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Association des municipalités de banlieue
Association of Suburban Municipalities

COMMUNIQUÉ

Suburban cities strike new agreement with Montreal for funding Agglomeration costs

Baie D'Urfé, June 14 2017. At the upcoming June 15 Agglomeration of Montreal Council meeting, a by-law will be introduced that will set in place a series of actions to implement a new, simpler and ultimately fairer method to determine the amounts that Montreal and the 15 suburban cities will have to contribute each year to pay for services rendered by the Agglomeration.

As stated by Mrs. Maria Tutino, Mayor of Baie D'Urfé and chairman of the Association of Suburban Municipalities (ASM), *“The tabling of this by-law represents the successful outcome of some 6 months of discussions between the ASM mayors and Mayor Denis Coderre and senior Montreal managers. We all agreed from the outset that there was a serious problem with the existing, and very complicated, process of determining each city’s annual ‘quote-part’ payments to the Agglo. Our collaboration and commitment to find solutions has resulted in developing with Montreal mutually acceptable strategies to address the problem in both the short and long term”.*

It is important to note that the implementation of these strategies has been approved by the Minister of Municipal Affairs and Land Occupancy with the May 31, 2017 issuance of a Ministerial Order entitled *‘Règles permettant d’établir le potentiel fiscal des municipalités liées de l’agglomération de Montréal aux fins de la répartition des dépenses d’agglomération- Remplacement’.*

The current Agglomeration ‘quotes-parts’ assessment system was first introduced in 2008 as one of the many issues negotiated by the ASM, Montreal and the Ministry of Municipal Affairs that were ultimately included in Bill 22 (*An Act to amend various legislative provisions concerning Montreal*). Under this new system, the annual amount that each of the sixteen island cities would have to pay to the Agglomeration would be determined based on the theoretical ‘fiscal potential’ of its taxable properties¹. In addition to the ‘fiscal potential’ calculations, the legislation also required that a ‘correction coefficient’ be used to keep the ‘relative percentage’ of each island city’s quote-part the same (or as close as possible) to the same percentage that was

¹ As a point of reference, the total Agglomeration budget in 2017 is 2,250 M\$; Montreal’s quote-part is 1,846 M\$ (81.9% of the total budget) with the 15 suburban cities contributing 404M\$ (the combined total of their respective individual quotes-part which represents 18.1% of the total Agglomeration budget).

assessed back in 2008 when the quotes-part system was first implemented (in total, 81% for Montreal, 19% collectively for the suburban cities).

Regrettably, the application of these 'correction coefficients' since 2008 (as required by provincial legislation) has resulted in significant distortions being made to virtually every island city's true fiscal potential numbers, as became evident with a serious problem that the Town of Saint-Anne-de-Bellevue was faced with as a result of the transfer of the Sainte-Anne's Hospital from federal to provincial jurisdiction (that went into effect as of April 1, 2016). The transfer not only penalized the Town with a significant reduction in property taxes, it also resulted in a \$716,000 increase in its 2017 Agglomeration quote-part, which made no sense at all.

When the ASM mayors were apprised of the 'quote-part' situation in the Town of Saint-Anne-de-Bellevue, they were concerned on two fronts; what was the root cause of the quote-part problem in Sainte-Anne-de-Bellevue and what was the risk of this happening in any (or all) of the other suburban cities in future years. An internal working group of senior management personnel (from 6 suburban cities) was created to work with Montreal's Service des finance to analyze the 'quotes-part' calculations and correction coefficients from 2009 to 2017. By February 2017, the working group concluded that the application of the 'correction coefficients' over the past eight years created a progressive (but unintentional) distortion of the fiscal potential and related quotes-part percentages. As a result, both Montreal and the suburban cities were assessed quotes-part that were theoretically over or understated (which accumulated with each passing year). Clearly, this situation had to be corrected.

As such, both the ASM and Montreal have agreed to implement a 'temporary solution', to be phased in over the next three years (starting in 2017) which will effectively negate the detrimental effects of all prior correction coefficients. As for the monetary aspects of the agreement, all 16 Agglo cities will see adjustments to their respective 2017 quotes-parts, both positive and negative (the net effect being a 6.6 M\$ reduction (1.6%) in the original 404 M\$ quotes-parts amount assessed to the suburban cities). An additional 6.6 M\$ reduction will also be realized in 2018 and 2019.

It is very important to note that from 2009 to 2017, the calculations of the annual quotes-parts were carried out in compliance with the formula (and related conditions) as established by the Ministry of Municipal Affairs back in 2008. As such, no retroactive adjustments to prior year's quotes-parts are warranted.

As for a permanent solution, the ASM mayors and working group will continue to collaborate with Montreal to further refine the temporary solution with the objective of having a permanent one in place for the 2020 Agglomeration budget. Our primary objective in this regard is really quite simple; develop a solution that will be acceptable to all cities concerned, easy to understand and apply, and will prevent the types of problems like the one experienced by Sainte-Anne-de-Bellevue.

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