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PROVINCIAL OFFENCES ACT COURTS
UPDATE ON AMENDMENT TO INTERMUNICIPAL AGREEMENT

The Finance and Administration Committee recommends the adoption of the recommendation contained in the following report dated September 7, 2010, from the Chief Administrative Officer.

1. RECOMMENDATION

It is recommended that Council receive this report for information.

2. PURPOSE

The purpose of this report is to update Council on the status of discussions and negotiations to amend the Intermunicipal Agreement between the Region and all local municipalities in York Region, in accordance with Council's direction to staff of December 16, 2009.

3. BACKGROUND

The Provincial Offences Act (POA) Program operated on tax levy subsidy

When the program was downloaded by the Province in 1999, local revenue sharing arrangements were drawn up which allowed for the distribution of fine revenue before the running costs of the program had been met. The formula resulted in an operating deficit which had to be subsidized from tax levy.

Local municipal councils were invited to provide input by December 3, 2009

On November 5, 2009, Finance and Administration Committee received a report from the CAO dated November 2, 2009. The report was reviewed by Regional Council on November 19, 2009 and it was directed that local municipalities be invited to provide input prior to the Finance and Administration Committee of December 3, 2009. At the Regional Council meeting of December 16, 2009, Council directed that staff be authorized to negotiate the terms of a revised Intermunicipal Agreement with the local municipalities, and that the 2010 Operating Budget include additional funding of $1.4 million to meet the increased revenue sharing commitments.

The Region and all nine local municipal councils have agreed to revise the Intermunicipal Agreement

Each local Council has now reviewed and endorsed Regional Council's proposal to amend the Intermunicipal Agreement. The respective Council dates are as follows:

Aurora	March 30, 2010
East Gwillimbury	July 12, 2010
Georgina	January 18, 2010
King	May 31, 2010
Markham	December 1, 2009
Newmarket	March 29, 2010
Richmond Hill	May 3, 2010
Vaughan	July 13, 2010
Whitchurch-Stouffville	April 20, 2010
York Region	December 16, 2009

The revised document is in the process of being executed

A final draft of the revised agreement has been circulated to all municipalities and is pending execution.

4. ANALYSIS AND OPTIONS

The new governance model benefits taxpayers on two levels

The goal in negotiating a solution is to ensure there is proper management of the program in accordance with the agreements signed with the Province. In addition, there are appropriate benefits to the 10 partners within the Region by amending the agreement. The amended agreement provides a business model to manage the program and reduces the tax levy pressure for Regional taxpayers while placing accountability with the Region to manage day-to-day. The terms of the agreement also ensures local municipalities will not be financially disadvantaged. A tax smoothing arrangement has been worked out which replaces shared revenue that left the POA program in a perpetual deficit.

5. FINANCIAL IMPLICATIONS

The transfer results in a redistribution of existing tax levies which is neutral to the taxpayer

Under the new agreement the Region will remain fully responsible for all costs of the program and will, after 2010, retain any net revenue after costs are covered. The revenue directly related to prosecuting local municipal charges will continue to be transferred to the applicable local municipality

In order to replace the lost revenue source for local municipalities an arrangement has been developed to adjust tax rates between the two tiers in 2011.

In effect, the two municipal levels will exchange tax room by restating the 2010 tax rates to reflect a lower tax rate for the Region and a higher rate for the local municipalities. This will result in higher tax revenues for the local municipalities to offset the loss of revenue from POA payments.

The following chart provides an example of the change using Town of Markham 2010 tax rates.

	Existing Tax Rates	**Adjusted Tax Rates**
Region	0.477021%	0.474273%
Town	0.245313%	0.248061%
School	0.241000%	0.241000%
Total	0.963334%	0.963334%

As illustrated in the chart the overall tax rates remain the same but the Town retains a larger share. For a “typical” residential property assessed at $422,000, the implication is that about $12 moves from the Regional to the local side of the property tax billing.

The Region will restate its 2010 tax levy as part of the 2011 budget process to ensure that the transfer is transparent.

6. LOCAL MUNICIPAL IMPACT

The arrangement that has been negotiated is favourable to local municipalities to adjust tax sharing by the Region replacing the current arrangement whereby fine revenue was capped.

7. CONCLUSION

The agreement that has been negotiated allows the Region to manage the Provincial Courts program in accordance with agreements with the Province and to retain all revenue other than By-law Revenue, Victim Fine Surcharges and certain “dedicated fines” that are payable to other agencies. This arrangement eliminates dependency on tax levy for operating costs for the POA program. In exchange local municipalities are able to continue to retain by-law revenue and will receive the benefit of a tax smoothing scheme that offsets any potential loss in other fine revenues which would previously have been shared with them.

For more information on this report, please contact Bruce Macgregor, Chief Administrative Officer at Ext. 1200.

The Senior Management Group has reviewed this report.