

**ONTARIO COURT OF JUSTICE
PROVINCIAL OFFENCES OFFICE
HALTON COURT SERVICES**

**2019 BUSINESS PLAN AND
BUDGET**

**City of Burlington
Town of Halton Hills
Town of Milton
Town of Oakville
Regional Municipality of Halton**

October 2018

TABLE OF CONTENTS

RECOMMENDATIONS	3
SECTION I.....	4
OVERVIEW OF 2018 PERFORMANCE.....	4
1. BUDGET PERFORMANCE.....	4
2. OPERATIONAL PERFORMANCE	4
3. AUDITS.....	5
4. REVENUE SHARING	6
SECTION II.....	7
2019 OPERATING BUDGET AND PROGRAM CHANGES.....	7
1. 2019 BUDGET	7
2. WRITING-OFF OF UN-COLLECTABLE FINES.....	8
3. REVENUE STABILIZATION FUND.....	8
4. RESERVE FUND	9
5. EMERGING ISSUES	11
SECTION III.....	12
GROWTH MANAGEMENT PLAN.....	12
APPENDIX A – 2019 OVERALL BUDGET	14

RECOMMENDATIONS

1. **Recommendation:** Approve the 2019 Halton Court Services budget as presented.
2. **Recommendation:** Contribute \$50,000 from net revenues to the Reserve Fund during 2019 to ensure that requirements of the Reserve Fund Policy are met.
3. **Recommendation:** Approve \$70,000 for replacement of all computer hardware as per the City's life-cycle replacement schedule. Costs to be funded through the Reserve Fund.
4. **Recommendation:** 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.

SECTION I

OVERVIEW OF 2018 PERFORMANCE

1. BUDGET PERFORMANCE

Revenues to End of June

The Municipal Partners had budgeted gross revenues of \$10.03 million for 2018. The following chart summarizes results by end of June and projections for the remainder of the year:

COMPARISON OF OVERALL PERFORMANCE TO BUDGET for the year ending December 31, 2018

	2018 Budget	Actual June 30/18	Actual % of Budget	Projection Dec 31/18	Projection % of Budget
Gross Revenue	(\$10,038,400)	(\$5,601,681)	55.8%	(\$10,782,654)	107.4%
Operations	\$5,052,500	\$2,318,978	45.9%	\$4,852,284	96.0%
Reserve Fund Contribution	\$50,000	\$25,000	50.0%	\$50,000	100.0%
Net Revenue	(\$4,935,900)	(\$3,257,703)	66.0%	(\$5,880,370)	119.1%

2. OPERATIONAL PERFORMANCE

Provincial Offences Charges

By end of June total number of filed charges reached 47.3% (34,503 charges) of the 73,000 number projected for 2018. It is projected that charges will only reach 64,500 by year-end because, with the exception of Red Light Camera charges, enforcement has decreased across agencies. The following chart illustrates the decline in charges over the last several years:

Charges Filed by Major Enforcement Agencies

	2012	2013	2014	2015	2016	2017	2018 Projected	% Difference ('14 to '18)
BY-LAWS	227	210	342	212	232	215	179	-37.1%
HRPS	50,768	49,366	49,289	48,350	49,940	43,759	41,151	-16.5%
MTO	4,495	5,839	5,687	4,242	4,378	2,466	2,389	-56.6%
OPP	9,470	8,569	8,038	8,707	7,960	5,496	5,011	-31.6%
RED LIGHT CAMERA		779	3,924	7,586	8,322	11,205	15,415	185.6%
MINISTRIES/HALTON REGION	1,537	2,448	2,014	601	485	435	355	-78.4%
TOTAL CHARGES	66,497	67,211	69,294	69,698	71,317	63,577	64,500	-6.9%

Explanation for the Decrease in Number of Charges

- Expectations that traffic enforcement by HRPS would align with Halton Region's population growth has not been realized. This assumption was based on the experience of other GTA regions that were facing a significant increase in population. HRPS charges have decreased by 18.9% since 2012.
- OPP has advised that their reduction in number of charges is primarily due to staff shortages and the expansion of Collision Reporting Centres which usually results in charges not being issued. In addition, when attending collision scenes, the OPP no longer issue charges unless injuries have been sustained.
- MTO has advised that they are experiencing a staffing issue and expect that enforcement will increase once staff has reached full complement. In addition, construction on the 401 in Halton has resulted in the recent closure of two weigh stations which account for a majority of MTO charges issued in Halton.

3. AUDITS

External Audit

KPMG performed an audit of HCS 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. KPMG maintains a practice of issuing qualified opinions for all of its POA court clients due to the inability to review cash procedures at other POA courts accepting fine payments on behalf of HCS, and to review controls of the provincial ICON system utilized by all POA courts across the province.

Internal Audit

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:

- Out of date cash handling policy.
- There are users in ICON with access not commensurate with their role.
- Combinations and electronic locking codes to safe are not changed immediately when staff members move to a different role or area.
- "Hold up bundles" or bait money are not utilized in all areas.

Staff have implemented some changes to address these main items of concern which include (but not limited to):

- Joining a Cash Handling Working Group within the City to update the cash handling policy and to ensure that all cash handling standards are met.
- A review of functions within ICON was undertaken to ensure that users only have access to areas which are required.
- Management will revoke access when a staff member leaves and to also change the combination for the safe and alarm system if necessary.
- A review of the level of security at HCS determined that the risk of a robbery were very low at HCS and therefore no "hold up bundles" would be necessary.

4. REVENUE SHARING

According to the established revenue-sharing agreement between the Municipal Partners and the Region of Halton, the Region receives 50% while the Municipal Partners receive a percentage of the 50% balance based on annual assessment rates.

Following is a five-year overview of net revenue distribution since 2014 including the estimated annual distribution for 2018:

Historical Annual Revenue Sharing % Based on Tax Assessment

	2014	2015	2016	2017	2018*
Burlington	16.40%	16.25%	16.10%	16.00%	15.85%
Halton Hills	4.75%	4.70%	4.65%	4.65%	4.55%
Milton	7.90%	8.05%	8.15%	8.20%	8.30%
Oakville	20.95%	21.00%	21.10%	21.15%	21.30%
Region of Halton	50.00%	50.00%	50.00%	50.00%	50.00%
TOTAL	100.00%	100.00%	100.00%	100.00%	100.00%

Historical Annual Revenue Distribution to Partnership

	2014	2015	2016	2017	2018*
Burlington	453,119	628,669	622,866	618,997	932,039
Halton Hills	127,436	181,830	179,896	179,896	267,557
Milton	213,257	311,433	315,301	317,236	488,071
Oakville	570,595	812,434	816,303	818,237	1,252,519
Region of Halton	1,364,407	1,934,367	1,934,367	1,934,367	2,940,185
TOTAL	\$2,728,814	\$3,868,733	\$3,868,733	\$3,868,733	\$5,880,370

*2018 projection to be realized

SECTION II

2019 OPERATING BUDGET AND PROGRAM CHANGES

1. 2019 BUDGET

The following chart provides a summary of total revenues and expenditures projected for 2019 as compared to the 2019 budget:

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	\$5,188,250	27.7%
Collections	(\$2,000,750)	(\$2,350,750)	17.5%	\$312,806	\$381,300	21.9%
Prosecution	0	0	0.0%	\$676,265	\$824,200	21.9%
TOTAL	(\$10,038,400)	(\$11,099,390)	10.6%	\$5,052,500	\$6,393,750	26.5%

Overall Revenues

The Municipal Partners are projecting gross revenues based on actual/projected number of charges and average fine values over the last five 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 enforcement agencies has reduced by approximately 19% over the last two years. This is contrary to the experience of other regions, where there was a strong correlation between population growth and increased local enforcement. As a result, a total of 64,000 charges is projected for 2019 with the expectation that enforcement practices will continue at the current rate. Gross revenue for HCS in 2019 is budgeted at **\$11.1 million** as compared to **\$10.0 million** during 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 the increase in average fine value.

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 this increase can be attributed to:

- The additional rent of \$620,640 for both the new courthouse and the holdover rent of one month for the Milton courthouse and four months for the Burlington courthouse.

- The Municipal Partners had identified a requirement for five full time and two part time staff to accommodate the expansion of courts services, the larger court facility and the re-alignment of court services as per recent initiatives introduced by the Regional Senior Justice'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 has been a decision to not proceed with adding an additional staff person in the Administration Unit. As a result, the 2019 budget includes the additional cost for four full time and 2 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 additional Facility Operator and 1.5 Courtroom Monitors is approximately \$193,600.

See Appendix A for copy of the overall 2019 POA Budget.

Recommendation #1: Approve the 2019 Halton Court Services budget as presented.

2. WRITING-OFF OF UN-COLLECTABLE FINES

In accordance with the Write-Off Policy, the Municipal Partners are seeking approval from the Area Treasurers and the Joint Management Board 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.

3. REVENUE STABILIZATION FUND

Revenue Sharing

The following chart outlines the share of revenues for the Municipal Partners and the Region based on 2018 weighted average assessment. Disbursements will be reconciled to reflect 2019 values once the information becomes available in early 2019:

2019 Requisitions Based on 2018 Weighted Average Assessment	
Region	(2,327,820)
Burlington	(737,919)
Halton Hills	(211,832)
Milton	(386,418)
Oakville	(991,651)
Total	(4,655,640)

Stabilization Fund and Flat-Lining Net Revenue Distribution

The Area Treasurers drafted a Municipal Partner Revenue Stabilization Fund (MPRSF) policy and a MPRSF was created in early 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, including the impact related to the new court facility. The policy directed that any net revenue in excess of the 2015 net revenue distribution be transferred to the MPRSF.

Net revenue has exceeded budget each year since 2013 and net revenue surplus has been transferred to the MPRSF. Interest is allocated to the MPRSF on an annual basis.

Given the current healthy balance of the MPRSF and long-term projections of a small impact on net revenue, the Area Treasurers have directed that contributions to the MPRSF end as of 2018. Per policy, an annual review of the MPRSF will continue to be carried out by the Area Treasurers. The following chart provides an overview of the MPRSF over the next five years:

STABILIZATION FUND				
Year	Net Revenue Over Budget	Use of Funds (Admin Fee)	Interest	Balance
2013	\$359,155			\$359,155
2014	\$1,186,072	(\$413)	\$23,642	\$1,568,456
2015	\$766,402	(\$464)	\$26,977	\$2,361,371
2016	\$1,031,976	(\$770)	\$39,893	\$3,432,470
2017	\$1,456,422	(\$1,171)	\$59,914	\$4,947,636
2018*	\$0	(\$1,230)	\$74,215	\$5,020,621
2019*	\$0	(\$1,291)	\$75,309	\$5,094,639
2020*	\$0	(\$1,356)	\$76,420	\$5,169,703
2021*	\$0	(\$1,423)	\$77,546	\$5,245,825
2022*	\$0	(\$1,495)	\$78,687	\$5,323,018
2023*	\$0	(\$1,569)	\$79,845	\$5,401,294
*Projected				

4. RESERVE FUND

Contribution During 2019

The Municipal Partners regularly conduct an annual review of the Reserve Fund in order 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 2019.

Expenditures During 2019

The Municipal Partners are recommending that a total of \$102,570 in expenditures during 2019 be approved 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 Burlington and Milton court facilities over two separate dates.

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

Reserve Fund Forecast

Following is the Capital Budget Forecast for the five-year period 2018 to 2023:

CAPITAL BUDGET FORECAST				
Year	Requirements	Use of Funds	Annual Contributions Including Interest	Projected Year-End Balances
	Balance Forward			\$2,177,884
2018	GMP - internal and external 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
2023	TBD		\$59,942	\$557,036

Recommendation #2: A contribution of \$50,000 from net revenues is made to the Reserve Fund during 2019 to ensure that requirements of the Reserve Fund Policy are met.

Recommendation #3: Approve \$70,000 for replacement of all computer hardware as per the City's life-cycle replacement schedule. Costs are to be funded through the Reserve Fund.

Recommendation #4: Approve \$32,570 in capital spending for the undertaking of final steps in the Growth Management Plan during 2019 including \$22,570 for professional project management expertise and \$10,000 for internal support.

5. 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.

SECTION III

GROWTH MANAGEMENT PLAN

Background

Identifying a number of outstanding growth-related issues since 2006, including a need for additional courtrooms and auxiliary space and the increasing demand for operational efficiencies, the Municipal Partners approved a service delivery model that consolidates court services into one facility with increased space provisions for long-term accommodation requirements. 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.

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 has been steady, with a revised schedule issued on July 31st indicating that a few items are behind schedule, but majority are tracking in line.
5. Project was 77% complete by mid-August.
6. City staff have 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 and all A/V equipment. Procurement processes are underway for a number of other acquisitions including courtroom millwork, furnishings and security system.

7. A detailed communication plan was created and implementation of first phase has begun.

Next Steps

1. Final phases of the communication plan will proceed.
2. Target date for substantial completion is November 4, 2018. At this time, the expectation is that City staff will be able to carry out the commissioning, fitting-up and moving in by February 1, 2019.

Project Management Professional Expertise and Consulting Services

Colliers Development Solutions continues to manage the project in order to ensure that the needs of the Municipal Partners are met. Currently, the contract calls for \$9,000 to be paid during 2019 as per the Agreement terms. Colliers has proposed an additional fee of \$22,570 for the additional scope of services needed as a result of the landlord's revised schedule, new tasks and other changes as a result of the decision to delay the move by one month. Some of these additional services include:

- Requirement to attend two additional site visits and preparation of two site reviews
- Defining scope of work for security system and preparing specifications for the RFP
- Design services for value-engineering and re-tendering
- Redesign of courtroom layouts to increase seating capacity
- Overseeing move over two weekends rather than one weekend

A current Project Timeline is outlined below. The project team is giving consideration to contingency plans in the event that there are any delays to this timeline.

New Provincial Offences Courthouse Project Timeline

PROJECT DELIVERABLE	PLANNED	FORECAST
Substantial Completion	September 30, 2018	November 4, 2018*
Turnover	October 1, 2018	November 4, 2018*
Commission/Fit-ups/Installation		Nov 4, 2018 – Jan 15, 2019
Move Starts	December 15, 2018	January 19, 2019 (Milton) February 2, 2019 (Burlington)
Move Complete	January 2, 2019	February 2, 2019*

*to be confirmed by Landlord

The Project Team will provide ongoing status reports to the Joint Management Board throughout the remainder of the project timeline.

APPENDIX A – 2019 OVERALL BUDGET