Regionalization of Communities in Newfoundland and Labrador

MUNICIPAL AND PROVINCIAL AFFAIRS ANALYSIS:

Joint Working Group Report and Recommendations

Prepared by

The Department of Municipal and Provincial Affairs

Newfoundland & Labrador

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1.0 Summary of Report and Key Recommendations

The Joint Working Group on Regionalization (Working Group) was established in the fall of 2020. The group was comprised of representatives of Municipalities Newfoundland and Labrador (MNL), the Professional Municipal Administrators (PMA) and representatives from Municipal and Provincial Affairs (MAPA). Its purpose was to build on previous regionalization consultations and research and to make recommendations to the Minister of Municipal and Provincial Affairs on a plan for regionalization for the province.

On February 2, 2022, the Minister released the **Working Group Report and Recommendations** (Report). While the Report made several recommendations, the primary recommendation was to establish a regional governance structure that would act as an overarching governing body and provide mandatory services, such as land use planning, economic development, emergency planning and by-law enforcement, for a geographical area in a two-tiered local governance type model.

Key recommendations from the Report included:

- The establishment of regions and regional governance structures. Government to provide a clear set of goals, parameters, expectations, and adequate administrative, financial, technical, and legislative support in the development and implementation of the regional governance structure.
- Development and implementation be supported by a transition team with the appropriate skills and abilities to lead the regionalization initiative and ensure the scope and milestones are achieved.
- Approximately 25 regions be implemented encompassing a population range of 5,000 to 50,000 residents per region, with an assessed tax base of a minimum of $200 million.
- Provisional regional boundaries be drafted with the assistance of Memorial University's Regional Analytics Laboratory (RAnLab) for future consultation with communities and residents of LSDs and UIAs. Provisional regional boundaries be determined using various data (e.g. municipal assessment data, currently boundary alignments, population movement patterns, school catchment areas, fire and emergency protection area etc.) as well as consideration for extreme geographic dispersion/low density.
- Regional governance structures be governed by an elected regional council with no greater than 15 seats. The number of seats, wards and decision-making criteria be determined by a provisional regional advisory board to ensure equitable representation of all of the communities and residents within the regional boundary.
- Regional governance structures to be given taxation authority to determine and collect taxes on properties outside municipal boundaries and the ability to collect user fees from municipalities for services provided on a per capita basis.
- Identify and benchmark the current local governance capacity in the province by mandating the completion of a sustainability self-assessment tool by municipalities and LSD committees.
- Draft new legislation to establish regional governance structures and indicate powers and responsibilities in conjunction with ongoing efforts to modernize the current municipal legislation.
- A three-phased implementation process over three year period:
    - Phase I: identify local governance capacity, provisional regional boundaries and begin legislative drafting changes (12+ months)
    - Phase II: regional local governance design (~9 months)
    - Phase III: regional local governance implementation (~18 months)

- Providing special considerations to:
  - Most remote municipalities in Labrador and Inuit Community Governments;
  - Indigenous communities;
  - Small island communities;
  - The Northeast Avalon urban communities; and
  - Large urban municipalities with a population of more than 11,000 residents.
- New regional governance structure should build upon existing collaborations such as Regional Service Boards and Joint Councils.
- Transition team be responsible for maintaining an effective communication and engagement plan to keep residents up to speed on the development, implementation, and progress for the regional governance initiative.

2.0 External Feedback Received on the Report

MAPA received approximately 95 inquiries between February 2, 2022 to April 30, 2022 in relation to the release of the Report. While some of the inquiries were in full support of the Report's recommendations, the vast majority of inquiries criticized the lack of public engagement of residents of LSDs and UIAs. The majority of concerns included fears of increased taxation, loss of community identity, and the rural way of life.

The Minister held four meetings with approximately 53 LSD committees in the four electoral districts with the highest number of LSDs: Placentia – St. Mary's; Lewisporte – Twillingate; St. George's – Humber; and St. Barbe – L'Anse aux Meadows.

3.0 Viability of Regional Structures for LSDs and UIAs

Based on research and best practices from other jurisdictions including New Brunswick's 2008 Finn Report, "Building Stronger Local Governments and Regions", a viable community would have the bench mark of 4,000 residents and $200M in assessed property value. Using a benchmark of 4,000 per region with the assumption of two people per household, would result in 2,000 households, at an average assessment of $100,000.

Newfoundland and Labrador has approximately 520,000 residents living in 270 municipalities, 175 local service districts, over 120 unincorporated areas, five Inuit community governments and three First Nation reserves. In total there are over 500 entities, including 210 incorporated towns with populations under 1,000.

The Working Group did not complete a detailed financial analysis of their recommendations nor did they analyze sample potential regions to determine the cost implications and effectiveness of the proposed model. As a result, MAPA officials were tasked with completing a deeper dive of the proposed model. An analysis was conducted on the potential model in a 30 region scenario, a 25 region scenario, and a 20 region scenario.

Labrador communities were excluded from the analysis at this time. The Joint Working Group recommended that Labrador communities be given special consideration and further consultations with the Labrador Affairs Secretariat, the Office of Indigenous Affairs and Reconciliation, as well as Indigenous governments, communities and organizations be conducted in order to determine how they see themselves in this process. The Department recognizes that any final modelling and delineation of regions in Labrador would need to ensure obligations under

current treaties and legislation are met, as well as further consultations with the Nunatsiavut Government and Inuit Community Governments. Otherwise, remaining communities in Labrador West, the South Coast of Labrador and in Central Labrador, should be encouraged to collaborate on a regional level.

Please Note: Regionalization efforts will have no impact on First Nation Reserves (i.e. Conne River, Sheshatshiu, Natuashish) as their governance is regulated by the federal government.

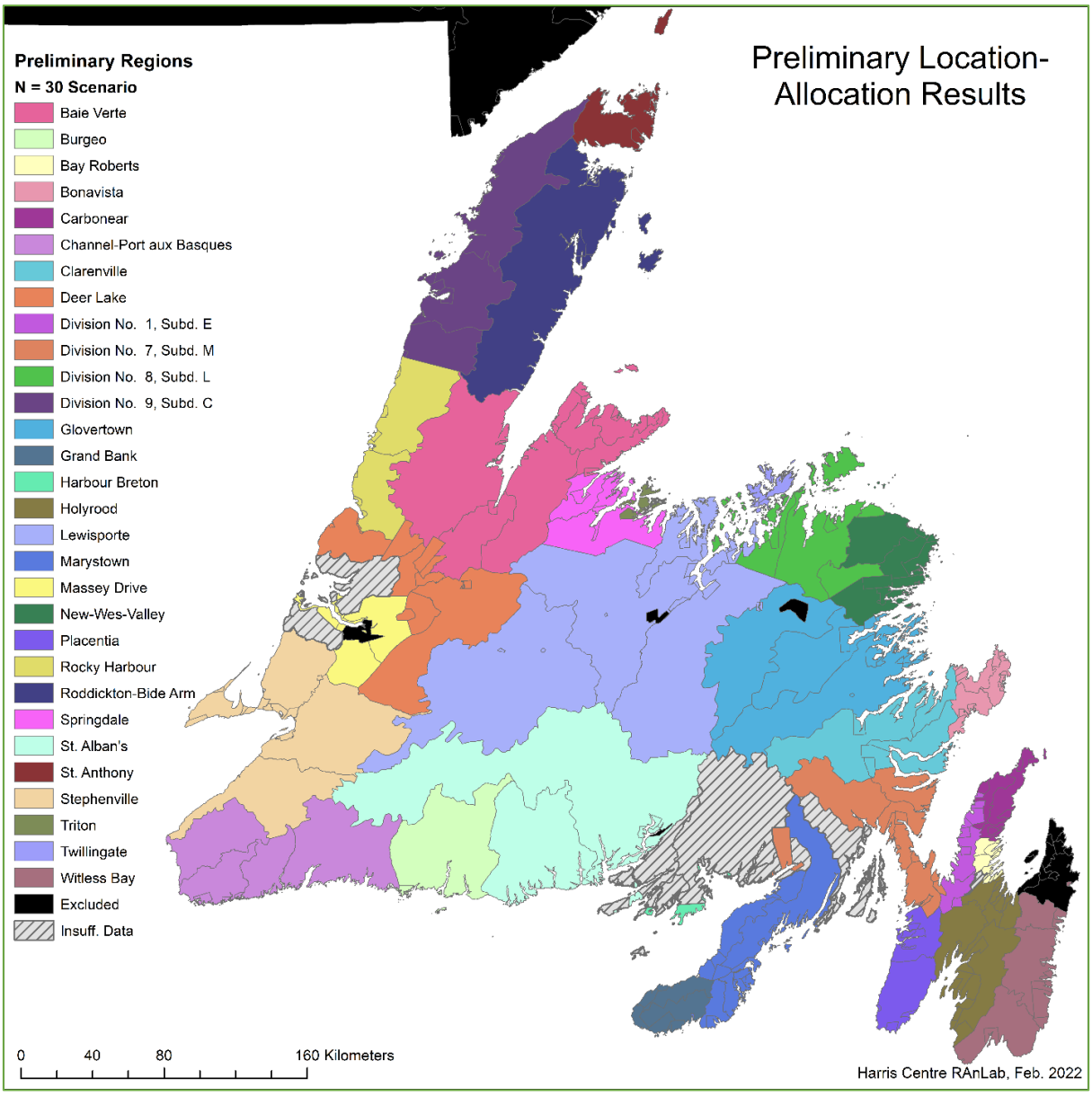
3.1 Sample Regions – 30, 25 and 20 Regional Government Scenario

The Report recommended that no current municipality would be required to disincorporate as a town, and join a regional government. It is unlikely that many municipalities would voluntarily join a regional government. Assuming this to be the case, the number of provincial residents that would come under a regional government structure would be the 46,600 residents in LSDs and UIAs.

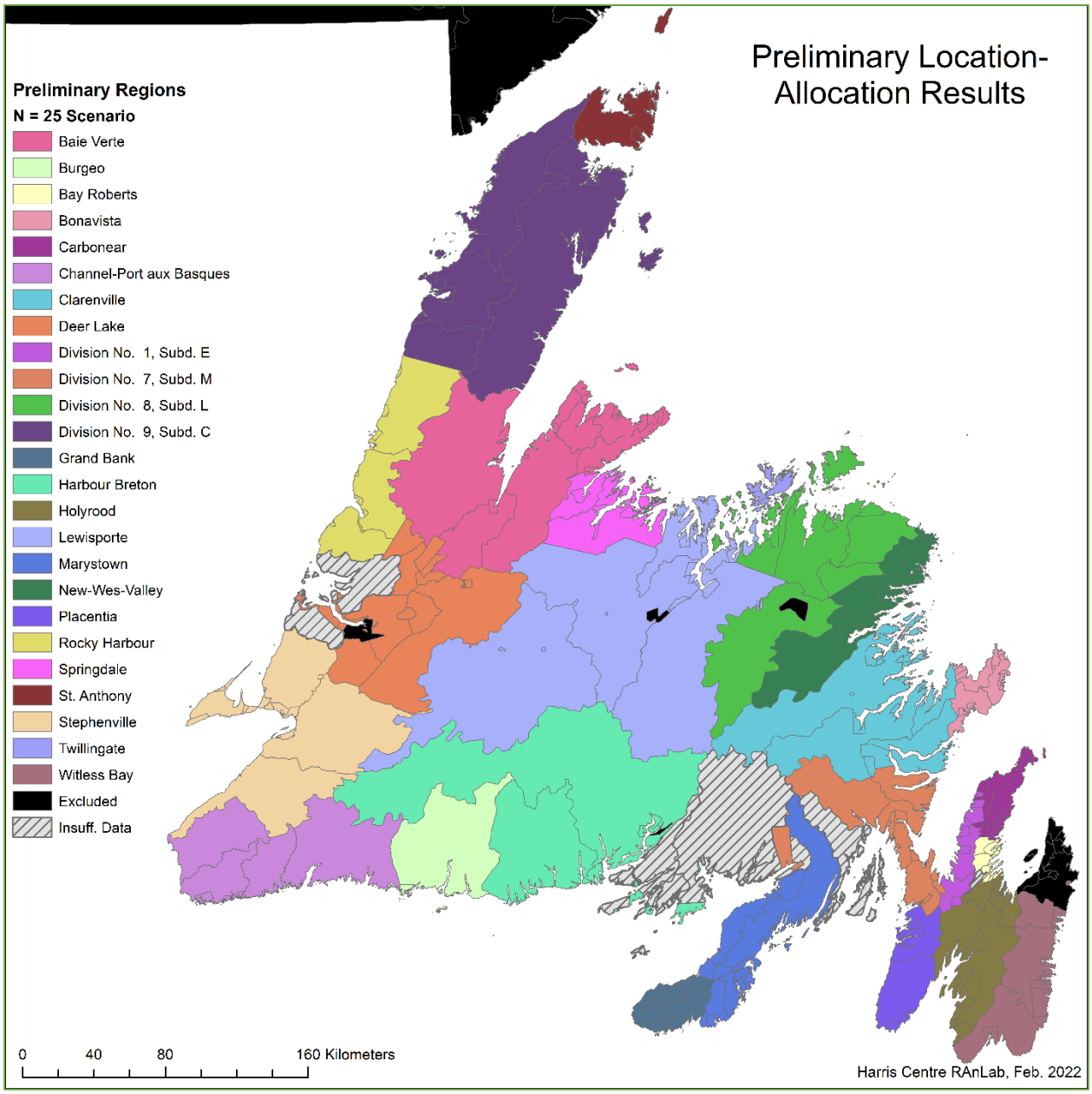
As recommended by the JWG, MAPA engaged RAnLab to prepare preliminary regions for 30, 25 and 20 scenario regions (excluding Labrador) based on census population data and distance. The delineation of true regional boundaries will require the assessment of multiple data sets such as population, distance between communities, service hubs, tax base assessments, and emergency services coverage data. Several other factors will also need to be considered such as boundary alignments, school catchment areas, communities of interest, natural boundaries, service reach, current service/infrastructure cost sharing arrangements, urban and rural realities, and population movement patterns.

The regional maps prepared by RAnLab are shown below. Note, the assigned name for each region merely reflects the community with the largest population in that region.

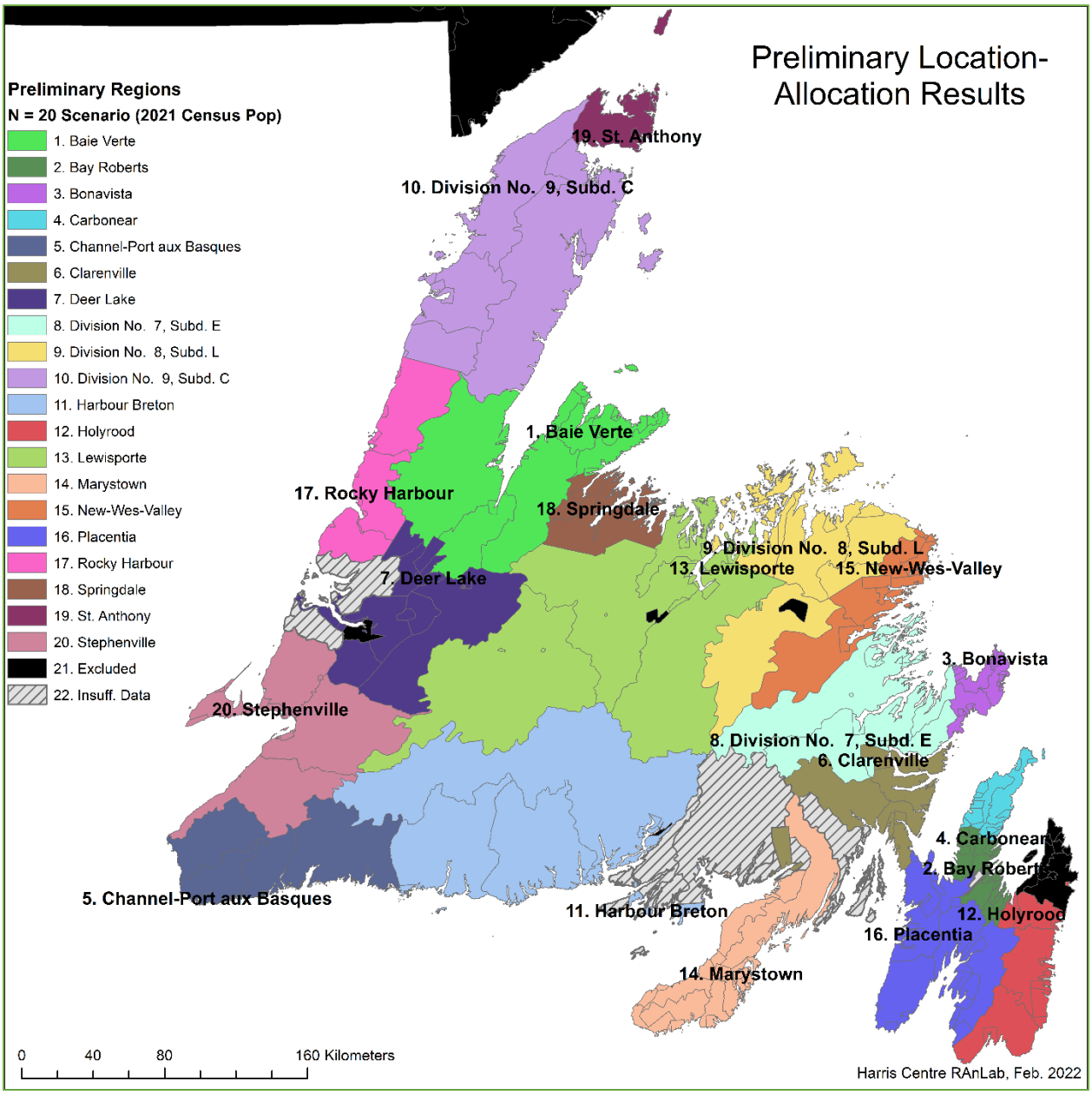
30 Region Structure (Excluding Labrador and other Communities as Identified)



25 Region Structure (Excluding Labrador and other Communities as Identified)



20 Region Structure (Excluding Labrador and other Communities as Identified)



From a delivery of services perspective, the fewer number of regions the more likely it is to be financially viable as they offer the benefits of economy of scale. Therefore MAPA focused on the 20 region scenario in its analysis with the assumption that if the 20 region scenario wasn't viable then the 25 region scenario and the 30 region scenario could not be viable. Based on the 20 region scenario breakdown, MAPA prepared a viability analysis.

20 Region Model Scenario

Region	2021 Census Data Population by Community Type				
	LSDs/ UIAs	Municipalities <500	Municipalities 500-999	Municipalities >1,000	Total
01. Baie Verte	1,263	3,083	820	1,311	6,477
02. Bay Roberts	6,359	946	5,118	15,266	27,689
03. Bonavista	973	909		4,839	6,721
04. Carbonear	2,540	2,229	1,372	6,354	12,495
05. Channel-Port aux Basques	2,191	344	1,099	3,547	7,181
06. Clarenville	4,194	1,667	964	6,704	13,529
07. Deer Lake	1,505	2,099	3,503	12,791	19,898
08. Glovertown	4,816	1,054	1,601	1,948	9,419
09. Fogo / Twillingate	5,505	835	3,046	4,238	13,624
10. Roddickton / Straights	2,397	2,158	2,348		6,903
11. Harbour Breton	377	1,576	1,215	3,842	7,010
12. Holyrood	1,547	2,030	947	5,677	10,201
13. Lewisporte	2,414	1,933	5,315	9,148	18,810
14. Marystown	1,436	3,134	1,671	11,993	18,234
15. New-Wes-Valley	195	429	2,039	4,976	7,639
16. Placentia	2,683	3,305	1,602	3,289	10,879
17. Rocky Harbour	155	1,688	2,047		3,890
18. Springdale	860	1,374	2,271	2,965	7,470
19. St. Anthony	534	440	603	2,180	3,757
20. Stephenville	4,410	847	1,311	11,155	17,723
Grand Total	**46,354**	**32,080**	**38,892**	**112,223**	**229,549**

Excludes:

1) All communities on the Northeast Avalon
2) Cities and Municipalities over 11,000 population
3) Indigenous Communities
4) All Labrador Communities

Using a proposed 20 region model, with LSD and UIA populations ranging from 155 to 6,359, it is clear that the majority of regions would not be viable without the substantial inclusion of municipalities. The 20 region model chart above identifies in yellow at which level each proposed region reached the 4,000 threshold. For example, in column one when only LSD and UIA communities are considered, only four of the potential regions have populations over 4,000. With the inclusion of all municipalities with populations under 500, only an additional 6 regions reach the 4,000 population threshold. Even with the inclusion of all municipalities in the region, two regions (Rocky Harbour and St. Anthony) still do not meet the 4,000 population threshold.

The 20 region chart also illustrates the current population disparity among municipalities. There are 148 municipalities with under 500 residents making up approximately 6% (32,080 residents) of the population with a further 61 with between 500 and 1,000 residents making up approximately 7.5% (38,892) of the population.

While it is understood that under the JWG model, municipalities would contribute to mandatory services being received, most of the mandatory services such as land use planning, economic development and by-law enforcement are only a small portion of the overall operating costs of the region. Most moderate sized municipalities delivering a full suite of services have budgets in the $2M to $4M range. For example, the Town of Bonavista has an operating budget of $2.9M,

the Town of Lewisporte has an operating budget of $2.6M and the Town of Marystown has an operating budget of $3.6M. In order to support a regional government, which would encompass a larger geographical area than a moderate sized municipality, a significant population and assessment base would be required to support a full suite of services.

Below are conservative estimates of the cost to operate a regional structure. Each regional structure would require two cost categories; mandatory service delivery costs to which all communities in the region would be required to contribute, and full service delivery costs which only LSD and UIA residents would contribute. The actual costs would likely be higher in order to deliver a full suite of municipal services for each region. Costs incurred will be higher than the costs incurred for individual municipalities since the service area will cover a larger geographical area.

Regional Structure Cost Estimates *	
Mandatory Costs Category	**Costs**
Emergency Services	$150,000
Land Use Planning	$80,000
Economic Development	$80,000
Municipal/By-Law Enforcement	$80,000
Subtotal	**$390,000**
Service Delivery Cost Category	**Costs**
Administrative **	$300,000
Snow Removal/Road Maintenance	$400,000
Waste Management	$200,000
Water and Sewer	$300,000
Recreation	$100,000
Lighting	$150,000
Animal Control***	$100,000
Subtotal	**$1,550,000**
Grand Total	**$1,940,000**
* Cost estimates are conservative as realistic numbers would need to take into consideration additional data such as number of households per region and the geographical distance in which services will be offered. ** Administrative costs would be shared to some extent *** Animal Control may be included with by-law/municipal enforcement for smaller regions	

4.0 Alternative Local Governance and Service Delivery Models

With the analysis indicating that the regional model presented in the Report will not be a viable solution due to the limited population in LSDs and UIAs, and the cost to all residents in the province to operate the proposed regional councils, MAPA explored other possible local governance models. MAPA concludes there are two key aspects to any regionalization model, the **governance structure** and the **service delivery model**:

- There is currently no governance for UIAs and limited governance in LSDs in Newfoundland and Labrador. **Appendix A** has a comparison of services and controls in all three types of governance structures.

- The current service delivery model in the province has provisions at the local level and/or provision at a regional level depending on where you live. The local level may provide services directly through hired municipal staff or provide the services through contract servicing. Regional services in Newfoundland and Labrador are coordinated through Regional Service

Boards (RSBs), under the authority of the **Regional Service Boards Act, 2012.** There are eight RSBs on the island portion of Newfoundland and Labrador, but only five are actively providing services. Waste management is offered through many of the RSBs, and some RSBs also are already providing fire service fee administration to communities in their region (i.e. Eastern and NorPen). It should be noted that some of the RSBs are not currently active or underutilized.

Municipal government in this province is also operating under a changing demographic backdrop. According to the 2021 Census, Newfoundland and Labrador was the only province in Canada with a declining population from 2016 to 2021. The provincial population declined by 1.8% from 2016 to 2021, which becomes more pronounced at 4% if St. John's, Conception Bay South and Paradise are removed from the data. In the past two years, the overall population of the province has increased, primarily through immigration efforts.

Alternative regionalization strategies were explored in pursuit of finding a feasible and affordable solution to many of the issues faced in the province.

4.1 Regional Governance for all communities with less than 500 residents

Building upon the regional structure model proposed in the Report, MAPA assessed whether the structure would be viable if it included all communities with under 500 residents in the model. A 20 region scenario was used in this analysis, since scenarios with higher numbers of regions (i.e. 25 or 30) proved unviable in the analysis of the model proposed in the Report and a lower number of regions present geographic challenges for the centralized service delivery envisioned in the Report for the regional councils operating under the two-tier model.

There are 148 of the 270 municipalities (55 per cent) in the province that have under 500 residents. By including these municipalities in the governance of the proposed 20 region scenario, the population base for shared services for each region is closer to 4,000 people – meeting this threshold for 11 of the 20 regions. This model would still have 9 of the 20 regions with under 4,000 residents, and there would remain 122 municipalities in the province.

This would still be a two-tiered local governance structure for remaining municipalities, where both regional governments and municipal governments operate within a region, with the expectation of sharing and paying for resources offered by the regional government, or alternatively the municipal government(s). Estimated costs to operate regional councils in each of the regions would likely range from $2M to $4M when compared to similar moderate sized municipalities.

Under this model, the delivery of services would prove to be a significant challenge for the 20 regions due to a continued lack of population density for the households not located in one of the remaining municipalities, coupled with a high degree of population dispersion. In addition, the increased cost imposed by the second governance tier would be financially challenging for residents in the smaller population regions as they would be paying for costs of a regional council administrative structure without the necessary population to support it. Both the costs and inability to provide services at an appropriate economy of scale would lead to an unsustainable governance model.

4.2 Regional Governance for all communities with less than 1,000 residents

In an effort to exhaust all possible scenarios to determine if the Report's proposed regional structure could be altered for the regionalization of communities in Newfoundland and Labrador, further analysis was completed to include communities up to 1,000 residents. In this scenario,

212 municipalities of the 270 municipalities (78.5 per cent) with under 1,000 residents would become part of the regional governance structure while maintaining their community identity.

This model retains the 20 region scenario to mitigate difficulties for the operations of the regional governments given the geographic size of the province. Of the 20 regional governments, all regions, with the exception of St. Anthony and Bonavista area, would be at or near the 4,000 resident threshold. There would also remain 58 autonomous municipalities in addition to the 20 regional governments.

With all local service districts, unincorporated areas and municipalities under 1,000 residents coming under one of the proposed 20 regional councils, this would still include only 23% (approximately 120,000) of the total residents in the province.

Newfoundland and Labrador's geography would pose issues for the 20 region scenario outlined. The dispersed population would impact on service costs and ensuring comparable quality of service would remain a challenge. This reflects the experience of Nova Scotia which engaged in a two-tier local governance process and noted that local service delivery remains a challenge (see Text Box 1 for details of the Nova Scotia process).

In fact, the province's geography is even more challenging than Nova Scotia's. The land mass of the island portion of Newfoundland and Labrador is 111,000 km^2 within most of which there are no people and no services. This is twice the land mass of Nova Scotia at 55,000 km^2, and over 50 per cent larger than NB at 73,000 km^2. In addition, Newfoundland and Labrador has fewer residents than either province with a total population of 510,550 in comparison to Nova Scotia's 969,383 and New Brunswick's 775,610.

Given the Nova Scotia experience, it is likely that having 20 regional councils co-existing with roughly 58 independent municipalities would still prove to be challenging. While it would reduce the number of local governments compared to Newfoundland and Labrador's current structure, operating with 20 (or more) new regional government structures, could lead to confusion. Some municipalities would be left to operate independently within the geographic area of other municipalities that have been folded into a regional structure. It is estimated that only 58 of current municipalities, with populations over 1,000 would remain.

Nova Scotia Local Governance

According to the 2021 Census, Nova Scotia has a population of 969,383 – 1.9 times the population of Newfoundland and Labrador. Nova Scotia's population density is 18.4 per square kilometer, compared to 1.4 for Newfoundland and Labrador of which there is 4.3 for the island portion of the province and 0.1 in Labrador.

Nova Scotia's Structure:

- 26 incorporated towns with populations ranging from 490 to 12,260 (four < 1,000) which exist independently within county boundaries.
- 21 county / district municipalities with populations ranging from 2,230 to 47,405.
- 3 regional municipalities including the Region of Queens (10,305), Regional Municipality of Cape Breton (94,285) and Halifax Regional Municipality (403,130).

Nova Scotia's Service Provision:

- Within the county or district municipalities there are three types of organizations providing services:
  - Village commissions incorporated and operating under the Municipal Government Act for furnishing municipal services.
  - Local commissions incorporated and operating under special Acts of Legislature, for example street lighting or fire protection.
  - Service commissions such as rural fire districts, incorporated under Nova Scotia's **Rural Fire District Act** to provide fire protection. In a few cases, commissions have been created in municipalities, or pursuant to an inter-municipal agreement, to operate municipal services.

4.3 Enhanced Regional Service Delivery

Key services for community sustainability such as controls over land use planning, economic development, emergency measures planning, by-law enforcement and water treatment are not available in hundreds of communities across the province. While the overwhelming sentiment and feedback from small communities and LSDs across the province is that "they are fine as they are", the Census data, lack of compliance with legislative reporting requirements, low municipal election participation, and special assistance funding requests to MAPA demonstrate that communities need change to remain sustainable.

The sustainability of local governments is hinged on their ability to provide the necessary services required by its residents. MAPA has done some initial exploration on whether or not the Regional Service Boards (RSBs) can play a larger role to support the service delivery of local governments that warrants further exploration. New Brunswick's plan for regionalization outlined in the chart on the next page takes a similar approach.

A review of the **Regional Service Board Act, 2012**, and an analysis of the governance model would be required to determine how the RSBs can have a renewed role to improve access to services and service delivery. Under a review, RSB's mandate may be strengthened to continue to provide waste management services in areas where they are currently doing so, and also offer fire services, land use planning, economic development, by law enforcement and other services that may be required in support of the local governments.

RSBs have untapped opportunities to achieve economies of scale, offer more services at lower costs and access specialized expertise which would not otherwise be affordable or accessible to many communities. The perceptions of RSBs vary throughout the province; however, a review would identify the challenges and recommend improvements.

Through utilization of RSBs as service providers there would remain only one governance structure at the local level which could focus on strategic issues for the community. If the decision was made to provide taxation authority to the RSBs then the structure of the boards would have to be revisited, to consider board elections.

New Brunswick Local Governance

According to the 2021 Census, New Brunswick has a population of 775,610 – 1.5 times the population of Newfoundland and Labrador. New Brunswick's population density is 10.9 per square kilometer, compared to 1.4 for Newfoundland and Labrador and 4.3 for the island portion of the province.

The Government of New Brunswick is currently undertaking a local government reform initiative proposing to move to 78 local governments and 12 rural districts to govern communities not within a local government boundary. New Brunswick currently has 340 local entities including 236 LSDs which are more like small municipalities in Newfoundland and Labrador.

The 12 proposed rural districts mirror the 12 regional service commissions (RSC) in New Brunswick. The RSC in New Brunswick are the equivalent of Regional Service Boards in Newfoundland and Labrador. The RSC will offer waste management, land use planning, economic development, regional transportation, regional recreational infrastructure and community development.

4.4 Community Self-Assessments

RAnLab's data suggest some small communities may not survive beyond the current forecast of 30-40 years without some intervention. Implementation of a mandatory self-assessment tool for municipalities and local service districts in the province as recommended by the JWG, will help local government entities come to terms with where they are now in respect of governance, financial management, service delivery etc. Municipal Analysts within the regional offices could facilitate this process to ensure completion and provide a thorough review to ensure accuracy. Failure to submit a self-assessment could result in penalties such as a delay in releasing municipal operating grants or other program funding restrictions such as special assistance and community enhancement.

The Report recommends this approach as a way to identify local governance capacity and evaluate fiscal, administrative and legislative compliance situations. The results of the assessment will help inform government on service gaps that need to be addressed. Similar approaches and tools have been implemented in other jurisdictions such as Alberta, Saskatchewan, Manitoba, Yukon and internationally at the United Nations.

Appendix A

Comparison of Current Authority by Governance Structure

SERVICES		
UIAs	**LSDs**	**Municipalities**
Garbage Collection – ex. Eastern Waste Management @$180/yr.	Water and sewer systems	Water and sewer systems
Fire Protection – ex. agreement with a municipality or LSD	Fire protection	Fire protection
Roads-Transportation and Works	Snow clearing and maintenance	Snow clearing and maintenance
Street lighting – as required	Street lighting	Street lighting
	Garbage collection	Garbage collection
	Animal enforcement	Animal enforcement
	Civic addressing	Broad bylaw enforcement
		Parking lots
		Recreation
		Public transportation systems
		Civic addressing
		Libraries
		Cemeteries

CONTROLS		
UIAs	**LSDs**	**Municipalities**
No Controls	**State of emergency**	**State of emergency**
	Animal control	Land use and planning
		Building control
		Water/Sewage/Storm control
		Signs
		Sales from vehicles/stands
		Places of entertainment
		Heritage areas
		Business improvement areas
		Economic development
		Expropriation
		Broad bylaws
		Permits
		Orders

REVENUE OPTIONS		
UIAs	**LSDs**	**Municipalities**

No authority to establish or collect fees/taxes	Fee for service (ex. Supply of Water, Fire, Lighting)	Property tax: • Residential • Commercial • Vacant Land • Land with small structures
		Poll tax
		Business tax (mandatory)
		Water and sewer tax
		(mandatory, if applicable)
		Utilities tax
		Direct sellers tax
		Local improvements assessment and service levies
		Fee for service

FUNDING SOURCES		
UIAs	**LSDs**	**Municipalities**
None	Municipal Capital Works Program	Municipal Capital Works Program
	Special Assistance	Special Assistance
	Federal/Provincial HST Rebate	Federal/Provincial HST Rebate
		Federal Gas Tax
		Municipal Operating Grant*
		Provincial Gas Tax*
		* To be eligible requires: • Municipal Budget • Financial Statements • Tax Receivable Summary • Tax Recovery Plan

OTHER SUPPORTS		
UIAs	**LSDs**	**Municipalities**
	Civil debt collection	Town Council Enforcement: • Civil debt collection which can include interest and reasonable costs • Service discontinuation • Hiring of a debt collector to include their costs • Seizure of rentals • Tax sales
	Service discontinuation	Appeals: • Orders • Permits • LUP decisions • Councillor vacancies • Elections
		Crown Land: • Free grants for municipal buildings and recreational parks • Crown land reserves
		Municipal Training: • MNL, PMA, MAPA training and funding