



SUBJECT: 2019 POA Business Plan and Budget

TO: Committee of the Whole

FROM: City Manager's Office

Report Number: CM-2-19 Wards

Affected: All

File Numbers: 215-08

Date to Committee: April 1, 2019

Date to Council: April 23, 2019

Recommendation:

Approve the 2019 Halton Court Services budget as presented; and

Contribute \$50,000 from net revenues to the Reserve Fund during 2019 to ensure that requirements of the Reserve Fund Policy are met; and

Approve \$70,000 in capital spending (funded through the Reserve Fund) for replacement of all computer hardware as per the City's life-cycle replacement schedule. Costs to be funded through the Reserve Fund; and

Approve \$32,570 in capital spending for the undertaking of final steps in the Growth Management Plan during 2019 for professional project management expertise and internal consulting and support. All costs to be funded through the Reserve Fund.

Purpose:

To provide an update on the administration of Halton Court Services for 2018, an overview of the 2019 Business Plan (BP) and budget, and a Growth Management Project (GMP) update.

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 2019 BP was completed in August and was built on performance of HCS by mid-2018. The BP and budget have been reviewed and approved by the Joint Management Board and the Area Treasurers. *A copy of the 2019 Business Plan is attached as Appendix A to this report.*

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

Overview of 2018 Financial Performance

Budget

Following are the unaudited financial results for HCS at year end:

- Gross revenues of \$11,015,641 (109.0% of budget)
- Overall expenditures of \$5,436,424 (102.0% of budget)
- Year-to-date net revenue of \$5,579,217 (118.4% of budget)

Audits

An audit of HCS was performed by KPMG during March 2018 for the period ended December 31, 2017. There were no items of concern to report to the Partnership by way of an auditors' management letter.

An internal audit of cash processes was conducted at HCS for the 2015 to 2017 period. An overall rating of 'Good' was received, which is the second highest level. A few minor areas of concern were identified such as users of provincial database system (ICON) having access not commensurate with their role and an out of date cash handling policy. Staff have implemented changes to address the items of concern.

Charges Filed

A total of 63,369 charges (86.8% of target) were filed with HCS during 2018. There has been an overall decline in number of charges filed by local police (HRPS, OPP and MTO) over the last several years, mostly attributed to staff shortages.

2019 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. Although population continues to grow at a fair rate across Halton, with the exception of red light camera charges, the number of charges filed by local police has reduced by approximately 19% over the last two years.

Gross revenue for HCS in **2019 is budgeted at \$11.1 million** as compared to **\$10.0 million in 2018**.

The **10.6% increase in revenue** over the 2018 budget can be attributed primarily to the increasing average fine value (based on last three years). The growing number of distracted driving, seatbelt and red light camera charges is primarily responsible for this increase.

COMPARISON OF 2019 BUDGET TO 2018 BUDGET

	REVENUE			EXPENSES		
	2018 Budget	2019 Budget	% Difference	2018 Budget	2019 Budget	% Difference
Administration	(\$8,037,650)	(\$8,748,640)	8.8%	\$4,063,439	\$5,188,206	27.7%
Collections	(\$2,000,750)	(\$2,350,750)	17.5%	\$312,806	\$381,336	21.9%
Prosecution	0	0	0.0%	\$676,265	\$824,205	21.9%
TOTAL	(\$10,038,400)	(\$11,099,390)	10.6%	\$5,052,500	\$6,393,750	26.5%

Overall Expenditures

Total expenditures in 2019 are budgeted at \$6.4 million compared to the \$5.1 million budgeted for 2018. This represents an overall increase of 26.5% in expenditures. A majority of the increased expenditures can be attributed to:

- The additional rent of \$620,640 for both the new courthouse and the holdover rent of one month for the former Milton courthouse and four months for the former Burlington courthouse.
- The Municipal Partners had identified a requirement for five full time and two part time staff to accommodate the expansion of court services, the larger court facility and the realignment of court services as per recent initiatives introduced the Regional Senior Justices's Office. The recommendation for these additions to staff in the 2018 Business Plan was approved by Area Councils. Given the reduction in number of charges, there was a decision to not proceed with adding an additional staff person to the Administration Unit. Consequently, the 2019 budget includes the additional cost for four full time and two part time staff:
 - Collections Unit – The net budget impact on human resources costs for the additional Collections Representative is approximately \$74,100 per year. It is projected that the additional staff will generate approximately \$200,000 in gross revenue during the first year and approximately \$300,000 per year thereafter.
 - Prosecution Unit – The net budget impact on human resources costs for the additional Prosecutor and part time Case Administrator is approximately \$125,500 per year.
 - Administration Unit – The net budget impact on human resources costs for the Facility Operator and additional 1.5 Courtroom Monitors is approximately \$193,600.

Overall Net Revenues

The net revenue budget for 2019 is \$4.66 million (after contribution to Reserve Fund) which represents a 5.7% decrease in net revenue over the 2018 budget. The Municipal Partners are

not proposing any major budget changes or increases beyond the base budget for HCS during 2019.

See page Appendix A of the 2019 Business Plan for a copy of the overall 2019 POA Budget.

Writing-off Additional Defaulted Fines

In accordance with the Write-Off Policy, the Municipal Partners received approval from the Area Treasurers and the Joint Management Board (JMB) to write-off those defaulted fines that have accumulated during 2018 where it has been determined there are no viable means of collection. Write-offs scheduled during 2019 will total approximately 989 cases with a total value of approximately \$380,150.

See Appendix B of the 2019 Business Plan for a copy of the Write-Off Policy.

Stabilization Fund and Flat-Lining Net Revenue Distribution

In 2014 the Area Treasurers drafted a Municipal Partner Revenue Stabilization Fund (MPRSF) policy and the Fund to protect the Partners against the impact of volatility in fine revenue, and to provide a source of funding to stabilize revenue sources annually, including the impact related to the new court facility. The policy directed that any net revenue in excess of the 2015 net revenue be transferred to the MPRSF rather than distributed among the Municipal Partners and the Region of Halton.

With interest income, the 2018 year-end balance of the MPRSF was \$5,047,566. Given the healthy balance of the MPRSF and long-term projections of a small impact on net revenue, the Area Treasurers have directed, with the approval of the JMB, that contributions to the MPRSF end as of 2018. Refer to page 9 of the Business Plan for a detailed report of the Stabilization Fund forecast.

Reserve Fund

With interest income, the 2018 year-end balance of the Reserve Fund was \$1,717,513 (majority of GMP expenses approved for 2018 were paid in early 2019). Following is the Capital Budget Forecast for the five-year period 2018 to 2022:

CAPITAL BUDGET FORECAST				
Year	Requirements	Use of Funds	Annual Contributions Including Interest	Projected Year-End Balances
	Balance Forward			\$2,177,884
2018	GMP – int/ext consulting services	(\$275,400)	\$75,750	\$378,234
	GMP - move/furnishings/fittings/equip	(\$1,600,000)		
2019	GMP - internal and external consulting services	(\$41,570)	\$57,565	\$324,229

	Computer Hard/Soft Replacements	(\$70,000)		
2020	TBD		\$56,485	\$380,713
2021	TBD		\$57,614	\$438,327
2022	TBD		\$58,767	\$497,094

The Municipal Partners are recommending that the minimum contribution of \$50,000 be made to the Reserve Fund during 2019 and that a total of \$102,570 in expenditures during 2019 be budgeted for:

- replacement of all computer hardware (\$70,000) as per the City's life-cycle replacement schedule; and
- undertaking of final steps in the Growth Management Project (GMP) including additional external project management services (\$22,570) and reimbursement of staff time (\$10,000). The additional project management expense is primarily due to the one-month project delay and the decision to transition to the new courthouse by moving the Milton and Burlington court facilities over two separate dates.

Approval was received in the 2018 Business Plan for a project management expense of \$9,000 during 2019. Therefore, the total Reserve Fund expenditures during 2019 is budgeted at \$111,570.

Refer to page 10 of the Business Plan for details around 2019 spending and the Reserve Fund forecast.

Emerging Issues

1. Transfer of Part III POA Prosecutions to Municipalities

As reported in the 2018 Business Plan, the Municipal Partners were advised by the Ministry of the Attorney General (MAG) in August of 2017 that the Province intends to transfer the prosecution of Part III POA matters to municipalities over a two-year period. City of Burlington staff on behalf of the Municipal Partners met with the local Crown Attorney for Halton on February 14, 2018 to discuss the transfer. An email followed from the Crown Attorney on April 11, 2018 to provide an update as to the steps underway at MAG to facilitate the transition.

To date, the City has not received any additional communication from MAG regarding the proposed transfer. An ad hoc group consisting of POA prosecution managers across the province was formed in February 2018 with the aim of sharing information with respect to the transfer process within each jurisdiction. The group has had three meetings to date and the consensus from those meetings is that there is very little information from MAG on the status of the transfer process. The Municipal Partners will report back if new information from MAG warrants.

2. Upcoming Legislation Affecting Court Administration

Bill 177 received Royal Assent in December 2017 which is part of the *Modernization of POA Courts Initiative*. *Bill 177* includes a proposal to amend current legislation to allow for the transfer of authority and scope of administrative functions from the local judiciary to court administration including: administering and entering convictions for all cases where defendants have failed to select an option; reviewing and granting of all applications for extension of time to pay; and the reviewing and granting of applications for re-openings.

The province is in the midst of finalizing the regulations related to the various functions affected including administrative procedures and forms. It is expected that these additional responsibilities will require a review of workload distribution to ensure that Administration continues to successfully manage and deliver effective court services. The Municipal Partners will report back when new information is received from MAG.

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. Consequently, a plan was undertaken to procure a landlord for the delivery of a design-build-lease POA courthouse at 4085 Palladium Way, Burlington with a target date for occupancy of January 2019:

- RFP-216-15 was issued in December 2015;
- Approval was received in May 2016 from Municipal Partners to award RFP-216-15 to the recommended proponent and to proceed with negotiations of a 30-year lease;
- Lease Agreement and transfer of land finalized at end of March 2017. Public announcement and stakeholders advised during April 2017.
- Input and sign-off from key stakeholders (judiciary, prosecution, Halton Region Police and Halton's Crown Attorney) received in April 2017.
- Detailed design phase including: floor plans, superstructure, building permits, municipal approvals and project timelines completed in October 2017.
- Construction to start in September 2017.

2018-2019 Update

1. Determined that there was a slight delay in project deadline and a decision was reached to move the target date for occupancy to February 1, 2019. This would ensure that court hearings would not be negatively impacted and that the Municipal Partners continued to fulfill obligations as per the Memorandum of Understanding.
2. Current facility leases for each courthouse were extended to accommodate the delay. The Milton Court lease was extended for one month and the Burlington Court lease was extended for three months.
3. Decision to carry out the move of two court locations on two separate dates was reached in order to meet revised lease terms and to facilitate a smoother transition to the new courthouse.

4. Site progress was steady, with a revised schedule issued on July 31st indicating that a few items were behind schedule, but majority tracked on time.
5. City staff completed procurement processes for a number of capital expenses related to the move and transition to the new courthouse including: acquisition of all computer devices, A/V equipment, queuing system, courtroom millwork, furnishings and security system.
6. A detailed communication plan was created and rolled out during 2018.
7. Substantial completion was reached on November 4, 2018.
8. City staff carried out the commissioning, fitting-up and moving in by February 1, 2019.

Overall, the move was a success. Halton Court Services was operating and open to the public on February 5th and court was scheduled and running in all five courtrooms on February 6th.

A few building deficiencies, incomplete systems installation (including security system) and operational issues were identified from the outset. Staff are working with the contractor (Buttcon) and various sub-contractors to address these items and expect to have everything operational and/or rectified by the end of March.

The lack of a security system resulted in a requirement to hire security guard service with an approximate \$60,000 impact on the project budget. Also, the judiciary were not entirely satisfied with the courtroom millwork resulting in an approximate cost of \$30,000 to address their concerns.

Financial Matters:

The 2019 budget for HCS includes a net revenue projection of \$4.66 million.

With interest income the Reserve Fund balance of approximately \$378,000 at the outset of 2019 and a closing balance of \$324,000 at the end of 2019. The Municipal Partners are proposing that the minimum contribution of \$50,000 be made during 2019 and that expenditures of \$111,570 be made.

With interest income the Stabilization Fund (MSPRF) balance is \$5.05 million at the outset of 2019 and is projected to have a closing balance of \$5.79 million at the end of 2019. There has been agreement that contributions will end as of 2018 and that the Area Treasurers will continue to carry out an annual review of the Fund.

The balance of the Growth Management Project budget is approved by the municipal partnership at \$1,600,000. Given the issues noted above, there is an expectation that the project will be slightly over budget by up to \$10,000 once all change orders and last-minute finishes and/or items have been included.

Conclusion:

Staff request that the recommendations as set out in the 2019 Business Plan as highlighted in this report be approved.

Respectfully submitted,

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Manager of Court Administration
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Appendices:

- A. 2019 POA Business Plan and Budget
- B. Write-Off Policy

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.