level financial benchmarks such as the portion of revenue derived from property taxes and the portion of expenditures dedicated to debt servicing. This data was highlighted in the discussion of each community in the Section 1: Financial Summary (2005 and 2007). When we compare Salmon Cove and Victoria to the three comparators the result on a percentage basis is illustrated in the Table 14 below.

Table 14 Benchmark Comparison of Revenue & Expenditures among Comparators

	Portion of Revenue derived from Property Taxes	Portion of Exp Dedicated to Debt
Salmon Cove	22%	62%
Victoria	37%	44%
Burin	36%	24%
Spaniard's Bay	42%	36%
Springdale	36%	24%

When we compare Salmon Cove to the other communities we see a relationship between revenue and expenditures. The level of taxation is low in Salmon Cove at the same time the Town is using most of its revenue stream for debt servicing. This means that the opportunity to offer residents any service enhancements or an expansion of services is very limited. With 22% of the Town's revenue being derived from property taxes at a Mil rate of 9 the Town would have to raise its Mil rate to 16 in order to achieve a similar percentage of revenue from property taxes as the comparators. A percentage of 37% was used as the similar level. This would have the Town of Salmon collecting \$238,000 in property tax revenues for an increase of approximately \$93,000 or 65%. The total assessed value in Salmon Cove is an influencing factor. The low taxation policy adopted by the Council is not sustainable without further financial assistance from the Province.

The low level of taxation coupled with the high percentage of debt servicing for the Town of Salmon Cove will affect the Town's ability to conduct future capital works projects. We must recognize that these current percentages are after the Province wrote off approximately \$1.2 million in loans to the Town of Salmon Cove. Even with the generous funding arrangements of other levels of government and low interest environment in which we are currently operating the Town of Salmon Cove is not in a position to extend services to properties within the Town that are not serviced. The proposed capital works for 2007 that the Town will seek cost sharing funds to implement includes \$2,642,000 in water, sewer and roads projects.

The Town of Victoria has a tax policy that is within the range of the comparator Towns. While the Mil Rates of these towns are lower the higher assessed value for the towns results in the same affect in terms of revenue. We have Victoria deriving 37% of its revenue stream from its property tax base with the comparators having a range of 36% to

42%. In terms of the portion of expenditures dedicated to debt we see that Victoria has been working with a high ratio of debt servicing obligations. However, a significant portion of the Town's debt is about to be retired in the coming year. With all other revenues and expenditures being the same this will drop the portion of debt servicing expenditures to 25% for Victoria. This will position the Town to have a number of options for it to enhance or extend services, drop taxes or to take on additional capital projects. The proposed capital works for 2007 that the Town will seek cost sharing funds to implement includes \$1,148,000 in water, sewer and roads projects.

Benchmarking of Elected Officials

The Comparators were surveyed on a number of points other than the cost of services and the infrastructure that they provide. One additional focus area for comparison was the number of elected officials that govern the town. In table 15 the number of elected officials as well as the population of each town is presented. We see that all of the Towns function with the same level of oversight and guidance provided by seven elected representatives. All have a similar structure of mayor, deputy mayor and five councillors generally elected at large. In the three comparator towns we have a representation ratio range of 385 to 435 people per elected representative. In Salmon Cove we currently have a ratio of 107 people per elected representative and Victoria has ratio of 257.

Table 15 Elected Officials among Comparators

	Salmon Cove	Victoria	Burin	Spaniard's Bay	Springdale
	Mayor	Mayor	Mayor	Mayor	Mayor
	Deputy Mayor	Deputy Mayor	Deputy Mayor	Deputy Mayor	Deputy Mayor
	5 Councillors	5 Councillors	5 Councillors	5 Councillors	5 Councillors
Population Per Council Member	746	1798	2712	2694	3044
	107	257	387	385	435

On a combined basis, using 2001 census data, the Towns of Salmon Cove and Victoria would have a population of 2544 for a ratio of 364 people per elected representative in a seven member council. This ratio would seem within reason given the size of the population. The geographic size of the area is also not a factor that would warrant adjustment of the ratio.

Section 3 Public Consultation and Overall Issues

Phase one of the feasibility study included consultation with the public in two separate sessions as well as briefings and discussions with each Council on two separate occasions. The sessions for both the public and Councils followed a similar format with the first session discussing the workplan for the project and some basic data on issues to be addressed. This was intended to kick start the process by sharing information to ensure everyone was on the same page in terms of context and purpose for the feasibility study. The second consultation presented the results of the benchmarking work and some of the options that would be developed further for the preliminary report. These options were meant to initiate discussion and seek feedback from residents, Councillors and staff.

During these sessions there were a number of issues raised by all participants. For the most part the issues focused on one of the following general areas:

- What is the likely impact on property taxes?
- What are the benefits of merging the two Towns?
- What is the situation with the lagoons that are operated by Victoria?
- Can Victoria be connected to the Salmon Cove Sewer Collection System?
- What will happen to community groups/associations that operate activities like Salmon Cove Future Developments Association, Salmon Cove Archives, etc...?
- Will services be centralized into one location or will services be reduced?
- What will happen to the assets of both Towns – fire halls, fire equipment, town halls etc...?
- Will debts of the Towns be written off?

By in large the single biggest issue that was the focus of most discussions was the current operation of lagoons by the Town of Victoria as a means of primary and secondary treatment of sewage. In the following text a summary of the issue is presented. It is intended to increase the sharing of information on this subject which is at the source of many peoples' feelings towards the issue of merging as well as how they feel towards their neighbouring town.

Sewer Treatment in Victoria

In addition to the information provided in the descriptions of the sewer collection systems of each community in Section 1 there are some other issues that are driving the focus on the Victoria treatment lagoons.

The Town of Salmon Cove has undertaken capital projects that were intended to provide the town with a sewer collection system for its residents with the potential of expanding the system to accommodate the needs of neighbouring Victoria. The Town of Salmon Cove has incurred debt in order build a system that was supposed to have the capability

to connect to Victoria. The connection of Victoria into the Salmon Cove sewer collection system has never taken place. Many residents feel that this was in fact a waste of their tax dollars. Provincial and Federal departments have both expressed their reservations with connecting the two systems and have therefore been unwilling to fund any projects that would facilitate the connection.

A recent study commissioned by the Town of Victoria and conducted by Harris & Associates Ltd. details the current issues within the sewer collection system.

"Due to population growth, the corresponding higher sewage flows, system infiltration and 30 years of sludge buildup, this system is now undersized to meet the current demand. Hydraulic overloading occurs during periods of heavy rainfall and in the spring runoff. A recent study measured a peak of 140 l/s as compared to a value based on provincial standards of 36.7 l/s. (Based upon population and average sewage production.)"

The result of the above problems is the occasional surcharging of several manholes upstream of the lagoon and the inability of the lagoon system to adequately treat the sewage." (Harris & Associates Ltd., Lagoon Study, p6.)

Instances of surcharging and visual observations of changes in the ponds and rivers have led many to believe that the treatment of sewage using the lagoon design is not acceptable and that the only solution would be to remove the lagoons. The perception seems to exist that the Salmon Cove River is being polluted and that a great resource is being destroyed. The river is seen as integral to the development of tourist related ventures in Salmon Cove, the Salmon Cove Sands, as well as a key component in the quality of life of many residents of Salmon Cove. The Town of Victoria has undertaken several projects to address these issues such as water infiltration work and lift station bypass.

Therefore, many residents and the Council of Salmon Cove have proposed that the connection of the Town of Victoria into the Salmon Cove sewer collection system needs to be approved and facilitated by both levels of government in order to bypass the lagoons so that they can be decommissioned.

However, the Salmon Cove system is currently insufficient to handle the sewer needs of the Town of Victoria in at least 2 to 3 percent of the time due to water infiltration and high runoff (Harris & Associates Ltd.). Therefore, a retention pond or holding facility would be required in order to hold the volume of high runoff that would be emptied at a time when the Salmon Cove system can accept the flow. At meetings attended by provincial, federal and the Atlantic Canada Opportunities Agency (ACOA) representatives as well as the mayors of Victoria and Salmon Cove it was proposed that the current lagoons be used as the retention ponds. Upgrading of the lagoons to increase the capacity and permit necessary design changes was required whether or not the connection of the two sewer collection systems was approved.

The Town of Victoria is proceeding with the design and tender for construction in 2007 of a third lagoon cell. In a short period of time Victoria will have a fully functional primary and secondary sewer treatment system at which time it can stand alone or connect into the Salmon Cove sewer outfall and dump the Town of Victoria's treated sewage into the ocean.

The expense of a third cell plus a trunk sewer to connect into Salmon Cove so that the effluent can be dumped into the ocean does not seem to be warranted. Without functional treatment the Province is unlikely to support the connection. This is evident in recent funding by the Province of a project in Trinity North in which an ocean outfall was permitted with the inclusion of primary sewage treatment in the form of a communal septic tank. Therefore, connecting the two sewer systems does not seem to offer a potential solution to the elimination of the lagoons.

In addition, no water quality studies have proven that pollution that may be present in the Salmon Cove River system is tied to the operation of the lagoons. Other potential sources for pollution that exist in the area include pasture lands that are close to the headwaters for the River system as well as household septic fields that abut the river.

In the long term a sewer treatment solution for all residents may be warranted if the capital and operating costs are not prohibitive. The ability to support these costs will be more feasible in a merged entity.

Town of Victoria Provision of Potable Water to the Town of Salmon Cove

In an effort to present information to further understand the advantages and disadvantages of a merger the issue of an appropriate amount for water has been discussed. During the public hearings it was presented that no information is available on the actual cost of operating the water treatment and distribution system in Victoria as well as the associated cost of providing water to the Town of Salmon Cove from this system.

The Town of Victoria was asked to provide a breakdown of the cost of operating the water treatment and distribution system for the fiscal year 2005. It should be noted that in order to operate the water treatment and distribution system Victoria must maintain a road to the pump-house on a year round basis. The water supply is checked twice daily to ensure that the treatment levels are correct and that the plant is operating correctly. These checks are performed twice a day seven days a week which requires staff to be paid for weekend and overtime work as necessary to perform these checks. There are also costs associated with maintaining the road access on a year round basis. From time to time there are upgrades and maintenance that have to be performed such as the relocation of the intake and in 2007 there will be an upgrade to the electrical service to protect against lightning strikes and power surges. All of these items contribute to the cost of water provision. Table 19 below depicts the cost breakdown that was provided.

Table 19 – Cost Breakdown Water System Operation

2005 Cost Breakdown for Water System Operation	
Item	Cost
Labour	\$60,000
Utilities	\$3,300
Chlorine and soda ash	\$9,000
Truck - repairs and fuel	\$2,000
Loader - diesel	\$2,000
Class A stone for road repairs	\$200
Cleaning screens, repairs to Chlorination system bldg	\$3,000
subtotal	\$79,500
Loan payment for ater intake relocation	\$21,120
Total	\$100,620

Using data provided for the benchmarking of services and contained in Section 2 of this report we will compare the cost per person and per connected unit to the cost that is billed to the Town of Salmon Cove. This comparison is presented in Table 20.

Table 20 - Methods to derive allocation of Operating costs

Two methods to derive a total cost	
Cost per person in both towns (1798 + 746)	\$39.55
Cost by population method for Salmon Cove	\$29,505.71
Cost per connection in both towns (662+206)	\$115.92
Cost by connection method for Salmon Cove	\$23,879.86
Actual cost that Salmon Cove paid in 2005	\$27,657.00

We can see that using the operating costs that were provided for this analysis that an appropriate range for the cost for service provision to Salmon Cove should be \$24,000 to \$29,500. The actual bill that was paid by Salmon Cove for 2005 was \$27,600 which is about midpoint in the range. However, we should note that the costs that have been provided do not include any recovery of capital costs such as the pump-house, access road or that portion of the water distribution system that carries the water to Salmon Cove. Therefore a full cost accounting of the cost of water provision would likely derive a much higher cost range once an appropriate amount for capital costs and debt servicing is included. Additional administrative costs would also likely be included for invoicing, provincial reporting, training of staff, payroll burden, Council time for oversight and other items.

In addition, Salmon Cove had a water charge for fiscal year 2005 of \$180 per connected household. This charge applied to the 206 connections in Salmon Cove derives revenue of \$37,080. This is approximately \$9500 more than the bill for water provision from the Town of Victoria. It is assumed that the additional \$9500 that is collected from the water charges is used for debt servicing in relation to water infrastructure and against the Town's \$59,500 debt charges for the 2005 fiscal year. If those funds are not allocated to

debt servicing then the revenues collected for water services are subsidizing other services offered by the Town. The Town of Salmon Cove has increased the water charge for fiscal 2007 to \$220 per household which will derive revenue of \$47,300. The anticipated bill from Victoria based on the 2007 budget is \$32,104 which will leave an additional \$15,000 in revenue from the water charges.

This issue seems to be an excellent indication of how the residents would benefit from one single entity administering the services which are seamless delivered across the municipal boundary.

Section 4 Feasibility Proposal

In the following section the details of a proposal to merge the administrative structures of the Towns of Salmon Cove and Victoria are presented including elected representatives, organizational structure, proposed financial structure (budget and tax rate), boundaries and potential impacts of the proposal on the criteria outlined in the projects Terms of Reference.

Elected Representatives

The benchmarking of elected representation indicated that other towns of the size of the combined populations of Victoria and Salmon Cove use seven (7) elected representatives to govern and guide the affairs of the municipality. (See Table 15 of report) With a combined population of approximately 2500 the representation ratio would be approximately 360 people per elected representative in a merged entity. The benchmark comparators had a range of 385 to 435. Therefore a seven member Council comprised of a mayor, a deputy mayor and five councillors should be within expectations. The relative size of the towns of Victoria (17.64 square kms) and Salmon Cove (4.21 square kms) does not pose an issue or preclude this level of representation due to excessive travel times to access either elected officials or administrative staff. For electoral purposes the Mayor and three councillors should be elected at large with three other councillors representing specific wards.

No significant disadvantages are foreseen due to the reduction of elected representative in the area; however, it will mean a financial savings to the merged entity. The main advantage offered through a merger is not financial but a question of representation in a body that can address the issues. Some of the main issues that are expressed by current elected representatives and residents relate mostly to not having the ability to express their views across the municipal boundary. The sewer system of Victoria is an issue for Salmon Cove residents yet they have no directly accountable influence or voice that can represent them in the Victoria Council Chambers. Similarly, the elected representatives and residents of Victoria have no ability to express concerns in Salmon Cove over payments required for the provision of water services.

Services are being offered on a regional basis in the area without the political and administrative recognition – water crosses town boundaries and could extend further to other neighbouring populations (Perry's Cove and Freshwater); sewer is a regional issue with the debate over connecting of separate systems or the effects of one operation on the quality of life in the other town; fire services are provided to the neighbouring town of Perry's Cove by the Salmon Cove volunteer force thereby crossing boundaries; garbage collection is contracted out in both communities to the same contractor creating a regional service without regional administration; and economic development activities also share benefits and create competition across municipal boundaries through lack of regional administration. Future land use planning and transportation planning should also

benefit from the focus on the “larger picture” that will be offered by the merged entity of Victoria and Salmon Cove.

An impact on community identity will be evident in the initial years of Council as residents will still affiliate themselves with the elected representatives that reside in the former town. Residents will focus attention on the decisions of the new Council looking for any bias towards either former community. This is inevitable and any blatant bias will have to be rectified through the election of representatives that will **not** focus on representing the interest of the former towns’ residents at the expense of the residents as a whole.

In terms of community identity and affiliation with a place there does not seem to be any evidence that a community’s identity can be erased through an administrative merger. Many examples exist across the country where cities and towns that have merged continue to have a recognizable identity – St. John’s residents still recognize annexed areas such as Goulds, Wedgewood Park, and Shea Heights; the town of Grand Falls – Windsor still has a defined community identity for its former parts. In some mergers significant efforts have been made to preserve community identity through the continuation of events that promoted an area such as civic days, or fireworks displays for Canada Day celebrations. These efforts remind and enforce community identity if that is what resident’s desire and support.

Recommendation:

A merger entity should be an incorporated entity and governed by a seven member Council comprised of a mayor, deputy mayor and five councillors. With a combined population of approximately 2500 the representation ratio would be approximately 360 people per elected representative in a merged entity. For electoral purposes the Mayor and three councillors should be elected at large with three other councillors representing specific wards. Ward boundaries should be determined by the Transition Team.

Organizational Structure

In support of one Council the merger of the administrative structures for service delivery will bring about advantages for service efficiency through coordination, cost savings, and a regional focus to issues.

Through the merger there will be savings through the reduction of support activities for two Council and Committee bodies. Other activities that are required for the administration of a town that are also duplicated include payroll and benefits, property tax data administration, reporting to other levels of government, accounting, planning, funding applications etc.... With the reduction of these administrative activities this will allow more specialization or focus of current staff on specific activities. The ability to categorize duties means that staff such as the town clerks need not be a “jack of all trades” but can instead split duties. This could also mean that other activities that could not have been handled in the regular work load can be added such as economic

development activities, support of community groups or recreation programs or many others.

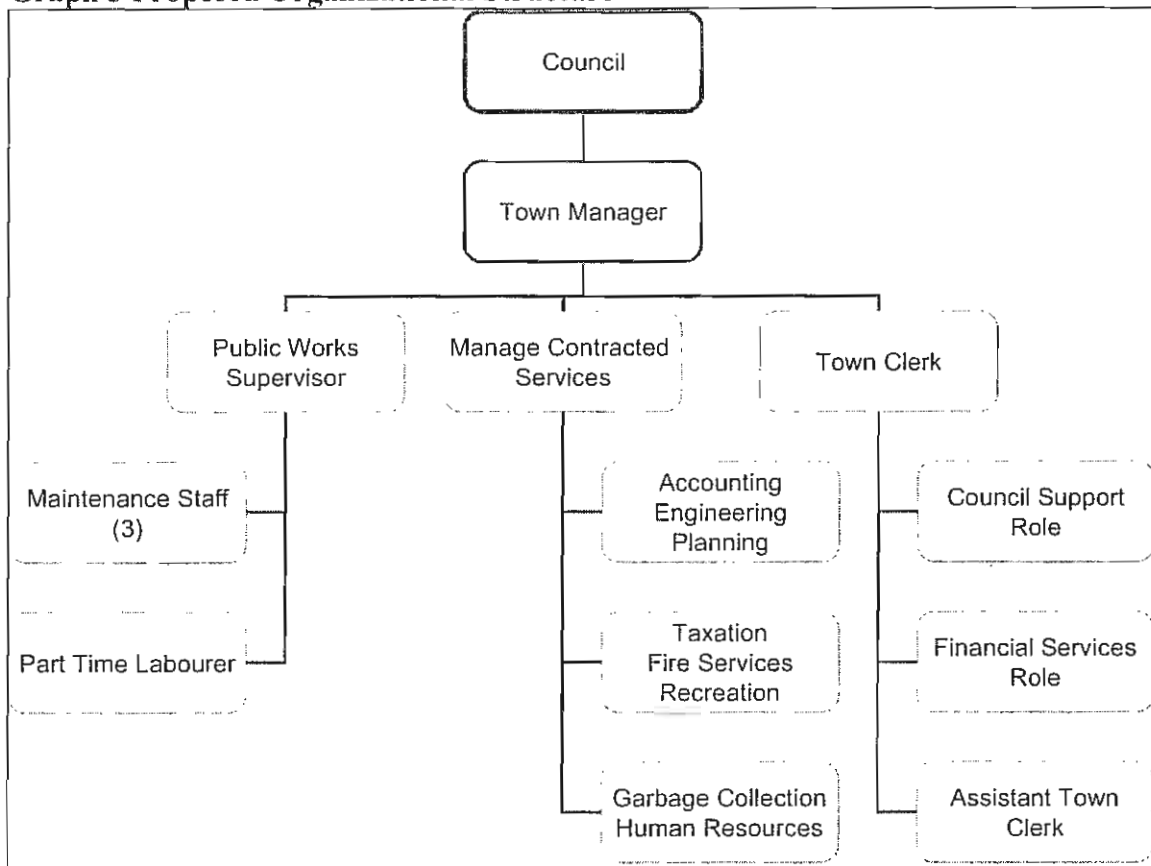
An advantage that will apply to all services will be the ability to plan shifts to cover a larger number of service hours, when required, without having to rely entirely upon one or two resources. For example, snow removal activities could be conducted in shifts which will allow better planning and utilization of equipment without exhausting a smaller workforce.

The benchmarking analysis illustrated that through economies of scale there is a potential for increased savings or lower per unit cost of delivering services. As an example garbage collection costs could be reduced through the tendering of a larger contract. The costs of Spaniard's Bay are a good indicator of the ability to achieve savings in this service. Other services could also benefit such as capital works projects such as road maintenance – asphalt overlay and road rehabilitation where contractors have a lower cost of deliver when they can ramp up of one project versus meeting the needs of two separate entities that might require different service standards, different processes and different project timetables.

An issue that was raised with regards to tendered services was the lack of a competitive environment because the private sector is not large enough. Issued tenders sometimes only receive one responsive offer. With larger potential dollar values for contracts there may be more willing bidders as companies from a larger geographic area may be enticed to compete. This will also work in favour of expansion of internal delivery of services. Now that the volumes are larger for one administration the cost of delivering services might be such that internal delivery is competitive with purchased services or contracted services. For example, snow removal is an internal service in Victoria and contracted in Salmon Cove. The incremental cost of adding Salmon Cove to the internal activities of Victoria might mean that the contract is not necessary. As well, a financial model should be developed for the cost of internal delivery of garbage collection as compared to the cost from responsive bidders for future tenders to determine if the Town should continue to contract out the collection service or should it bring the service in house.

The organizational chart that is presented below illustrates how the positions and functions could potentially be brought together in a merged administration. This organizational chart reflects six full time FTE's plus some additional staff in part time roles for a workforce that is similar to the existing compliment. Further investigation of exact resourcing levels may be warranted as part of the implementation. It should also be noted that the combination of resources will require merging the unionized staff of Victoria with the non-unionized staff of Salmon Cove. This will require a new collective agreement as well as agreement on such issues as seniority, job classification and wage rates.

Graph 5 Proposed Organizational Structure



In this proposed structure staff would perform the following general functions:

- Public Works - Working Supervisor responsible for outside staff performing summer and winter maintenance activities including water, sewer, snow removal, roads maintenance etc....
- Town Manager – responsible for tendering professional services such as engineering, accounting, planning and capital works projects. Administration of taxation, human resources, information technology, provincial liason, recreation, fire services, etc....
- Town Clerk – responsible for client service at front counter including all financial transactions, reception etc... and client staff. Clerk would support Council and maintain Council records.

The functional duties and responsibilities are a suggested framework from which the organization can be structured which may actually vary based on Council direction and staff feedback.

In terms of cost efficiency the organization will represent a lower unit cost due to the reduction of certain costs and it will still maintain a unit cost that is in line with the benchmarked costs of the comparators. The organization is required to administer the number of services that are delivered as well as maintain orderly implementation of council decisions. There do not appear to be any physical constraints to the delivery of

municipal services. Workforce harmonization in terms of benefits and pay scales will be an area that requires further investigation of financial impacts.

One issue that will be significant for the new Council to deal with is the maintenance of one or two administrative buildings and other associated assets. There does appear to be a rationale for both buildings given the additional uses that are facilitated by the administrative offices such as archives, library, fire hall, revenue generating space (post office in Salmon Cove) etc... While the buildings can be maintained and common services centralized into one location the residents of both communities are not likely to favour the relocation of all services to one location. Initially there may have to be a period of services offered at both locations such as bill payment, permit issuance, registrations etc... Given that the main road into Salmon Cove goes through the main section of Victoria there is an argument that most of the population of Salmon Cove may not be inconvenienced by a consolidation of services in Victoria. However, for purposes of access and community identity it may be necessary to offer services at both locations with a transition period in which services are scaled back at one of the offices until full consolidation is implemented.

As the new entity moves forward there should be some effort made to formalize the relationship that takes place for such groups such as the Salmon Cove / Perry's Cove Fire Department, Salmon Cove Futures Development Association and other unique groups within the Towns. In instances where a building is provided or funding then some formal arrangement should be made to ensure that the supporting mechanism that are required by these groups are still made available to them in the future. This will help alleviate some of the anxiety that groups feel towards the uncertainty of a merger and the status of their particular group. In particular with regards to the Fire Department there will be a need to understand how the volunteer group wants to continue to provide services in the future in both Salmon Cove, Perry's Cove and Victoria. Operationally there is also a need to understand the most effective use of resources to minimize the response time in emergency situations and how the two volunteer forces can be brought together to work effectively for the residents of all three of the affected towns.

Recommendation:

The proposed organizational structure should be used as a framework for the new entity with changes made upon further investigation of the exact allocation of roles/responsibilities as well as a further investigation of the resourcing needs of the new entity. No closure of any current municipal building or the sale of any municipal assets is proposed without further study of the exact operational requirements.

Informal relationships that exist with groups such as Salmon Cove / Perry's Cove Fire Department, Salmon Cove Futures Development Association, Salmon Cove Archives, Victoria Museum should be formalized to ensure continued support of these groups in the same manner and level as they enjoyed in the former Towns.

Financial Impacts and Considerations

In determining the financial feasibility for the merger of the two Towns an analysis was conducted which compared the combination of the two towns to the three comparators of Spaniard's Bay, Burin and Springdale. The results of the detailed service benchmarking were presented earlier in the report in Section 2. While the individual service comparison focused our attention on those services that have potential for cost savings the overriding conclusion derived from the comparison was the gap that exists between the assessment value of the combined towns (Vic-Sal Model) and the three comparators. Table 16 highlights this data.

Table 16 Assessment Values among Comparators

2007 Data	Salmon Cove	Victoria	Burin	Spaniard's Bay	Springdale	COMBINED Vic- Sal
Residential Assessment	\$14,665,316	\$41,656,100	\$50,050,209	\$67,245,915	\$70,618,287	\$56,321,416
Commercial Assessment	\$261,031	\$1,123,800	\$26,266,391	\$8,922,685	\$8,202,080	\$1,384,831
Total Assessment Value	\$14,926,347	\$42,779,900	\$76,316,600	\$76,168,600	\$78,820,367	\$57,706,247

As noted earlier the difference between the average assessed value of the comparators and the Vic -Sal Model is \$19.4 million or 25%. This translates into approximately \$170,000 in revenue at an average mil rate for the comparators of 8.83. This revenue shortfall represents an obstacle for service delivery if comparable levels of service are to be offered to a comparable population. This shortfall target will be Option 1 in our determination of financial feasibility. However, given the lack of commercial activity in Salmon Cove and Victoria it may be more appropriate to focus on the gap between residential assessed values. Given that Burin has a lower assessed value than the combined Vic-Sal Model it was dropped from the gap comparison and the average of Spaniard's Bay and Springdale was used. This resulted in a gap of \$12.6 million which translates into approximately \$113,000 at an average mil rate for the comparators of nine. This revenue shortfall is referred to as Option 2 and will be used as the financial revenue target that has to be met through a combination of operational efficiencies, savings, tax increases and debt reduction.

In the benchmarking of services conducted in Section 2 it was determined that two areas offered readily attainable savings and those were General Government savings of \$19,500 and Garbage Collection savings of \$10,000. Additional savings may be realized through resource reductions and savings in other services. However, these will require additional effort to quantify and determine the operational impacts. This should be explored through a transition team for implementation.

With \$29,500 in savings the revenue objective will require a combination of either tax increases or debt to be written off in order to reach the objective. As was noted earlier the Town of Victoria will be in a position to offer a significant tax decrease to its residents through the retirement of current debt. There is no doubt that new debt will be acquired to offset some of retirement gains but there should still be significant room to

reduce taxes or enhance services. This reduction due to retirement of debt has not been factored into the analysis for projected Mil rates and savings.

Therefore, if the objective is set at \$113,000 and the estimated savings total \$29,500 then an additional \$83,500 of additional revenue or decreased expenditures, or a combination of the two, is required. Given that Victoria will be in a position to offer a tax decrease in the future any proposal to increase taxes as a result of a merger is not likely to attract the support of residents. With regards to Salmon Cove it seems evident that the property tax revenue objective that has been adopted by Council is too low and has resulted in less revenue drawn from the tax base in proportion to other communities as presented in Section 2 Benchmarking. We must also note that the assessed value in Salmon Cove seems to be lower and influences the proportion of revenue that is drawn if the Mil rate is similar to other municipalities. These factors have resulted in insufficient revenues to support the Towns operations and capital requirements. We have also noted that some services offered by the Town have higher than expected unit costs. This scenario of Salmon Cove being overburdened and under funded is supported by the fact that debts had to be written off by the Province in order to sustain the Town. In addition the Province paid a portion of the water supply charge to Victoria in 2006.

Salmon Cove simply does not generate sufficient revenues to offer the level of services it currently does at the same time as it incurs more debt for capital projects. It is not a sustainable financial position and warrants a higher Mil Rate in combination with cost saving measures.

Therefore, the suggested method of reaching the financial target of \$113,000 is as follows:

1. Through actions that will achieve the \$29,500 in savings as identified;
2. Investigate the potential for additional savings and efficiencies;
3. Province assume \$83,500 in current annual debt on behalf of both Towns;
4. Establish a Mil Rate of 9.981 for residential properties and a minimum tax method rate of \$268.37. Commercial Mil rate should be established at 10 Mils. Water and Sewer rate will be adjusted to \$364.00 and the Water only rate will be adjusted to \$250.00. A detailed comparison of current tax rates and charges against the proposed is presented in Table 17.

Table 17 Current and Proposed Mil Rate and Charges

	Salmon Cove	Victoria	Combined
Mil Rate - Res	9 Mil	10 Mil	9.981 Mil
Minimum Tax Rate	\$300	\$240	\$268
Mil Rate - Comm	15 Mil	10 Mil	10 Mil
Water and Sewer Tax	\$380	\$360	\$364
Water Only Tax	\$220	\$280	\$250
Poll Tax	\$200	\$200	\$200
Business Tax	varies	varies	varies
Utility Tax	2.5% of gross	2.5% of gross	2.5% of gross

It should be noted that the Mil rate will be slightly reduced in Victoria and slightly increased in Salmon Cove. To put this in perspective a property in Salmon Cove that is assessed at \$50,000 will pay an additional \$50 in property tax but less in water and sewer tax resulting in an absolute impact of \$34 dollars on an annual basis. In terms of equity and ability to pay we see that according to the data on income levels for 2004 that was presented in Section 1 that the Town of Salmon Cove averages an after tax personal income of \$11,300 where as Victoria averages \$10,300. Victoria has maintained a Mil rate of 10 for several years and therefore the Mil rate of 9.981 should be sustainable for both communities given the information on average after tax personal incomes.

The \$113,000 that is obtained through these measures should be transferred into a reserve fund. The purpose of the reserve fund should be for capital projects such as new services like water and sewer in areas that are not currently serviced or used to offer new services/programs. In this manner, extending water and sewer services to un-serviced residents that are predominantly in Salmon Cove will not burden other property owners. For entirely new development a local area improvement formula and policy should be developed which will see new developments pay the full cost of servicing. As well the reserve funds could be used to offer new services or programs will benefit all residents.

Appendix B of this report presents a detailed budget that is based on the 2007 budgets for each Town. The changes that have been made to specific line items relate directly to the savings, debt reductions and tax/fee changes that have been proposed.

In comparison to the Benchmark communities of Spaniard's Bay, Burin and Springdale the following Table 18 illustrates the effect of the measures outlined above to achieve the financial objective.

Table 18 Revenue and Debt Servicing of Proposed Model versus the Comparators

	Portion of Revenue derived from Property Taxes	Portion of Exp Dedicated to Debt
Salmon Cove 2007	22%	62%
Victoria 2007	37%	44%
Burin	36%	24%
Spaniard's Bay	42%	36%
Springdale	36%	24%
Proposed Vic Sal Model	41%	31%

It should be noted that if the transfers to reserves are deemed not within Council Policy objectives and instead those funds are not required to be funded from the property tax base a Mil rate of 8 could be achieved. However, this will not establish the financial foundation that is required. It would in fact reflect that the assessment gap is not relevant. It is imperative that Council use the reserve fund to enhance municipal activities so that additional development can be attracted – in particular commercial activity in an effort to reduce the assessment gap over the long term. In this regard, it is anticipated that over the long term the effect on assessment should be positive and a lower Mil rate should be attainable over time if that is the direction of Council.

Recommendation:

A financial target of \$113,000 has been established to reflect the assessment gap that exists between the comparator towns and the combined assessments of Salmon Cove and Victoria. A reserve fund should be established in which the financial target is allocated in order to fund new initiatives of the new entity. The suggested method of reaching the financial target of \$113,000 is as follows:

- Through actions that will achieve the \$29,500 in savings as identified in government services and garbage collection;
- Investigate the potential for additional savings and efficiencies;
- Province assume \$83,500 in current annual debt on behalf of both Towns;
- Establish a Mil Rate of 9.981 for residential properties and a minimum tax method rate of \$268.37. Commercial Mil rate should be established at 10 Mills. Water and Sewer rate will be adjusted to \$364.00 and the Water only rate will be adjusted to \$250.00.

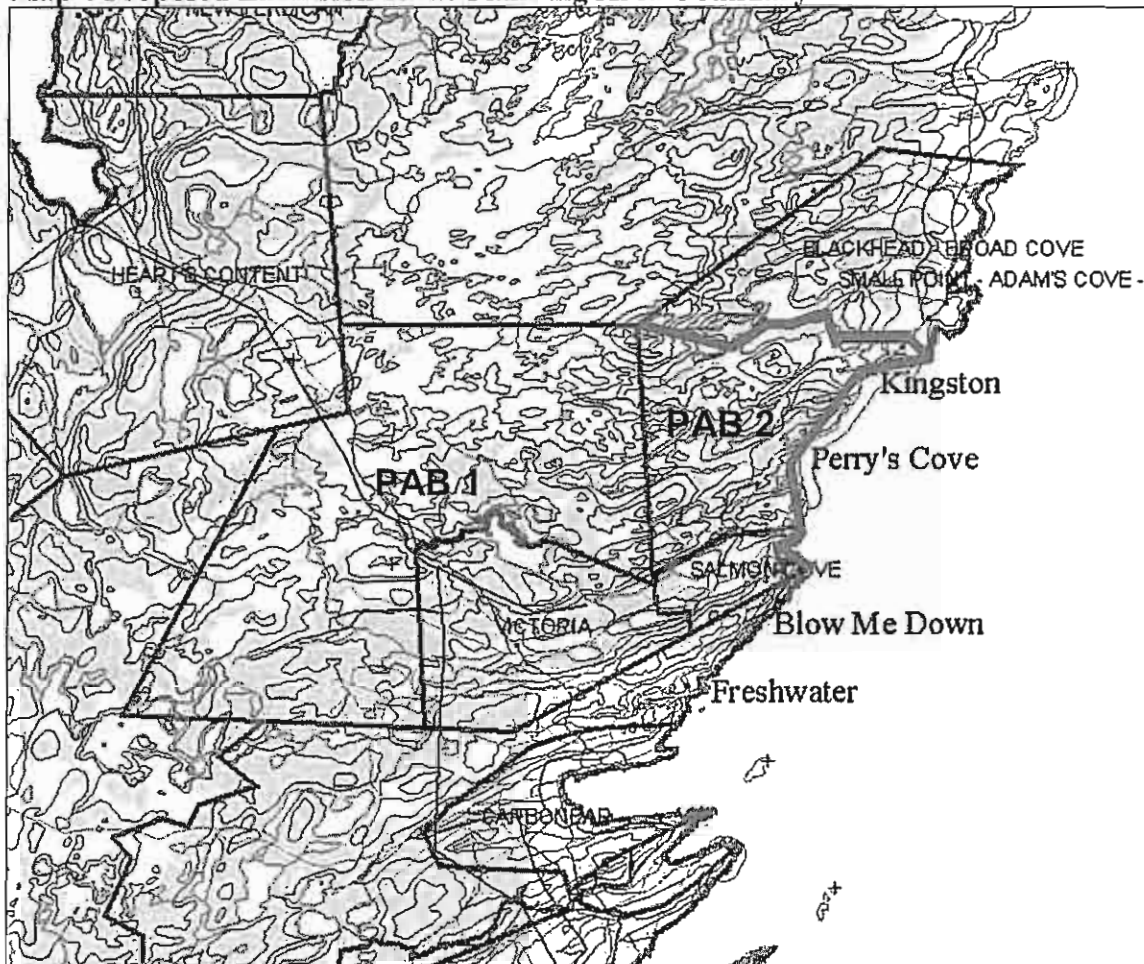
Boundaries

In section 2 of the report we discuss the municipal and planning boundaries of the Towns. It was noted that Victoria has both a municipal and planning area boundary while Salmon Cove only has a municipal area boundary. The flow of people, roads, and servicing seems to disregard municipal boundaries as much as nature does with the flow of drainage areas and watersheds. It has also been noted that the issues that are most pressing in this feasibility study cross municipal boundaries, water and sewer operations.

The current municipal boundary divides what is a continuous residential development pattern along Route 70 as it winds through both communities. The division of the Towns is not recognizable in the way people travel or develop their homes. The Persalvic Elementary school directly abuts the municipal boundaries of both Towns. This seamless reality does not seem to be reflected in the municipal structures and boundaries as they are today. One merged entity would seem to simplify the administration of an area which seems to have grown together over time and needs to take the next step in order to ensure that it can continue to grow in a responsible manner for the residents of both communities.

It is therefore proposed that the municipal area boundaries that are highlighted in blue in Map 4 be the new boundaries of the merged entity. The Victoria planning area boundary is outlined in red and identified as PAB 1. It should be expanded to include planning responsibility for planning control in the area outlined in red and identified as PAB 2. This new area includes Salmon Cove and the unincorporated areas of Perry's Cove and Kingston. Consideration should be given to including Perry's Cove in the merger in an effort to further enhance the benefits of the merger as well as recognize the current sharing of resources that will likely accrue to the area in the future.

Map 4 Proposed Extension of the Planning Area Boundary



Source: Department of Municipal Affairs, Government of NL

While administratively and financially the merger of these two neighbouring Towns seems feasible there are issues that many perceive as divisive. These issues have been discussed throughout the conduct of this project. Solutions to the issues seem more likely in one administrative structure that is responsible to all residents of both Towns. The province should recognize these points and proceed with the formal merger of the two Towns.

Recommendation:

A new entity should be established with a municipal boundary that is a combination of both of the boundaries of the current Towns. Consideration should be given to the inclusion of the unincorporated lands of Perry's Cove and others. The Planning Area Boundary should be extended to include lands extending to the municipal boundary of Blackhead Broad Cove Small Point – Adam's Cove.

Impacts of Proposed Merger against Feasibility Study Criteria

The following section summarizes the impact that the proposed merger of the administrative structures would have on the fourteen (14) criteria that the Minister had established as the evaluation criteria for the feasibility study. These criteria were contained in the Terms of Reference for the study and have guided the development of the recommendations of the report. In addition the summary concludes with some additional points that address specific issues that were identified during the feasibility study such as continued use of sewer lagoons for primary and secondary treatment and the cost allocation for the provision of water services.

1. **Access** of the people to elected and appointed officials;
 - An elected Council of seven representatives should be implemented for the new town. Given the size of the area under consideration, the linear manner in which the two towns have developed and the travel patterns of residents there does not appear to be any impact on access to elected or appointed officials.
2. **Representation** in accordance with the distribution of population;
 - The representation ratio will be within expectations of 364 per elected representative.
3. **Community identity**;
 - Community identity will be impacted but the degree to which it is impacted will depend primarily on the residents of each former municipality. Efforts should be made and funding established to ensure that cultural efforts such as the Salmon Cove archives, Victoria Museum, are sustained. In addition events that celebrate each Towns history should be maintained such as civic holiday celebrations where appropriate.
4. **Suitability** and need of the area for municipal servicing;
 - The current Towns have the majority of residential properties serviced. In a larger entity that is financially sustainable the remaining areas can be serviced more readily. Consideration should be given to the use of local area improvement levies for additional servicing in which the benefits can be directed attributable to the benefiting residents.
5. **Physical** constraints to municipal servicing;
 - No physical constraints seem to exist for municipal servicing. The new municipal boundary should be a combination of the current boundaries with the extension of the planning area boundary to include Salmon Cove and the un-incorporated areas of Perry's Cove and Kingston.

6. **Administrative capability** of the municipality;
 - Administratively a proposed structure has been presented that should offer residents a more capable municipal service delivery model with the ability to tackle future challenges and enhanced services.
7. **Co-ordination** of municipal services and functions throughout the area concerned;
 - The level of integration that currently exists within municipal services and the cross boundary nature of many residents' issues support the merger of one entity that is capable of dealing with all residents interests.
8. **Cost efficiency** of the type of administration proposed for the scale of services required;
 - The financial analysis indicated that a merged administrative structure would benefit the residents of both Towns through the reduction of the cost of service delivery.
9. **Feasibility** in terms of revenues and expenditures, especially the impact of current debt loads;
 - A financial target for the merger has been established of \$113,000 in operational efficiencies, savings, and debt reduction. It will be achieved through \$29,500 in savings and \$83,500 in debt reductions with a hope that further efficiencies can be found during implementation.
10. **Equity** in terms of both the taxpayer's ability to pay and the benefits to be received;
 - The \$113,000 in funds should be allocated to a reserve fund that will be used for capital projects that bring new services to un-serviced areas or for new services/programs that benefit all residents. New development should be serviced based on local area improvement levies which transfer the capital costs to the benefiting property owner.
 - The Mil rate that has been proposed reflects the need to establish a sustainable foundation. Salmon Cove residential property owners will experience a slight tax increase. This is seen as necessary to bring the proportion of revenue derived from property tax up to a level that reflects the actual cost of services. The proposed Mil rate is slightly less than 10 which will mean that a property assessed at \$50,000 will experience a \$50 annual increase. This proposal can be impacted by future Council decisions during implementation that could adjust any of the financial assumptions and change the proposed budget, mil rate and savings/reductions.
11. **Response** of tax yields to changes in economic activity;
 - It is expected that as services are increased and enhanced in the new Town that there will be a positive impact on residential property values. Future council decisions could further reduce the property tax requirements of residents for future operating years.

12. Equality among adjoining municipalities considering their different needs and assets;

- The assets of each community, other than the hard infrastructure, have been assumed to be necessary for the continuance of operations. No reduction in equipment or sale of assets has been proposed. A new Council may see the benefit of rationalizing equipment or other assets.
- The assets of the Towns are predominantly comprised of infrastructure. While a small segment of the properties are not serviced the likelihood of Council decisions to extend services is higher in a larger entity that can better accommodate the capital requirements. The unallocated revenue that is derived from the financial objective will help ensure that residents of serviced areas do not forgo service enhancements to fund capital projects in an un-serviced area.

13. Simplicity of proposed municipal structure;

- The new merged entity will be a simpler structure for residents as it will be able to address the municipal issues important to the area's residents. A representative will now be able to express their concerns at the Council table that is responsible to residents in the area without being limited by municipal boundaries that do not reflect the relationships of people in their daily activities.

14. Acceptability of proposal at local level.

- For most residents impacted by this proposal it is expected that a positive financial impact will be the most crucial criteria for their support. Most residents should be able to support these recommendations. Other residents that have a specific item of interest such as the elimination of the lagoon sewage treatment facility may feel otherwise.

Sewer Lagoons for primary and secondary treatment;

- It is recommended that the sewer lagoon expansion that is planned continue in an effort to address the current operational issues and that a connection of the sewer collection systems not be facilitated until all sewage will receive some form of primary treatment.

Water provision and the cost allocation between municipalities;

- The cost allocation that has been attributed to Salmon Cove by Victoria seems to be within reason. A formal agreement is required on the appropriate cost allocation for operating and capital to ensure that as long as the two towns remain separate and in a service relationship that both parties agree to a reasonable cost allocation for the services provided.

Summary of Proposed Recommendations

The recommendations that have been proposed for the merger of the two Towns and the establishment of a new entity align with the objectives established for the report commissioned by the Minister. The recommendations contained in this report reflect the opinion of the Commissioner that the merger of these two towns is feasible and will be a positive initiative for the residents of both towns. This sentiment was expressed by residents during the consultations and the public hearing process. The following recommendations should form the basis for the Minister's consideration of the feasibility of this merger:

Recommendation One

A merger entity should be an incorporated entity and governed by a seven member Council comprised of a mayor, deputy mayor and five councillors. With a combined population of approximately 2500 the representation ratio would be approximately 360 people per elected representative in a merged entity. For electoral purposes the Mayor and three councillors should be elected at large with three other councillors representing specific wards. Ward boundaries should be determined by the Transition Team.

Recommendation Two

The proposed organizational structure should be used as a framework for the new entity with changes made upon further investigation of the exact allocation of roles/responsibilities as well as a further investigation of the resourcing needs of the new entity. No closure of any current municipal building or the sale of any municipal assets is proposed without further study of the exact operational requirements.

Informal relationships that exist with groups such as Salmon Cove / Perry's Cove Fire Department, Salmon Cove Futures Development Association, Salmon Cove Archives, Victoria Museum should be formalized to ensure continued support of these groups in the same manner and level as they enjoyed in the former Towns.

Recommendation Three

A financial target of \$113,000 has been established to reflect the assessment gap that exists between the comparator towns and the combined assessments of Salmon Cove and Victoria. A reserve fund should be established in which the financial target is allocated in order to fund new initiatives of the new entity. The suggested method of reaching the financial target of \$113,000 is as follows:

- Through actions that will achieve the \$29,500 in savings as identified in government services and garbage collection;
- Investigate the potential for additional savings and efficiencies;
- Province assume \$83,500 in current annual debt on behalf of both Towns;
- Establish a Mil Rate of 9.981 for residential properties and a minimum tax method rate of \$268.37. Commercial Mil rate should be established at 10 Mils.

Water and Sewer rate will be adjusted to \$364.00 and the Water only rate will be adjusted to \$250.00.

Recommendation Four

A new entity should be established with a municipal boundary that is a combination of both of the boundaries of the current Towns. Consideration should be given to the inclusion of the unincorporated lands of Perry's Cove and others. The Planning Area Boundary should be extended to include lands extending to the municipal boundary of Blackhead Broad Cove Small Point – Adam's Cove.

Recommendation Five

It is recommended that the implementation date for the new town should be at the start of a new fiscal year such as January 1st, 2008 or 2009. This will simplify the transition to a new budget and accounting structure versus a mid year combination of financial data.

It is recommended that a special election be held in September 2007 for a 2008 merger effective date and September 2008 for a 2009 merger effective date.

Transition Issues

The Province should appoint a Transition Team (Person) to implement the new entity and merge the services and administrative structures. This will accomplish two objectives; it will ensure that existing staff can focus on current operational issues without having to tackle an additional complex project. It will also provide a forum for the discussion of policy and issues that will affect the new entity. This Transition Team (Person) would also conduct consultation on the new name for the entity. The Transition Team (Person) would be tasked with budget oversight, approval of spending in the interim between dissolution of the former councils and the effective date for a new council as well as developing and implementing the new structures and processes for the continuance of operations on day one of the new entity.

Some additional one time transition funds should also be made available to facilitate use of additional professional resources to assist staff with the merger and to offset the costs of converting to one entity. This would include assistance with such things as labour relations, consulting resources for operational improvements or further savings, accounting, information technology, and other items that may arise due to the establishment of the new entity.

Section 5 Summary of Public Hearing Presentations and Discussions

Salmon Cove Public Hearing April 11th, 2007

Mayor Gary Butt, Town of Salmon Cove	<p>Town requested a feasibility study to understand the benefits to the Town's residents in terms of level of services versus the amount of taxes that would have to be paid. Three main objectives for Town:</p> <ul style="list-style-type: none">• Residents would agree if we could see that what we would be getting would be a benefit to the residents of Salmon Cove.• Hopes that we could bring some closure to the sewer – Lagoon issue in Victoria.• Find out what it is costing Victoria to supply Salmon Cove with water. <p>Minister committed that residents would decide whether to merge or not – we will hold the Minister to that promise.</p> <p>He sees grey areas in the report - Salmon Cove residents would not see any benefits. No real benefit in services but taxes would increase. No closure of the sewer lagoons in Victoria.</p> <p>It is also a reasonable conclusion – that Victoria is overcharging Salmon Cove for water – we are willing to go to court to settle this issue.</p> <p>His observation is that government's best interest is for merger to take place and the report represents government's wishes. Not saying that package is not factual but that it is informative.</p> <p>Merger is not worth it only to save \$29,500, if we(Salmon Cove) increase our Mil rate as we will have to do anyway and we get a better deal on garbage and water which they are working on. We can continue to provide residents with reasonable service for their buck Or we can let our fate lie in the majority of Councillors from Victoria who in the past have showed their compassion when they cut off our water.</p> <p>Questions from Commissioner to Mayor Butt:</p> <p>Regards to “ability to raise the Mil rate anyway” – have you worked out what the Mil rate would be to cover costs?</p> <p>Answer: We are not in red we can operate and residents are not complaining. Do not see a significant increase but Council has not discussed but he sees</p>
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	<p>that no more 10 Mil rate at least for the short term.</p> <p>Questions from Commissioner to Mayor Butt: How would the capital works program that is proposed of \$2.6m affect this Mil Rate. It would debt servicing required of \$80,000 per year from property tax. 1 Mil rate gets you \$14k and you need \$80k. Council would have to increase drastically.</p> <p>Questions from Commissioner to Mayor Butt: You said that there were grey areas but what are they?</p> <p>Answer: Community Centre and equipment, in a couple of years time it will be decided what will happen. Couple of years time the 4 or 5 people on Council will be from Victoria and will have Victoria's best interest at heart and they will not be looking at this from the big picture – it would be great if everyone could – we know they are not going to – I know that I am not going to if I am representing Salmon Cove. I see that as a grey area. Fire Dept is self sufficient- Victoria has a building with a for sale sign on it. Will Salmon Cove be forced to close and Victoria open up their community centre.</p> <p>No other areas.</p>
Roy Rose, Councillor Town of Salmon Cove	<p>Some areas of report are valuable and will be acted upon at a later date even if merger does not go through. Cannot accept proposed merger – too many items left to chance – Salmon Cove / Perry's Cove Fire Department, Salmon Cove Sands, Salmon Cove Future Developments Association. Were all made known to you as areas for special interest and only given passing mention in report. They are unique to Sc and future should not be left in hands of a new administration.</p> <p>Water and Sewer issues that were the purpose for the study have been appropriately left out.</p> <p>Financial aspects are not surprising - very little savings mostly administrative, mostly from Salmon Cove. Very little from Government \$83,500 in debt relief, minor changes to Mil Rate and water rate.- which will have very little impact on anyone.</p> <p>Any new development should be at the expense from those who benefit – if this were implemented water and sewer for some residents would be quite expensive for some residents of Salmon Cove.</p> <p>Your proposal for elected representatives is workable however, if this</p>

	<p>guideline is followed Salmon Cove will only have two councillors. Bias will be present that is only human nature. If the merger proceeds I suggest Municipal Affairs appoint first Council with 3 from Victoria, 3 from Salmon Cove and a mayor. Important decisions important to one town have to be passed by 75%.</p> <p>Extend services to Perry's Cove – what would we do with the additional sewage.</p> <p>Questions from Commissioner to Councillor Rose:</p> <p>Passing mention to items of Future Development Association and Fire Department – I guess in the final report they will be highlighted a little more. But in terms of relationship they are informal – are you supporting them. It is informal but it is a decision of Council when they were first decided.</p> <p>Answer The decision would be that of another Council.</p> <p>Questions from Commissioner to Councillor Rose: But these organizations exist because of the residents that have decided to get involved. Can you explain how they would not be able to get involved.</p> <p>Answer Yes, I understand what you are saying.</p> <p>Questions from Commissioner to Councillor Rose: Can you point to how they will not be able to provide services or get involved.</p> <p>Answer Fire departments merger there will be a larger financial strain – and people may not have the same sense of belonging.</p> <p>Commissioner Yes, could be and I agree to try to bring out in report.</p> <p>Questions from Commissioner to Councillor Rose: Water and Sewer left out – what were your expectations?</p> <p>Answer Looking for an answer to our question of what is it costing the Town of Victoria to supply water to Salmon Cove.</p>
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	<p>Questions from Commissioner to Councillor Rose: Have you every asked for a breakdown?</p> <p>Answer I asked the chair of the Finance Committee day after they submitted their budget and they didn't know. That is the answer we got right up until Province paid half the bill and that was done for leverage to get this study.</p> <p>Questions from Commissioner to Councillor Rose: You said that \$29,500 in savings is insignificant can you explain?</p> <p>Answer No, it is not but your savings are \$10,000 for Councillors and \$10000 from garbage and the rest is administration. Yes, I know that it will go along way for paying a light bill for a year. But it is not as much as what we suspected – my expectations are higher.</p> <p>Questions from Commissioner to Councillor Rose: There are other savings that require more investigation. \$29,500 in terms of property tax revenue for Salmon Cove of \$143k this is a 20% savings.</p> <p>Answer I realize that but that is not as high as I would have expected.</p> <p>Questions from Commissioner to Councillor Rose: That is 2 to 3 points of your Mil rate. At least 2 points savings. Funds should go to a reserve fund for new services.</p> <p>Answer But all those savings will not just be for Salmon Cove's benefit they will be for the benefit for both Towns.</p> <p>Questions from Commissioner to Councillor Rose: But I don't think we are trying to do this for the benefit of one Town.</p> <p>Answer No, I was just trying to point that out that the savings will be spread out.</p>
George Slade	<p>Recreation assets – what will happen to things such as community centre, research and experimentation will they be closed. What will happen to town hall, fire hall, post office and what about town staff?</p> <p>Page 15 table 4 – Victoria water and sewer tax – what will happen to the funds used to pay bill?</p>

	<p>Page 28 – Where does the money go to pay the water bill?</p> <p>Salmon Cove system is insufficient to handle needs 2 to 3 percent of the time - does it mean that it can handle the rest 97 to 98 percent?</p> <p>Page 5 – third lagoon cell – will it connect into Salmon Cove and dump into ocean.</p> <p>If pasture lands are polluting how come we do not hear of pollution in upper ponds. Septic tanks in Salmon Cove did not pollute Forest Pond.</p> <p>No ability to express concerns in other Chamber – is Victoria legally allowed to sell water to Salmon Cove?</p>
John Butt	<p>Victoria didn't clean up sewer lagoon cells a few years ago when it was going to cost \$600k plus and now the new construction could cost \$2 mil. How will they do it the future when it will cost even more?</p> <p>In favour of a merger – under strict guidelines. But some things have not been answered.</p> <p>He would like to see the lagoon (that now feeds into Forest pond) instead be pumped into the Salmon Cove system.</p>
Don Case, Former Mayor of Salmon Cove	<p>Would like to see a better deal – doesn't like the lagoons and the cost of water but feels he is going to have to let some things go and start thinking regionally. In favour of a merger and wished it could have been done a few years ago.</p>
Glandis Keats	<p>Does not like the fact that we are pumping raw sewage into the ocean and wishes something could be done about it. In favour of a merger – can see how it could be a good thing – people will have to feel that it will be good and it will involve a lot of compromise.</p>
Harold Slade	<p>Not in favour of a merger – other towns with schedule rivers also have sewage running into them. Why is government so interested in dumping into the ocean when they are allowing sewage in the salmon rivers? Not in favour of a merger.</p>
Jim Parsons, Former Mayor of Salmon Cove	<p>He can see the benefits of a merger – other towns have done it and they have prospered. But do not see this merger working – we need water and sewer extended and roads paved and upgraded. This should be a gift from government before a merger.</p> <p>Lagoons have leaked ever since they were built – there have been many</p>

	<p>problems and spill into the many ponds. Another cell will be forever a problem – what is going to be done to clean up the sewer mess.</p> <p>Where will the additional money come from for people to pay higher taxes as proposed?</p> <p>Is government going to guarantee that the lagoons will work – give a stamp?</p>
Roy Rose	<p>Tom Harris Engineer- said that Victoria can't afford to clean it and operate then the new lagoon will have you right back to current situation. Sewage has to be treated and taking away which is expensive.</p> <p>There has to be another solution to the lagoons.</p>
Don Case	<p>We have to do the responsible things and if a third cell is necessary to treat the sewage then we should do what it takes and we have to realize that we are going to have to pay for it.</p>
Bob Rossitor	<p>Fire Chief – biggest concern is that we stand alone. WE supply our own gear and run the community centre. Problem with report is it does not address the fire dept for Salmon Cove and Perry's Cove formed in 1981. Victoria can not supply the services. There are 14 members from Perry's Cove. Where does this merger leave them – Fire dept was established because Victoria could not supply the service. Also recreation, church and lodge are together.</p> <p>In favour of a merger and it has to have guidelines that address things like the fire dept. and what will happen to the building that was renovated with government funds and fund drives. Does not want to see these things closed.</p> <p>If a lagoon is what is necessary to pump the sewage into Salmon Cove then do it. As far as a Sewer treatment plant it is too expensive to operate just ask Spaniard's Bay.</p> <p>We need to know what will happen just like Future's Development Association. We were established because Victoria could not cover this area and we are doing it on a stand alone basis.</p>

Victoria Public Hearing April 12th, 2007

Mayor Arthur Burke, Town of Victoria	<p>The issue of should we support a merger will be put to a vote in the Town. We need to know the benefits to the Town. There are no benefits in the report for fire protection, snow removal or road maintenance. The savings in the garbage collection are not realistic. And the thoughts of balancing a budget based on debt relief are not satisfactory.</p> <p>He is concerned that the steps taken by Victoria to refinance debt that will be paid off soon and save \$250,000 yearly they will be deprived of this savings in this merger.</p> <p>The Lagoons are necessary and the funding is in place now to proceed. He does not support connected to Salmon Cove until the proper infrastructure is in place.</p> <p>Not in support of a merger that will still have duplicated services in place such as two fire departments. These need to be combined. A merger is only possible if the benefits are present.</p> <p>Questions from Commissioner to Mayor Burke:</p> <p>What is the difference between the \$250,000 that Victoria will save and the \$113,000 proposed in savings? How is this balancing a budget on debt relief?</p> <p>Answer: No difference.</p> <p>Questions from Commissioner to Mayor Burke:</p> <p>What duplicated service would he like to see eliminated for the merger?</p> <p>Answer: Fire services could have savings through an equipment reduction. There are others.</p>
Ingemar Dean, Councilor Town of Victoria	<p>The savings projected for garbage collection are not going to happen. We have a higher service level and we are not going to drop to the Salmon Cove service level. How will the money be saved and what if it is not?</p>
Dave Bourne	<p>What will happen with garbage collection as the same contractor does Freshwater and Perry' Cove?</p>

<p>Mayor Burke</p>	<p>In comparison to Spaniard's Bay what is there true cost does it include the heavy garbage as they collect that by themselves (town). Contractor does not take it. IS that in the comparison?</p> <p>As well how will the staff be brought together given that staff are unionized in Victoria but not in Salmon Cove.</p>
<p>Dan Farrell</p>	<p>Fire Chief in Victoria. Concerned about fire services and what will happen. Will a fire hall be closed or moved? How will we respond?</p>
<p>Ingemar Dean</p>	<p>We seem to not have very many people represented in these meetings so what is the next step. Will there be a vote?</p> <p>A show of hands indicated that the majority of residents that were present were in favour of a merger but that many were simply not decided.</p>

Appendix A Terms of Reference

TERMS OF REFERENCE

IN THE MATTER

TO MERGE

THE COMMUNITIES OF VICTORIA AND SALMON COVE

TO FORM

ONE LOCAL GOVERNMENT ADMINISTRATION

October 2006

The Minister of the Department of Municipal Affairs has Ordered a Feasibility Study to be prepared, at the request of the Towns of Victoria and Salmon Cove, to merge the two communities into one local government administration. The Study will assess the advantages and/or disadvantages of delivering municipal services to the two communities through the formation of one single entity versus two separate and distinct municipal structures. The Minister 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, especially the impact of current debt loads;
 - 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 and preliminary findings of the feasibility report.

3. The person conducting the feasibility study shall hold a public hearing in each of the communities affected by the study to address the preliminary report. The public hearing is 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 Inquiries 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 or region;
 - 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 of Municipal Affairs not later than April 30th, 2007.

Appendix B Proposed Budget for Vic-Sal Model

The Proposed Budget that is presented is a combination of the 2007 Budgets for each Town with modifications that reflect the proposed changes as a result of the savings and debt reductions that have been proposed. Based on these changes to the revenue and expenditure requirements the proportion of property tax revenue that was required was derived as well as a proportionate amount for other taxes and charges such as water and sewer. This method resulted in the Mil Rates as proposed and the charges.

More specifically the following amounts were changed:

- General Government – the combined amount was reduced by \$19,500
- Garbage Collection – the combined amount was reduced by \$10,000
- Salmon Cove Expenditures – Town's portion of debt was reduced by \$64, 217 and the province's share was reduced by \$333,841. Likewise in Revenues, Provincial Grants and Subsidies – Province's Portion of Debt Charges was reduced by \$333,841.
- Salmon Cove Expenditures – Water Supply was reduced by \$18,000
- Fiscal Services – the combined amount was increased to \$113,000 to account for the reserve funds.
- Victoria – Sales of Goods and Services was reduced by \$32,104
- Victoria - Town's portion of debt was reduced by \$19,283 and the province's share was reduced by \$65,000. Likewise in Revenues, Provincial Grants and Subsidies – Province's Portion of Debt Charges was reduced by \$65,000.

EXPENDITURES**2007****1 GENERAL GOVERNMENT**

1.1 Council	
Remuneration for Councillors	\$20,000
Travel	\$6,000
Supplies	\$2,000
Total Council	\$28,000

1.2 GENERAL ADMINISTRATION

Salaries	\$196,000
Employee Benefits	\$14,000
Payroll Burden	\$30,000
Travel	\$1,727
Supplies	\$9,600
Purchased Services (other than insurance)	\$30,000
Professional Services	\$3,000
Insurance	\$37,000
Total 1.2 General Administration	\$321,327

1.3 Municipal Elections**1.4 Property Assessment Services**

\$39,102

1.5 Common Services

Engineering Services	
General Maintenance	\$17,052
Professional Development and Training	\$4,200
Public Relations	\$6,500
	\$27,752
Total 1.5 Common Services	
Total 1.0 General Government	\$416,181

2 PROTECTIVE SERVICES

2.1 Fire Protection	
	\$39,300
2.2 Emergency Preparedness and Response	
	\$2,000
2.3 Animal and Pest Control	
	\$1,000
2.4 Municipal Enforcement	
2.5 Other Protective Services and Inspections	
Total 2.0 Protective Services	\$42,300

3 TRANSPORTATION SERVICES	
3.1 Vehicle and Fleet Maintenance	\$1,600
3.2 Road Transport	
Streets, Roads Sidewalks, etc...	\$54,000
Snow Removal	\$25,800
Street Lighting	\$55,200
Traffic Services	
Total 3.2 Road Transport	\$135,000
3.3 Public Transit	
3.4 Other Transportation Services	
Total 3.0 Transportation Services	\$136,600
4 ENVIRONMENTAL HEALTH	
4.1 Water supply	\$44,000
4.2 Sewage Collection and Disposal	\$36,000
4.3 Garbage and Waste Collection and Disposal	\$109,000
4.4 Other Environmental Health Services	
Total 4.0 Environmental Health	\$189,000
5 PLANNING AND DEVELOPMENT	
5.1 Panning and zoning	
5.2 Community Improvement and Development	\$1,000
5.3 Regional Development	
5.4 Tourism and Marketing	
5.5 Other Planning and Development	
Total 5.0 Planning and Development	\$1,000

6 RECREATION AND CULTURAL SERVICES

6.1 Recreation Administration		
6.2 Recreation Facilities		
Recreation and Community Centres	\$3,000	
Parks, Playgrounds, etc....	\$1,000	
Stadium		
Swimming Pool		
Total 6.2 Recreation and Facilities	\$4,000	
6.3 Cultural Facilities	\$1,000	
6.4 Recreation and Cultural Programs, Activities etc....		
6.5 Other Recreation and Cultural Services		
Total 6.0 Recreational and Cultural Services	\$1,000	\$5,000

7 FISCAL SERVICES

7.1 Debt Charges from all Sources		
Council Portion	\$265,803	
Provincial Portion	\$163,445	
Total 7.1 Debt Charges from all sources	\$429,248	
7.2 Transfers to Authorized Reserves and other Funds		
Provision for Uncollectible Taxes, Fees and Charges	\$23,000	
Deficit of Prior Year	\$3,607	
Accumulated Deficit Reduction Plan		
Discounts, Losses Allowances	\$19,900	
Capital Expenditure Out of Revenue	\$18,473	
Authorized Transfers to Reserves and Other Funds	\$113,000	
Total 7.2 Transfers to Authorized Reserves and Other Funds	\$177,980	
7.3 Other Fiscal Services		
Total 7.0 Fiscal Services		\$607,228

TOTAL EXPENDITURES	\$1,397,309
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PROPERTY TAX INFORMATION

Residential Property Info		Assessed Value	# of Properties	Tax Rate	Total Tax
Mil Rate method		\$51,506,216	1198	9.981 Mil rate	\$514,075
Minimum Tax Method		\$4,714,800	224	\$268.37	\$60,115
Residential Grants in Lieu					
Residential Exempt Properties		\$100,400	11		
Total Residential Property Info		\$56,321,416	1433		\$574,190

Commercial / Non- Res		Assessed Value	# of Properties	Tax Rate	Total Tax
Mil Rate Method		\$1,141,000	10	10 MILS	\$11,496
Minimum Tax Method		\$50,731	6	\$150	\$900
Non-Res Grants in Lieu					
Tax Agreements					
Non-Res Exempt Property		\$193,100	6		\$375
Total Commercial / Non- Res		\$1,384,831	23		\$12,771
Total		\$57,706,247	1456		\$586,961

Water and Sewerage Tax Info		# units	Tax Rate	Total Tax
Residential Water and Sewerage				
# of households NOT connected		84		
Water and Sewerage Tax		857	\$364	\$311,948
Water Tax Only (if separate tax)		74	\$250	\$18,500
Sewerage Tax Only (if separate)				
Other Residential W/S Tax				
Total number of Household Units		1015	Total Residential W/S Tax	\$330,448

Commercial/Non-Res Water and Sewerage		# units	Tax Rate	Total Tax
# of Commercial/Non-Res Units NOT connected				
Water and Sewerage Tax		10		\$3,600
Water Tax Only				
Sewerage Tax Only				
Other Comm/Non-Res W/S Tax				
Industrial and Institutional W/S		3		\$10,928
Total # of Comm/Non-Res Units		13	Total Comm/Non-Res W/S Tax	\$14,528

Total All Water and Sewerage Tax				\$344,976
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Other Taxes	# assessed	Tax Rate	Total Tax
Poll Tax	190	\$200	\$38,000
Business Tax			\$22,856
Utility Tax		0.05	\$71,876
Municipal Utility (Sales) Tax			
Direct Seller Tax			
Other Authorized Taxes			
Total Other Taxes			\$132,732

Grand Total Taxes and Related Revenue	\$1,064,669
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SALES OF GOODS AND SERVICES

Sales of Goods and Services	
Garbage collection fees	\$800
Recreation and cultural services	
Transportation services	
Fire Protection Services Fees	\$1,050
Animal and Pest Control Fees	\$1,000
Tipping Fees	
Incinerator Fees	
Water Supply	
Other Sales of Goods and Services	\$3,000
Total Sales of Goods and Services	\$4,800
Total Sales of Goods and Services	\$5,850

OTHER REVENUE FROM OWN SOURCES

Other Revenue From Own Sources	
Assessments, Levies, Fees and Charges	\$4,250
Rental Income	\$6,840
Interest from Investments	\$2,000
Interest Collected on Overdue Accounts	\$20,000
Other Revenue From Own Source	\$33,090
Total Other Revenue from Own Sources	\$33,090

GOVERNMENT TRANSFERS

Provincial Government Grants and Subsidies	
Municipal Operating Grant	\$111,782
Province Portion of Debt Charges	\$163,445
Other Province Government Grants and Subsidies	
Total Provincial Gov't Grants and Subsidies	\$275,227
Federal Gov't Grants and Subsidies	
Total Federal Gov't Grants and Subsidies	\$18,473
Total Gov't Transfers	\$293,700

OTHER TRANSFERS

Transfers from Authorized Reserves	
Surplus of Prior year	
Transfers from Authorized Reserves	
Total Transfers from Authorized Reserves	
Total Other Transfers	

TOTAL REVENUES	\$1,397,309
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