

**PROVINCIAL OFFENCES ACT COURTS AMENDED INTERMUNICIPAL AGREEMENT**

**Recommendation**

The Commissioner of Finance/City Treasurer in consultation with the Commissioner of Legal and Administrative Services, recommends:

That Council approve the execution of an amended York Region Courts Intermunicipal Agreement, reflecting the approach set out in the Region's report "Provincial Offences Act Courts Amended Intermunicipal Agreement" approved by Regional Council on November 19, 2009.

**Contribution to Sustainability**

N/A

**Economic Impact**

Approval of the amended York Region Courts Intermunicipal Agreement will result in an increase in the amount of Provincial Offences Act (POA) revenue that will be distributed from the Region of York to local York municipalities for the 2010 fiscal year. The City of Vaughan will receive \$1,393,268 in 2010, compared to \$940,401 in 2009. As noted in the December 7, 2009 report "Harmonized Sales Tax and Provincial Offences Act Update" to City of Vaughan Budget Committee, the additional 2010 POA revenue appeared to offset potential impacts to the City's budget from the new Harmonized Sales Tax coming into affect July 1, 2010.

In 2011, under the terms of the amended York Region Courts Intermunicipal Agreement, the Region of York would reduce its' base tax rate. The local York municipalities would increase their base tax rate by a similar amount. This methodology, know as exchanging tax room between the two municipal levels, is designed to have a neutral impact to the taxpayer. To offset the Region's loss of tax revenue, the POA revenue would be retained at the Regional level. The local York municipalities would continue to receive fine revenue directly related to prosecuting local municipal charges.

**Communications Plan**

The Region of York's November 19, 2009 report recommends that Regional staff prepare a clear communication plan to outline the "zero net" tax levy implications in 2011, in consultation with the local York Region municipalities.

**Purpose**

To receive Council's concurrence to approve and implement an amended "York Region Courts Intermunicipal Agreement" with the intention of resolving the challenges operating under the current agreement.

**Background - Analysis and Options**

On December 14, 2009 City staff provided Council with an update on the status of an amended Intermunicipal Provincial Offences Act Agreement between the Region of York and the nine (9) area municipalities in York Region.

Further to the December 14, 2009 report, Council's concurrence to the following Region of York resolution is required.

The recommendations set out in the November 19, 2009 report to Region of York Council are as follows:

*It is recommended that:*

1. *Subject to receiving the concurrence of all local municipal Councils, Regional Council authorize the Chair and Clerk to execute a new "York Region Courts Intermunicipal Agreement" reflecting the changes set out in this report.*
2. *Upon the execution of the new Intermunicipal Agreement, funding distributed to the local municipalities be increased from \$2.9M to \$4.3M in 2010 conditionally upon:*
  - a) *The Region retaining all revenues except those specifically resulting from local municipal prosecutions, and*
  - b) *The increased amount (\$4.3M) being transferred from the Regional to local portion of the property tax bill starting in 2011.*
3. *Regional staff prepare and implement a communication plan outlining the property tax implications for 2011 in consultation with all the local municipalities.*

#### Background to Intermunicipal Agreement

The Province of Ontario transferred responsibility for POA Courts to the Region of York in 1999 through a Transfer Agreement. The Transfer Agreement includes a Memorandum of Understanding between the Region and the Ministry of the Attorney General, and an Intermunicipal Agreement between the Region of York and the Local York municipalities. The 1999 Intermunicipal Agreement covers a number of items, including the methodology for revenue distribution, reporting requirements, prosecuting obligations, budgeting and staff, and dispute resolution. The agreement also established a Joint Board of Management comprised of Council-appointed staff from each municipality.

Over the last 10 years, the POA Court services in York Region have grown substantially and challenges with the original Intermunicipal Agreement became apparent, particularly relating to governance and revenue sharing. In 2005, the Region of York engaged a consultant to review the efficiency of the POA court operation in York Region and to make recommendations for future management of the program. Key recommendations resulting from the review relate to governance and revenue sharing.

#### Governance

The wording in the 1999 Intermunicipal Agreement could be construed to suggest that the staff members sitting on the Joint Board of Management were given authority with respect to approval of the annual budget. The consultants recommend that the Intermunicipal Agreement be amended to replace the Joint Board with a Stakeholder Group (with no budget approval powers) with operating responsibility vested in the Region.

#### Revenue Distribution

To align with the amended governance model, accountability for gross revenues and expenses should be reflected in the Region of York budget and year end results, rather than the unclear financial result created with transfers of a portion of the gross revenues to the local York municipalities, who do not share responsibility for the expense aspect of the program. Recommendation 2(b) in the November 19<sup>th</sup> report to Region of York Council would achieve this outcome through an exchange of tax room between the Region of York and the local York municipalities.

This amendment to the Intermunicipal Agreement would have the affect of increasing the Region of York's net revenues by \$4.3M and reducing local municipal revenues by the same amount (\$4.3M). The impact to the taxpayer of transferring the POA revenues back to the Region is

neutral, as the associated tax rate decrease at the Regional level is offset by adjusting the tax rate at the local municipal level (a methodology known as exchanging tax room).

Previous application of tax room methodology in York Region occurred for the transfer of transit costs from the York local municipal level to York Region in 2001, and the transfer of garbage disposal costs from the York local municipal level to York Region in 2003. In both of these cases, the local municipal levels gained the tax room (reduced costs theoretically reducing the tax rate) and York Region lost the tax room (increased costs theoretically increasing the tax rate).

### **Relationship to Vaughan Vision 2020/Strategic Plan**

This report is consistent with the priorities previously set by Council and the necessary resources have been allocated and approved.

### **Regional Implications**

The Region of York, starting in 2011, will retain revenues relating to the Provincial Offences Act Courts at the Regional level, to offset the Region's operating costs.

### **Conclusion**

The approval and implementation of the amended "York Region Courts Intermunicipal Agreement" will result in a more accountable and sustainable governance model.

### **Attachments**

None

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Respectfully submitted,

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