



March 8, 2006

Ms. Susan Gimse
Second Vice President
Chair, Police Financing Task Force and
Mr. Marvin Hunt
President
Union of British Columbia Municipalities
60 – 10551 Shellbridge Way
Richmond BC V6X 2W9

Dear Ms. Gimse and Mr. Hunt:

I am writing to respond to your letter dated February 24, 2005, regarding the new police financing model.

As you know, the province is moving forward with plans to implement the new model in municipalities under 5,000 population and rural areas by 2007. Enclosed please find a backgrounder on the new model, which answers many of the questions and concerns raised in your letter. I would request that you please distribute the attachment to your members.

The Ministry is also preparing an in-depth report on the financial impact of the new model on individual municipalities and rural areas. The Ministry plans to make this report available later this month.

Thank you for writing.

Yours truly,

A handwritten signature in black ink, appearing to read "John Les", written over a light grey background.

John Les
Solicitor General

Enclosure

pc: Curt Albertson

POLICE FINANCING IN BRITISH COLUMBIA

A New Police Financing Model in Small Communities

INTRODUCTION

The Province plans to introduce legislation in Spring 2006 to implement a new police financing model in municipalities under 5,000 population and rural areas by 2007.

The new police financing model will reduce the inequity in the amount that property taxpayers across the Province contribute to policing costs. Property taxpayers in municipalities over 5,000 population pay 70-100% of their policing costs, while those in municipalities under 5,000 population pay nothing. Rural property owners pay a rural property tax, but the amount raised from this tax does not make a significant contribution to policing.

Under the new model, the Province will recover 50% of its cost for providing local police services to municipalities under 5,000 population and rural areas. Using recent estimates, this means that the Province will recover approximately \$30 million of the total provincial cost of \$60 million for providing local police services to these communities.

KEY FEATURES OF THE NEW POLICE FINANCING MODEL

The new model is an updated and simplified version of the model outlined in the September 2003 paper entitled: *Police Financing in British Columbia...a new approach – Response to Regional Consultations*.

Under the new model, 50% of the Province's cost of providing local police services to small communities will be apportioned to each community using a formula that combines property assessment values and population. The inclusion of population in the apportionment formula means that regional differences in residential property values will be moderated somewhat, resulting in a more uniform effect throughout the Province. The apportionment formula also reflects ability to pay, and areas with strong tax bases will generally pay more on a home of average value than areas with weaker ones. It is estimated that ninety-two percent of communities will pay less than \$75 per year on an average value single family dwelling under the new model.

The method of requisitioning and collecting the amounts apportioned to each community will be aligned with the school tax. The Surveyor of Taxes will requisition municipalities under 5,000 population and rural property taxpayers directly. Regional districts will have no involvement at the requisitioning and collection stage.

A regional district, however, will be able to request a change in the apportionment and tax rates to be applied in municipalities under 5,000 population and rural areas within the regional district's boundaries. Providing this flexibility will allow regionalization of police financing, which may result in greater efficiencies on a regional level and be a step towards greater regionalizing of police services.

The financial impact of the new model on taxpayers in small communities will be mitigated in three ways:

- the expansion of the Ministry of Community Services small community and regional district grant programs, which will provide twice as much funding by 2009;
- the extension of the traffic fine revenue sharing program to these communities; and
- the recently announced increases to the home owner grant program.

A number of commitments were made in 2003 in response to regional consultations. An update of these commitments under the new model is set out in Appendix "A". Generally, these commitments have been met or exceeded under the new model.

NEXT STEPS

The Province plans to introduce the required amendments to the *Police Act* in the Spring 2006 legislative session.

The Ministry is preparing an in-depth report on the financial impact of the new model on individual municipalities and rural areas for release to the UBCM and its members later this month. The Ministry will also make this report available on its website.

Police Services Division
March 2006

APPENDIX "A"

The commitments below were set out in the September 2003 paper entitled: *Police Financing in British Columbia...a new approach – Response to Regional Consultations*. The following is an update of these commitments:

2003 Commitment: *Fifty per cent recovery in legislation: It is proposed that the 50% province-wide recovery level be included in legislation.*

2006 Update: The 50% recovery level will be included in the legislation.

2003 Commitment: *Traffic fine sharing will be extended: For 2004, municipalities under 5,000 and unincorporated areas will benefit from traffic fine revenues at the same level as current beneficiaries, i.e., municipalities over 5,000 population. In 2003, the larger municipalities shared \$10 million of traffic fine revenue in proportion to their local police costs. In 2004, this amount will increase to ensure that the program can be extended without reducing the amount available to larger jurisdictions.*

2006 Update: Since this statement was made, the Province has exceeded its commitment to return 75% of traffic fine revenues and changed its approach to the partial recovery of local police costs in small municipalities and rural areas. Communities that pay the police tax will be given credit within the traffic fine revenue sharing grant program for the contribution of police tax paid within their boundaries towards total local government police costs in the year the tax is paid. The details of how the funds will be returned to communities will be worked out in the coming months but will be consistent with the existing program for municipalities that are directly responsible for policing.

2003 Commitment: *The "New Era" commitment on traffic fine sharing: The government is committed to returning 75% of all traffic fine revenue to local governments to improve community policing and crime prevention.*

2006 Update: Since 2004 the Province has exceeded its commitment and returned 100% of net traffic fine revenues to local governments in proportion to their spending on policing.

2003 Commitment: *Police costs based on previous years' data: Estimates of local police costs for each jurisdiction and the total amount to be recovered province wide will be based on RCMP cost information that is based on previous years' data... This means that jurisdictions will receive a two year break on increases due to inflation.*

2006 Update: Jurisdictions will continue to receive a two-year break on inflation under the new model. For example, recoveries for the 2007 year will be based on 2005 costs.

2003 Commitment: *2004 costs based on data from 2001: As a transitional measure, invoice amounts for 2004 will be based on 2001 cost information, providing a full three years' saving in inflation in the scheme's inaugural year.*

2006 Update: This transitional measure will not apply to the new police financing model, as 2005 cost information will be available for the 2007 taxation year.

2003 Commitment: *Cost for additional non-taxable lands removed: Costs to police non-taxable lands such as Indian Reserves and parks were identified and deducted from the cost amounts shown in the June 2003 discussion paper.*

2006 Update: Costs to police Indian Reserves and major parks will be deducted under the new police financing model.

2003 Commitment: *Most recent assessment information will be used: While police cost information will be based on previous years, each jurisdiction's share of the cost recovery will be determined using the most up-to-date property assessment information available.*

2006 Update: The new police financing model will use the most recent assessment information available.

2003 Commitment: *No Surveyor of Taxes commission: The Surveyor of Taxes, which acts as the tax collector for regional districts in unincorporated areas, normally charges a commission for its services. The Surveyor of Taxes commission will not apply to the collection of taxes for police services.*

2006 Update: The Surveyor of Taxes commission will not apply to the collection of police taxes.

2003 Commitment: *Cash flow to be streamlined: In response to concerns that the process could be made more efficient, payments will now be made directly to the provincial government, rather than back through the regional districts.*

2006 Update: Under the new police financing model, the requisitioning and collection of funds will be aligned with the school tax approach, and the Surveyor of Taxes will requisition municipalities under 5,000 population and rural property taxpayers directly.

2003 Commitment: *Municipalities will have a choice if tax cannot be collected: Sometimes taxpayers default on their property taxes. To ensure that*

municipalities do not bear the risk for uncollected police tax amounts, the new approach will give municipalities a choice in how they handle these situations.

2006 Update: The collection of police taxes will be aligned with the school tax. Like the school tax, municipalities will pay police taxes in prescribed installments. At the end of the year, municipalities, will have a choice: (1) pay all outstanding police taxes, whether or not they have been collected, and keep any penalties and interest paid on late taxes that it is able to collect in the future; or (2) remit what it has been able to collect, or expects to collect, and pay the penalties and interest that it collects on late taxes, with the tax amounts, to the Province.

2003 Commitment: *Tax notices will be clear: The Surveyor of Taxes will create a new line on property tax notices that go to rural property owners to clearly identify the police tax as a separate tax. The province will encourage municipalities to use the same approach and wording on the tax notices that they send to their property owners.*

2006 Update: Tax notices sent by the Surveyor of Taxes or the municipality, as the case may be, will separately identify the amount of police taxes imposed on each property.

2003 Commitment: *Start up credit to change tax notices: Municipalities will receive a \$1,000 credit to pay for programming and systems changes needed to include the new line item on their tax notices.*

2006 Update: There is no change to this commitment.

2003 Commitment: *Consultation with RCMP this fall: Municipalities and electoral areas affected by the new financing approach want the opportunity to provide input regarding the police services they receive.*

2006 Update: The Ministry of Public Safety and Solicitor General will meet with the UBCM and the RCMP to discuss and develop best practices and processes that will standardize and improve communication between local government representatives and the RCMP.

2003 Commitment: *UBCM / Provincial consultation agreement: Work will commence on creating a consultation agreement on the management of the new police financing approach into the future.*

2006 Update: The Ministry of Public Safety and Solicitor General is committed to consulting with the UBCM on every aspect of this new initiative.