

# Cobourg Police Service Board

107 King Street West

Cobourg, Ontario K9A 2M4 Tel: (905) 372-1971 Fax: (905) 372-1729



May 1, 2018

Council-Corporation of the Town of Cobourg  
55 King Street West  
Cobourg, Ontario  
K9A 2M2

Dear Council:

Re: Memorandum of Understanding-Business Services Unit-Non-Taxation Proceeds

Please find attached a Memorandum of Understanding (MOU) as approved by the Cobourg Police Services Board during its session of April 26, 2018.

The purpose of this document is to affirm mutual understanding between the Board and the Corporation of the Town of Cobourg concerning the Board's uses and approaches for future non-taxation proceeds that may be achieved by the Cobourg Police Services Board -Business Services Unit (BSU).

The MOU is intended to outline the key strategic considerations and decision frameworks that will guide use of the funds for the period 2018 through 2023. The agreement recognizes:

- The primary source of extraordinary non-taxation Business Services proceeds to be at *ongoing, acute risk* associated with potential change in Federal and/or Provincial legislation as well as and, in particular, the dynamics of operating within a highly competitive marketplace that in itself is subject to significant uncertainty from emerging and potentially transformative technologies that could lead to unprecedented market disruption.
- The importance of minimizing annual fluctuations in property tax rates arising from the annual operation of policing programs and services-reasonable moderation is targeted.
- The current opportunity to continue to develop the Business Services unit as a pathway to further non-taxation proceeds resulting in overall incremental community benefit.

# Cobourg Police Service Board

107 King Street West

Cobourg, Ontario K9A 2M4 Tel: (905) 372-1971 Fax: (905) 372-1729

The risk of continuity of extraordinary proceeds coupled with the preference to insulate the community from acute fluctuations in the municipal tax base results in both streams of funding (taxation and non-taxation) remaining synchronized, though independent, for their distinct purposes.

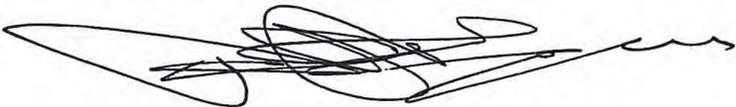
Concurrently, the Board's approach and use of funds will be guided by disciplined fiscal management processes that:

- Manage the BSU independently with full absorption of ongoing direct costs and provision for possible future dissolution expenses.
- Establish an overall emergency reserve intended to cover unforeseen and unusual expenses as they arise in the case of unpredictable emergency.
- Establish a reserve to fuel future Business Services investments inclusive of:
  - Contemporized/next generation capital equipment intended to increase policing efficiencies.
  - Emerging technologies inclusive of hardware and software and associated analytics, incremental operating and adoption costs (e.g. training on new technologies).
  - Pilot projects and/or partnerships that may lead to targeted impacts and community benefits within defined and measured project parameters.
  - Those that may poise the unit for further business management and expansion through broadened market penetration-inclusive of strategic planning, market research, new product and resource development.

In summary, the intent is to continue to carefully grow the Business Services Unit with the goal of maximizing both its potential and resulting community benefit. However, in recognition of the inherent market risk, annual municipal tax rolls will be insulated from business fluctuations by the unit and its proceeds, remaining independent from core policing operations and funding.

On behalf of the Board and staff of the Cobourg Police Service I thank you in advance for your attention on this matter. The Board looks forward to clarifying these directions in an upcoming session of Council.

Best regards



Mr. Dean Pepper  
Vice-Chairman-Cobourg Police Services Board  
c.c. Cobourg-Police Services Board  
Cobourg-Chief of Police, Kai Liu  
Cobourg-Chief Administrative Officer-Stephen Peacock



## **Memorandum of Understanding**

### **BETWEEN:**

#### **Cobourg Police Services Board**

(hereinafter referred to as "the Board")

-and-

#### **The Corporation of the Town of Cobourg**

(hereinafter referred to as "the Town")

### **PURPOSE**

The purpose of this document is to affirm mutual understanding between the parties concerning the Board's uses and approaches for future non-taxation proceeds that may be achieved by the Cobourg Police Services -Business Services Unit.

### **PREAMBLE**

The parties agree that pursuant to the Safer Ontario Act (2018), the Board's primary responsibility remains in contributing to community safety and well-being by delivering superior policing services in the most efficient and cost effective manner possible.

Further, the Board expects to remain an active, collaborative partner in safety planning as led by the Town and will align its strategic plans with the Town's broader community safety and well-being plan. Overall, the Board expects to continue to work proactively with multiple

community partners to implement preventative programs, interventions and strategies to address identified risks before police response and enforcements are necessary.

The parties recognize that property taxation is the principle source of operating funds intended to cover expenditures, staffing and service levels while concurrently contributing to replacement of capital assets as may be required in delivering core policing services.

Both parties respect the importance of minimizing annual fluctuations in property tax rates arising from the operation of policing programs and services. Prudent financial management of annual budgets and reserves coupled with multi-year forecasting, both operational and capital, is conducive to stabilizing impacts on property taxation.

The parties recognize the Board, through its independent effort, has developed a parallel business unit (Business Services) that applies successful commercial strategies in a highly competitive marketplace to contribute cogent non-taxation proceeds to the organization. These proceeds are considered an extraordinary asset that to date, and at the Board's discretion, served to leverage core funds as provided by the Town.

Funds have, in part, been utilized to address unfunded municipal liabilities associated with policing services (e.g. decentralizing communications and associated exit expenses). Funds have also been deployed against acquisition of capital assets that could reasonably be determined as incrementally contemporizing and enhancing core policing services. In addition, non-taxation proceeds have fueled investments in the parallel Business Services Unit leading to further growth in market penetration, associated revenue and broader social impact of increased local employment.

Importantly, the parties recognize the primary source of extraordinary non-taxation Business Services proceeds to be at ongoing, acute risk associated with potential change in Federal and/or Provincial legislation as well as and, in particular, the dynamics of operating within a highly competitive marketplace that in itself is subject to significant uncertainty from emerging and potentially transformative technologies that could lead to unprecedented market disruption.

These uncertainties coupled with the mutual preference to minimize disruptive fluctuations in property tax rates associated with core policing expenditures result in the understanding that non-taxation proceeds will remain within the purview of the Board, to continue be deployed at its discretion in enhancing community well-being. For greater certainty, proceeds will not be used to displace or otherwise underwrite annual municipal funding of core policing operations.

#### **APPROACH AND USE OF NON-TAXATION PROCEEDS**

The parties are desirous to empowering the Board, and by extension the Town, for financial acuity and further investments that may lead to expansion of superior policing services and business growth while poising for enhanced effectiveness and efficiency in delivering a safe community.

These investments may, from time to time, lead to secondary economic spin-off (e.g. job growth) though their primary purpose remains focused on development of optimal, nimble and next generation policing services. In that, the funds will leverage core operational municipal investment as legislated and long-term municipal fiscal processes inclusive of capital planning and development charges reserves.

The Board's primary scope and approach toward management of non-taxation proceeds and resulting investments will include:

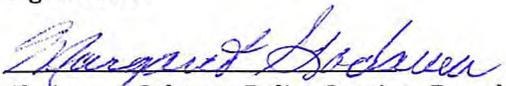
- Full absorption of all direct costs of operating the Business Services Unit inclusive of "fair share" management oversight time.
- Immediate establishment, annual monitoring and sustainment of a Business Services Reserve intended to cover all projected liabilities associated with potential business unit wind down inclusive of employment related costs, long term leases, liabilities and disposal of hard and intangible assets.
- Establishment of reserve to fuel future investments inclusive of:
  - Contemporized/next generation capital equipment intended to increase policing efficiencies.
  - Emerging technologies inclusive of hardware and software and associated analytics, incremental operating and adoption costs (e.g. training on new technologies).
  - Pilot projects and/or partnerships that may lead to targeted impacts and community benefits within defined and measured project parameters.
  - Those that may poise the unit for further business management and expansion through broadened market penetration-inclusive of strategic planning, market research, new product and resource development.

In addition, the Board will work to establish an overall operating emergency reserve intended to minimize the impact of taxation fluctuations in the case of an unforeseen situation of an urgent nature, presenting an unacceptable risk to the health and safety of persons or to property requiring an immediate expenditure of funds. The parties agree the reserve will grow, over 5 years, to an amount currently estimated at \$600,000 but in no case greater than 10% of the annual operating budget. Once established, and subject to potential withdrawals in the case of occurrence of its intended use, the reserve will be maintained annually. The emergency reserve is not intended to displace other reserves covering capital or development charges which themselves will remain independent for their intended purpose.

Interest on all reserves will accrue to the established reserve.

This understanding is scheduled for review in 2023 or as may be led earlier by the Board.

Signatories:

  
Chairman-Cobourg Police Services Board

\_\_\_\_\_  
Mayor-Corporation of the Town of Cobourg

  
Date

\_\_\_\_\_  
Date