



SUBJECT: 2020 Halton Court Services budget and business plan

TO: Corporate Services, Strategy, Risk & Accountability Cttee.

FROM: Legal Services Department

Report Number: L-05-20

Wards Affected: All

File Numbers: 215-08

Date to Committee: March 12, 2020

Date to Council: March 30, 2020

Recommendation:

Approve the 2020 Halton Court Services budget as presented; and

Contribute \$50,000 from net revenues to the Reserve Fund during 2020 to ensure that requirements of the Reserve Fund Policy are met; and

Approve \$27,000 for computer hardware and software requirements with costs to be funded through the Reserve Fund.

PURPOSE:

To provide an update on the administration of Halton Court Services (HCS) for 2019, an overview of the 2020 Business Plan (BP) and budget, and a final update on the Growth Management Project (GMP).

Executive Summary:

N/A

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 2020 BP was completed in August and was built on performance of HCS by mid-2019. The BP and budget have been reviewed and approved by the Joint Management Board and the Area Treasurers. A copy of the 2020 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 2019 Financial Performance

Budget

Following are the financial results for HCS at end of third quarter:

- Gross revenues of \$7,767,389 (70.0% of budget)
- Overall expenditures of \$4,659,871 (72.3% of budget)
- Year-to-date net revenue of \$3,107,518 (66.7% of budget)

Audits

An audit of HCS was performed by KPMG during March 2019 for the period ended December 31, 2018. There were no items of concern to report to the Partnership by way of an auditors' management letter.

An internal audit was not conducted during 2019.

Charges Filed

A total of 55,260 charges (86.3% of target) were filed with HCS by end of third quarter and it is expected that charges will reach 108.2% of target (68,980) by year-end.

2020 Performance Projections

Overall Revenues

The Municipal Partners are projecting gross revenues based on the projected revenue for 2019. Although population continues to grow at a fair rate across Halton, the number of charges filed by local enforcement agencies has remained fairly constant for the last several years, with varying increases or decreases in number of charges filed annually by enforcement agencies.

Gross revenue for HCS in 2020 is budgeted at **\$10.9 million** as compared to **\$11.1 million** during 2019.

The **1.8% decrease in revenue** over the 2019 budget can be attributed primarily to the slight decrease in overall gross revenues of approximately \$60,000 and the removal of \$100,000 generated by pay-parking at the courthouse.

Overall Expenditures

Total expenditures in 2020 are budgeted at **\$6.2 million** compared to the **\$6.4 million** budgeted for 2019. This represents an overall **decrease of 2.8% in expenditures**.

Most of this decrease can be attributed to:

- an over estimation for facility-related costs projected for the 2019 budget including utilities and operating systems; and
- reduction of approximately \$150,00 for judicial and provincial prosecution costs due to the large number of courtroom closures. The Regional Senior Justice of the Peace office has advised that there will a total of 304 courtrooms closed during 2020 due to lack of judicial resources.

Overall Net Revenues

The net revenue budget for 2020 is **\$4.65 million** (after contribution to and from Reserve Funds) which represents a 0.0% decrease in net revenue over the 2019 budget. The Municipal Partners are not proposing any major budget changes or increases beyond the base budget for HCS during 2020.

See Appendix A of the 2020 Business Plan for a copy of the overall 2020 POA Budget.

Writing-off of Uncollectable Defaulted Fines

In accordance with the Write-Off Policy, the Municipal Partners are seeking approval from the Area Treasurers (ATs) and the Joint Management Board (JMB) to write-off those defaulted fines that have accumulated during 2019 where it has been determined there are no viable means of collection. The ATs have approved write-offs scheduled during 2020 totalling approximately 1,136 cases with a total value of approximately \$433,181.

Stabilization Fund and Flat-Lining Net Revenue Distribution

The ATs drafted a Municipal Partner Revenue Stabilization Fund (MPRSF) and policy 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 revenue sources annually.

Net revenue in excess of budget for the years 2013 to 2017 was transferred to the MPRSF. Interest is allocated to the MPRSF on an annual basis. Given 2019's financial performance, and although the ATs directed that contributions to the MPRSF end as of 2018, they have directed that funds will be drawn from the Stabilization Fund during

2019 and 2020 if there is a shortfall of actual net revenues as compared to the 2019 net revenue budget. A number of variables will have an impact on net revenue including MAG's decision about increasing court fees (see page 4 of the Business Plan for further information) and the possible trend of declining revenue. Per policy, an annual review of the MPRSF will continue to be carried out by the ATs.

Refer to pages 10-11 of the Business Plan for a detailed report on the Stabilization Fund.

Reserve Fund

With interest income it is projected that the Reserve Fund balance will be approximately \$303,540 at the end of 2019. Approximately \$1.47 million in expenditures was carried out during 2019 related to the new courthouse project including: external project management services, reimbursement of City staff time and furnishing/relocation to the new courthouse.

The Municipal Partners regularly conduct an annual review of the Reserve Fund to ensure that future capital cost requirements are reflected and that the required minimum balance of \$300,000 is maintained. The Municipal Partners are recommending that the minimum contribution of \$50,000 continue to be made to the Reserve Fund during 2020.

The Municipal Partners are recommending that a total of \$27,000 in expenditures during 2020 be approved for:

- Installation of software for Remote Interpretation Initiative; and
- ICON Server Upgrade Project – the legacy circuits are obsolete, and the server will be rebuilt to be compatible with the new operating system. This will serve the Municipal Partners for a minimum of ten years.

Emerging Issues

1. Transfer of Part III POA Prosecutions to Municipalities

As reported in both the 2018 and 2019 Business Plans, the Municipal Partners were advised by the Ministry of the Attorney General (MAG) in August of 2017 that their intention is 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 have attended three meetings to date with the local Crown Attorney for Halton to receive an update on the transfer.

To date, the City has not received any additional communication from MAG regarding the status of the proposed transfer process. The Municipal Partners will report back if new information from MAG warrants.

2. Upcoming Legislation Affecting Court Administration

As reported in the 2019 Business Plan, 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.

Note: Contrary to the report in the 2020 Business Plan distributed to the ATs and JMB in the fall, MAG recently advised their municipal partners across the province that Bill 177 is back on the table and they are planning to roll out the POA streamlining and fine enforcement amendments by August 2020. This target date is contingent on proclamation by the Lieutenant-Governor and the passing of related regulations, so the date may be rescheduled as needed.

The Manager of Court Administration is heading a provincial Working Group on behalf of POA Court Sites to act as a forum of consultation and engagement between municipal partners and MAG. Given the extensive impact that these reforms will have on court administration responsibilities and workload, there will be a requirement to ensure that the transition is effective and efficient with little impact on customer service and POA processes in general. The Municipal Partners will report back on this initiative during 2020.

Growth Management Plan Update

Background

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 in March 2017. A public announcement and stakeholders advised in 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 started in September 2017 with occupancy target of December 2018.

Update

- A slight delay in construction deadline resulted in a decision to move occupancy to February 1, 2019
- Project was 77% complete by mid-August 2019.
- City staff completed procurement processes for several capital expenses related to the move and transition to the new courthouse including: computer devices/A/V equipment, courtroom millwork/furnishings and security system.
- A detailed communication plan was created and implemented throughout each phase.
- A strategic move plan was implemented and the commissioning, fitting up and relocating of records and systems was completed during the last phase. The move included both courthouses on two separate dates and there was a requirement to decommission the majority of equipment and furnishings at the two prior locations.
- An official opening was held at the new home of Halton POA Court on April 23rd.

Budget Status

The cost of construction for the Halton Courthouse project was borne by the landlord and is passed on to the municipal partnership through lease payments. The Municipal Partners had an approved project costs budget of \$1.6 million for millwork, furnishings, IT, audio visual, security, communications, move and other related costs.

Although there were unexpected expenditures during the last phase and post-move, the project team is pleased to report that, as of December 31, 2019, the project budget is just slightly over target. The table below shows the project performance (budget, actual and variance) for each of the project expenditures.

Project Expenditure	Budget	Actual	Variance
Furniture	496,400	387,136	-22.0%
Courtroom Millwork	269,300	433,159	60.8%
IT/Comm/AV	365,000	316,278	-13.3%
Security System**	150,000	232,123	54.7%
Move	30,000	27,083	-9.7%
Contractor Site Supervision***	0	70,418	100.0%
Miscellaneous****	53,000	144,843	173.3%
Contingency/Net HST	236,300		
TOTAL	\$ 1,600,000	\$ 1,611,040	0.7%

Financial Matters:

Total Financial Impact

The 2020 HCS budget includes a net revenue projection of \$4.65 million.

With interest income it is projected that there will be a Reserve Fund balance of approximately \$303,540 at the outset of 2020 and a closing balance of \$332,600 at the end of 2020. The Municipal Partners are proposing that the minimum contribution of \$50,000 be made during 2020 and that expenditures of \$27,000 be made.

With interest income it is projected that there will be a Stabilization Fund balance of \$4.80 million at the outset of 2020 and a closing balance of \$4.87 million at the end of 2020. There has been agreement that funds will be drawn from the Stabilization Fund during 2019 and 2020 if there is a shortfall of actual net revenues as compared to the 2019 net revenue budget.

Source of Funding

Not Applicable

Other Resource Impacts

Not Applicable

Conclusion:

Staff request that the recommendations as set out in the 2020 Business Plan as highlighted in this report be approved.

Respectfully submitted,

Frances Evans
Manager of Court Administration
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Appendices:

- A. 2020 POA Business Plan
- B. 2020 POA Budget

Report Approval:

All reports are reviewed and/or approved by Department Director, the Chief Financial Officer and the Executive Director of Legal Services & Corporation Council. Final approval is by the City Manager.