SUBJECT: 2017 POA Business Plan and Budget

TO: Committee of the Whole

FROM: City Manager's Office

Report Number: CM-1-17

Wards Affected: All

File Numbers: 215-08

Date to Committee: January 30, 2017

Date to Council: February 13, 2017

Recommendation:

Approve the 2017 Halton Court Services budget as presented; and
Add a permanent part-time Prosecutor to the Prosecution Unit; and
Approve a contribution of $50,000 from net revenues to the Reserve Fund during 2017 to ensure that requirements of the Reserve Fund Policy are met; and
Retain Collier Development Solutions to provide professional project management expertise to the Growth Management Plan for the remaining phases of the project at a total cost of $190,000, and the cost to be funded through the Reserve Fund and allocated as follows:

2017 - $50,000
2018 - $120,000
2019 - $20,000; and

Approve $150,000 in capital spending for the undertaking of next steps in the Growth Management Plan during 2017 including $50,000 for professional project management expertise as referenced in Recommendation #4 and $100,000 for internal consulting and support.
Purpose:
To provide an overview of the 2017 Business Plan (BP) and Budget and an update of the Growth Management Plan.

Background and Discussion:
In keeping with the Inter-municipal Agreement between the City of Burlington, the Towns of Halton Hills, Milton, Oakville and the Region of Halton, the City of Burlington is required to provide its partners with an annual Business Plan and budget for HCS.

The 2017 BP was completed in September and was built on performance of HCS by mid-year of 2016. The BP and budget have been reviewed and approved by the Joint Management Board and the Area Treasurers. A copy of the 2017 Business Plan is attached as Appendix A to this report.

This report highlights third quarter financial results resulting in some variation in numbers and projections provided in the BP.

Overview of 2016 Financial Performance

Budget
Following are the financial results for HCS at end of third quarter:
- Gross revenues of $6,909,402 (81.0% of budget)
- Overall expenditures of $3,283,653 (72.9% of budget)
- Year-to-date net revenue of $3,625,749 (90.0% of budget)

Audits
An audit of HCS was performed by KPMG during April 2016 for the period ended December 31, 2015. There were no items of concern to report to the Partnership by way of an auditors’ management letter. Internal audits were not performed during 2015 or 2016.

Charges Filed
A total of 55,437 charges (75.9% of target) were filed with HCS by end of third quarter and it is expected that charges will reach 95.9% of target (70,000) by year-end. This is due to a slight decline in number of charges filed by local police (HRPS, OPP and MTO) and no filing of red light camera charges during the impending mail strike.
2017 Performance Projections

Overall Budget
The Municipal Partners are projecting gross revenues based on actual/projected number of charges and average fine values over the last three years. Given the continuing growth in population, a moderate increase of 1,000 charges (71,000) is projected for 2017. Gross revenue for HCS in 2017 is budgeted at $8.82 million as compared to $8.53 million during 2016. See page 9 of the 2017 Business Plan for a copy of the overall 2017 POA Budget.

Overall Net Revenues
The net revenue budget for 2017 is $4.24 million (after contribution to Reserve Fund) which represents a 2.5% increase in net revenue over the 2016 budget. This difference can be attributed to the increase in the average fine value which has been impacted by the growing number of distracted driving, seatbelt and red light camera charges. The Municipal Partners are not proposing any major budget changes or increases beyond the base budget for HCS during 2016.

Overall Expenditures
Total expenditures in 2017 are budgeted at $4.52 million compared to the $4.38 million budgeted for 2016. This represents an overall increase of 3.4% in expenditures which is primarily due to human resources costs including the recommendation to add a part-time Prosecutor to the Prosecution Unit, and an 8.2% increase in fringe benefits premiums resulting from the City’s recent contract renewal.

Revenue Stabilization Fund
A Municipal Partner Revenue Stabilization Fund (MPRSF) was created in 2014 to assist the partners in protecting against the impact of volatility in fine revenue, and to provide a source of funding to stabilize annual revenue sources which will be impacted in the future due to the new court facility.

The Area Treasurers and JMB have agreed to maintain net revenue sharing at the 2015 level and that any net revenue in excess of budget will be transferred to the MPRSF going forward in order to further increase available future funding.

The 2017 estimated surplus net revenue of $375,000 will be transferred to the MPRSF upon completion at year-end. Interest will be allocated on an annual basis and it is expected that the year-end balance will reach approximately $3.04 million. Refer to page 10 of the Business Plan for a detailed report of the Stabilization Fund forecast.
### STABILIZATION FUND FOR THE YEARS 2013-2019

<table>
<thead>
<tr>
<th>Year</th>
<th>Explanation</th>
<th>2015 Net Revenue Cap Difference</th>
<th>Net Revenue Over Budget</th>
<th>Use of Funds (Admin Fee)</th>
<th>Interest</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>Balance Forward</td>
<td>$359,155</td>
<td></td>
<td></td>
<td></td>
<td>$359,155</td>
</tr>
<tr>
<td>2014</td>
<td>$1,186,072</td>
<td>($413)</td>
<td>$23,642</td>
<td>$1,568,456</td>
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<tr>
<td>2015</td>
<td>$766,402</td>
<td>($464)</td>
<td>$26,977</td>
<td>$2,361,371</td>
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<tr>
<td>2016*</td>
<td>$232,806</td>
<td>($500)</td>
<td>$35,421</td>
<td>$2,629,098</td>
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<tr>
<td>2017*</td>
<td>$375,316</td>
<td>($550)</td>
<td>$39,436</td>
<td>$3,043,300</td>
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<td></td>
</tr>
<tr>
<td>2018*</td>
<td>$146,034</td>
<td>($600)</td>
<td>$45,650</td>
<td>$3,234,384</td>
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<td></td>
</tr>
<tr>
<td>2019</td>
<td>($688,199)</td>
<td>($650)</td>
<td>$48,516</td>
<td>$2,594,050</td>
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</tbody>
</table>

### Reserve Fund

With interest income it is projected that the Reserve Fund balance will be approximately $2.17 million at the end of 2017.

The Municipal Partners are recommending that the minimum contribution of $50,000 be made to the Reserve Fund during 2017 and that $150,000 be utilized for next steps in the Growth Management Plan. Refer to page 11 of the Business Plan for a detailed report of the Reserve Fund forecast.

### CAPITAL BUDGET FORECAST FOR THE YEARS 2016 THROUGH 2021

<table>
<thead>
<tr>
<th>Year</th>
<th>Requirements</th>
<th>Use of Funds</th>
<th>Annual Contributions Including Interest</th>
<th>Projected Year-End Balances</th>
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</thead>
<tbody>
<tr>
<td>2016</td>
<td>Balance Forward</td>
<td></td>
<td></td>
<td>$2,320,283</td>
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<tr>
<td>2016</td>
<td>GMP - internal and external consulting/honoraria</td>
<td>($185,000)</td>
<td>$96,406</td>
<td>$2,231,689</td>
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<tr>
<td>2017</td>
<td>GMP - internal consulting services</td>
<td>($100,000)</td>
<td>$94,634</td>
<td>$2,176,322</td>
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<tr>
<td>2017</td>
<td>GMP - external consulting services</td>
<td>($50,000)</td>
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<td></td>
</tr>
<tr>
<td>2018</td>
<td>GMP - internal consulting services</td>
<td>($100,000)</td>
<td>$93,526</td>
<td>$389,849</td>
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<td>2018</td>
<td>GMP - external consulting services</td>
<td>($120,000)</td>
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<td></td>
</tr>
<tr>
<td>2018</td>
<td>GMP - move/furnishings/fittings/equip</td>
<td>($1,600,000)</td>
<td>$7,797</td>
<td>$377,646</td>
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<td>2018</td>
<td>Computer Hard/Soft Replacements</td>
<td>($60,000)</td>
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<tr>
<td>2019</td>
<td>GMP - external consulting services</td>
<td>($20,000)</td>
<td>$7,797</td>
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<tr>
<td>2020</td>
<td>TBD</td>
<td>$7,553</td>
<td>$385,199</td>
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<tr>
<td>2021</td>
<td>TBD</td>
<td>$7,704</td>
<td>$392,903</td>
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Growth Management Plan Update

The identification of a number of outstanding growth-related issues, including a need for additional courtrooms and auxiliary space, led to the development of a Growth Management Plan (GMP) in 2006. The Municipal Partners approved a service delivery model that consolidates court services into one facility with increased space provisions for long-term accommodation.

Update

Following the recommendations in the 2016 Business Plan, the project team proceeded with further procurement steps related to the RFP issued in late December 2015 including:

1. Reporting to the Joint Management Board in May regarding the outcome of the RFP and, pending final approval of local municipal councils, receiving approval to award RFP-216-15 to the Recommended Proponent and to proceed with negotiations of a 30-year lease.

2. Receiving approval from Area Councils and authorization for the City of Burlington, on behalf of the Municipal Partnership, to award RFP-216-15 to the Recommended Proponent and to negotiate a 30-year Design-Build and Leaseback Agreement for the new courthouse as per the lease terms outlined in the RFP.

3. Following approvals, entering into negotiations with the Recommended Proponent with the expectation that the terms of the Design-Build Leaseback Agreement will be concluded by September.

Next Steps

1. The award of RFP-215-15 will be publicly announced and the blackout period will end when the Agreement has been executed. The agreement is expected to be executed and the land for the project transferred in December 2016.

2. The project team, in conjunction with input from key stakeholders, will approve the final courthouse design through the Design-Development stage.

3. Construction is expected to start with site preparation in December 2016 followed by building construction starting in June 2017 and total completion by October 1, 2018.

Project Management Professional Expertise and Consulting Services

Given the scope and magnitude of the GMP, the City is proposing that the services of the project management firm, Colliers Development Solutions (formerly MHPM Project Leaders), continue to be retained during the remaining phases of the project in order to ensure that the needs of the Municipal Partners are met.
Collier’s has provided excellent leadership to the project team to the point of execution of the lease. Given its extensive knowledge of the project and proven track record to date, the City’s Manager of Procurement and the City Manager support the continuation of this business relationship through to the completion of the project. They are satisfied that it would be appropriate to retain Colliers under the Executive Override provision as per section 29.0 of the City’s Procurement By-law. Refer to page 14 of the Business Plan for the project timeline.

The total cost for professional consulting services during the remaining phases of the project is $190,000 which will allocated as follows:
- 2017 - $50,000
- 2018 - $120,000
- 2019 - $20,000

All costs associated with project management consulting services will be funded by the Reserve Fund budget set aside for this purpose.

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**Financial Matters:**

The 2017 budget for HCS includes a net revenue projection of $4.2 million.

With interest income it is projected that there will be a Reserve Fund balance of approximately $2.23 million at the outset of 2017 and a closing balance of $2.17 million at the end of 2017. The Municipal Partners are proposing that the minimum contribution of $50,000 be made during 2017 and that expenditures of $150,000 be made for costs associated with the GMP.

With interest income it is projected that there will be a Stabilization Fund balance of $2.63 million at the outset of 2017 and a closing balance of $3.04 million at the end of 2017. There has been agreement that any net revenue in excess of budget during 2017 will be transferred to the Stabilization Fund.

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**Conclusion:**

Staff request that the recommendations as set out in the 2017 Business Plan as highlighted in this report be approved.

Respectfully submitted,
Appendices:

A. 2017 POA Business Plan and Budget

Report Approval:

All reports are reviewed and/or approved by Department Director, Director of Finance and Director of Legal. Final approval is by the City Manager.