



WABUSH



LABRADORCITY

Town of Wabush & Labrador City Feasibility Report - September 18th, 2017

Attached you will find the Executive Summary for the Town of Wabush & Labrador City Feasibility Final Report as submitted by the consultant, Stantec, September 18th, 2017.

Both Councils have accepted receipt of this final report, however no recommendations have been made thus far. From here the communities will begin the review process and public consultations – which will be scheduled for later in October.

The full final report can be found under Reports & Studies on labradorwest.com.

We thank you for your patience and understanding during this process and look forward to the discussions at these public sessions.



Executive Summary

Introduction

The purpose of this report is to assess options for increased cooperation between the Towns of Wabush and Labrador City to provide local government services to their residents. Representatives of both towns have publicly indicated their interest in the potential amalgamation of the two towns. This study considers and assesses the possibility of amalgamation along with alternative forms of regional collaboration that may benefit the communities if amalgamation is determined not to be suitable through consultation and analysis.

Community Profiles

The neighbouring towns of Wabush and Labrador City have similar histories. Both towns were founded in the 1960s to accommodate workers recruited for separate iron ore mines in each community. The communities initially grew rapidly but their populations have fluctuated in recent years as iron ore prices have risen and fallen. In the most recent Census period from 2011 to 2016, Labrador City lost 167 residents but Wabush gained 45. Both communities have been affected by the decline of iron ore prices since 2011. The 2014 closure of the mine in Wabush has impacted the finances of the Town of Wabush with the loss of a grant-in-lieu worth approximately \$2.5 million paid by mine owner Cliffs Natural Resources.

Consultation

In the interest of focused and economical consultation, Stantec concentrated consultation meetings and events within a single week. Over the course of four days from June 5 to 8, 2017, we met with administrators and staff with both Wabush and Labrador City; interviewed and held meetings with key stakeholders, and held three open houses/public meetings open to interested members of the public.

We heard three major themes over the course of our consultations:

- Concern that municipal jobs with the two towns will be lost
- Concern that taxes will increase, particularly for Labrador City residents in the event their town amalgamates with Wabush
- Fear among Wabush residents that facilities now available in their town will be moved to Labrador City.

We also tried to dispel rumors that we were working on behalf of the Province and that the amalgamation proposal was motivated to secure a better funding arrangement to support the construction of a new recreation complex in Labrador City. We noted that the Province is not advocating amalgamation but is encouraging municipalities to cooperate and supports regional approaches.

Governance and Services

Wabush and Labrador City both provide fire and emergency services, transportation services (i.e., roads development and maintenance), environmental health services (water, wastewater, stormwater, and solid waste management), planning and development services, and recreation and culture. The towns collaborate on branding and promotion and have coordinated plan policy development. Labrador City manages the regional landfill for residents of both towns under a shared service agreement.

We have reviewed and discussed eight options that can be applied to address regional coordination ranging from annexation to amalgamation. We concluded that four of these alternatives have the potential to increase cooperation between Labrador City and Wabush: increased use of shared service agreements, a regional service board, regional government, or amalgamation. We feel, however, that a regional board or government will add a layer of bureaucracy not needed to coordinate two municipalities.

Given the controversy that amalgamation has generated in the past, we have included the results of an assessment of major amalgamations in Atlantic Canada completed by Stantec for the City of St. John's in 2011. Our review suggests that despite resistance to many amalgamations undertaken in the 1990s, the resulting municipalities have generally been successful in addressing municipal challenges and meeting their objectives. We found no evidence that amalgamated municipalities increased costs more than their counterpart municipal units that did not change. On the whole, they appear to have performed better.

Feasibility Assessment

We recommend that an amalgamated town formed from Wabush and Labrador City should be called Labrador West. The new town should have a seven-member council with three of the six councillors elected on a ward basis to ensure at least one representative from Wabush.

The elimination of a second council will be a saving for the amalgamated town relative to its separated predecessors. Based on discussion with senior staff with both towns, we do not expect many other substantial cost reductions. Both town managers have committed to endeavor to retain current staff and the Town of Wabush has already reduced staff through attrition to economize its operations in face of the loss of revenue from Cliffs Natural Resources.

We reviewed all municipal budget line items with the managers of both towns and identified those where decreased overheads and other adjustments could reduce costs. Reductions generally ranged between 5 and 15%. Overall, we expect the operating costs of the amalgamated Town of Labrador West to be 2.3% less than the costs for two separate towns. With expected operating cost reductions and adjustments to Fiscal Services expenditures required by expected capital investments, we calculate that taxes in the amalgamated town will be moderately less than in a separate Town of Labrador City and significantly less than in a separate Town of Wabush.

Summary and Recommendation

The choices available to Wabush and Labrador City concerning their future organization are easily set out:

1. The two towns can continue as separate entities without further pursuit of cooperation or coordination.

2. They can continue to increase communication and cooperation through both informal channels and mutually advantageous service agreements.
3. They can amalgamate to bring all assets and operations into a single entity in which priorities will inherently be shared.

The decision to undertake this study suggests that the Towns of Labrador City and Wabush would prefer to advance their interaction and continue to explore service improvements and savings through collaboration. Stakeholders and members of the public consulted by Stantec expressed support for this type of integration.

While two separate towns can continue to pursue collaboration through purpose-oriented shared service agreements, we are concerned with the stability of such arrangements. With just two municipal units in the region, agreements will inevitably involve one seller and one buyer, a situation in which it is often difficult to arrive at a mutual agreement concerning the appropriate cost. We also believe that the creation of multiple agreements will simply be a complicated progression to eventual amalgamation.

Amalgamation now can provide a variety of benefits discussed and explained in this report. Among the critical points we have taken into account are the following:

- The success of amalgamated municipalities in Atlantic Canada over the past 20 years
- The challenging financial circumstances of Wabush created by the closure of Wabush Mines in 2011, which have resulted in staff reductions and deferred maintenance, and may require future tax increases and/or service reductions
- The expressed belief of municipal staff that an amalgamated town will function more efficiently and effectively than two separate towns
- Moderate potential cost savings expected by the town managers through improved coordination of service provision and economies of scale
- The need for more effective coordination of regional services, particularly fire and emergency, and recreation and cultural services
- Continued enhancement of regional promotion and economic development efforts through creation of a single entity
- The pooling of land resources, which are limited in Labrador City and which Wabush has in abundance, to support continued growth in the region
- Moderate and manageable impacts on municipal taxes for residents of both towns.

Based on the foregoing, **it is recommended that the Towns of Wabush and Labrador City amalgamate to become the Town of Labrador West.**