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**Subject:** Court Services – 2021 Budget Report

**Report to:** Budget Review Committee of the Whole

**Report date:** Thursday, December 10, 2020

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## **Recommendations**

1. That the 2021 Court Services gross operating budget of \$7,564,399 and net budgeted revenue of \$680,174 (decrease in revenue of \$54,244 or 7.4% over the 2020 operating budget) in accordance with the 2021 budget planning framework and as outlined in Appendix 1, **BE APPROVED.**

## **Key Facts**

- The purpose of the report is to seek approval for the proposed 2021 Operating budget, as outlined in Appendix 1. The 2021 operating budget is aligned with the budget strategy presented to Council at the June 25<sup>th</sup> BRCOTW meeting, which outlined that the 2% increase be shared equally with 1% to operating costs and 1% to support capital before addressing the impacts of COVID-19 which account for \$39,556 or 5.4% of the decrease in revenue to the Region.
- The Niagara Region consolidated levy operating budget is addressing the consolidated impacts of COVID-19 and mitigation options for the Region's share of these costs which may include the Provincial Safe Restart Funding as well as one time funding from reserves.
- The budget has been prepared in consideration with the budget requirements as outlined in the Niagara Region Courts Inter-Municipal agreement.
- Court Services staff administer a high volume of charges under *the Highway Traffic Act*, *the Trespass to Property Act*, *the Liquor License Act*, municipal by-laws, other provincial and federal offences and more serious matters such as charges under *the Compulsory Automobile Insurance Act*, *the Environmental Protection Act*, *the Fire Prevention and Protection Act* and *the Alcohol and Gaming Control Act*.
- This 2021 operating budget was approved by the Joint Board of Management Niagara Region Courts on November 17, 2020.
- If the Budget Review Committee of the Whole approves the Court Services 2021 operating budget, the benefits include a 2021 distribution level for net revenue forecasted at \$680,174 to the local area municipalities and \$680,174 to the Region.

## Financial Considerations

The net revenue to be allocated to the Region, net of the distribution of net revenue to the LAMs, is budgeted with an overall decrease of 7.4% or \$54,244. The net decrease without the \$39,566 to address the impacts of COVID-19 is \$14,688 and includes the Transfer to Capital Reserve which is in line with Regional Council's budget strategy to not exceed base budget increases of 2% (to be shared equally with 1% to operating and 1% to support capital renewal costs) (as shown in Table 1 below).

**Table 1 – 2021 Court Services Gross & Net Revenue Budget**

	Gross Expense	Gross Revenue	Net Revenue to be allocated	50% Allocation	\$ Change	% Change
<b>2020 Budget</b>	<b>7,390,911</b>	<b>(8,859,747)</b>	<b>(1,468,836)</b>	<b>(734,418)</b>		
2021 Base	7,400,143	(8,924,747)	(1,524,604)	<b>(762,302)</b>	(27,884)	3.8%
2021 Mitigations	(79,544)	-	(79,544)	<b>(39,772)</b>	(39,772)	5.3%
2021 One-time	150,000	-	150,000	<b>75,000</b>	75,000	-10.2%
<b>Sub-total 2021 Base Services</b>	<b>7,470,599</b>	<b>(8,924,747)</b>	<b>(1,454,148)</b>	<b>(727,074)</b>	<b>7,344</b>	<b>-1.0%</b>
2021 Capital financing	14,688	-	14,688	<b>7,344</b>	7,344	-1.0%
<b>Sub-total 2021 Budget before COVID</b>	<b>7,485,287</b>	<b>(8,924,747)</b>	<b>(1,439,460)</b>	<b>(719,730)</b>	<b>14,688</b>	<b>-2.0%</b>
2021 COVID	79,112	-	79,112	<b>39,556</b>	39,556	-5.4%
<b>Total 2021 Budget</b>	<b>7,564,399</b>	<b>(8,924,747)</b>	<b>(1,360,348)</b>	<b>(680,174)</b>	<b>54,244</b>	<b>-7.4%</b>

### Base Operating Budget

The total base budget, including allocations of corporate administrative supports is budgeted with an overall net increase of 1.0% or \$7,334.

The base budget before mitigations and one-time expenses was a reduction of 3.8% which was made up of the following;

- Increase in Administrative costs (\$4,355) resulting from an increase in office supplies and employee tuition/educational materials offset by a decrease in records storage.
- Increase in Collection Charges paid to collection agencies (\$65,000), aligning with a projected increase in delinquent revenue.
- Decrease in indirect allocations (\$60,722) resulting in cost savings associated with utilities and IT

- Increase in revenue (\$65,000) based on an increase in both infraction and delinquent fine revenue in 2019 and an increase in charges in January and February 2020 (pre-COVID-19).

This base pressure reduction of 3.8% has been utilized to fund a one-time transfer to the Region's Capital Levy Reserve of \$150,000 to fund the 2021 Court Scheduling Tool Modernization capital project. This results in an overall budget increase of 6.4% before mitigations. The following mitigations totalling \$79,544 or 5.3% are provided in the 2021 operating budget to achieve an overall net increase of 1.0% aligning with budget strategy.

- Decrease in the \$200,000 annual Transfer to Courts Facility Renewal Reserve by \$56,638 to support the 2021 budget strategy. This mitigation strategy will likely cause a budget pressure in 2022/2023 based on the projected multi-year program and services changes expected by Court Services.
- Corporate support costs have been reduced by Corporate Services budget mitigations totalling \$3,859
- An estimate of salary savings has been calculated at 1% or \$19,047 based on the new 2021 salary gapping strategy which estimates the savings due to staff turnover at 1% of the proposed personnel budget. Historically personnel and related costs are budgeted on the premise that positions will be filled for the entire year. When a position becomes vacant, there is a natural time lag involved to fill the vacancy. This time lag creates a favourable budget variance as the budgeted dollars associated with a position go unspent during the vacancy period.

### Capital Financing

Per CSD 41-2020 (2021 Budget Planning report approved by Regional Council), the strategy for the 2021 budget was to present a budget at 2%. Accordingly, staff have included in alignment with this a 1% (\$14,688) increase in the budget to account for increased funding to the capital program (increase transfer to the Courts capital reserve).

### COVID-19

Projected increases in expenses related to cleaning supplies and services, as well as protective equipment, due to COVID-19 pandemic totalling \$79,112 (or a total budget increase of 5.4%) has been included in the 2021 operating budget shared 50% with

the LAMs in accordance with our Inter-municipal agreement (total cost of \$39,566 respectively).

## **Analysis**

### **Base Operating Budget**

The total budgeted net revenue for 2021 is \$1,360,348 to be split between the Niagara Region and the LAMs in accordance with the Inter-municipal Agreement. The amount of \$680,174 is budgeted to be distributed to the LAMs based on the 2021 proportionate share of assessment value for the municipalities.

Staff anticipate that there will not be a negative impact to the 2021 revenue budget as a result of the COVID-19 pandemic. Under normal circumstances, the funds noted below would have been revenue realized in 2020. Due to the extension of time limitations and paused enforcement actions as a result of Provincial and Judicial Orders in response to the pandemic, Court Services anticipate the revenue will be realized in 2021 and add to the overall 2021 gross revenue figures.

### **Infraction Revenue**

- The extension of time limitations and the pause on certain enforcement processes as a result of Provincial and Judicial Orders in response to the pandemic has resulted in more than 4000 Part 1 charges sitting on “Fail To Respond” (FTR) dockets awaiting conviction.
- This pause is scheduled to be lifted on February 26, 2021
- FTR convictions entered in February 2021 will become due and payable in March 2021
- The current value exceeds \$700K (as at October 31, 2020)

### **Delinquent Revenue**

- Over 3000 cases are pending suspension as a result of Provincial and Judicial Orders in response to the pandemic
- The pause on suspensions will be lifted February 26, 2021
- The current value of the cases eligible for suspension exceeds \$3.7 million dollars (as at October 31, 2020)
- Historically 1/3 of defendants will pay once suspended = \$1.9 million dollars

- Enforcement activities that were mandated to be paused will recommence in February 2021 with revenue realized thereafter.

Court Services has leveraged the opportunity to collect on some of its delinquent fines through a partnership with all 12 LAMs through the “add to tax roll” initiative. A total of approximately \$1,254,214.51 in delinquent fines has been successfully collected since implementation of this initiative in 2014, which represents an 88% recovery rate. As set out in this report, these funds are split between Niagara Region and all local area municipalities.

It is important to note that Court Services generates revenue and continues to be self-funded, and therefore is not reliant on the levy budget. Pursuant to the Inter-Municipal agreement, net revenue is shared, with 50% going to the Region and 50% going to the LAMS. The 2021 budget as presented proposes a \$54,244 or 7.4% decrease in net Regional revenue and is within Regional Council’s budget planning direction of 1% of the net 2020 base budget.

#### 2021 Capital Funding Request

A 2021 capital budget request of \$150,000 has been submitted in conjunction with IT Services’ capital budget requests, with the intention to replace the current scheduling tool with an upgraded application. JBM-C 6-2020 - 2021 Capital Budget - Court Scheduling Tool Modernization Project was brought forward and subsequently approved by Joint Board of Management on August 13, 2020, to be funded as part of the 2021 Capital Budget for Court Services with recommended funding from the 2021 Court Services Operating Budget. The costs will not impact the base operating budget, however will be funded on a one-time basis through the adjustment of the 2021 Transfer to Courts capital reserve, as outlined above.

#### Vision Zero Road Safety Program Change

In 2020, the Vision Zero program on certain Regional roads was approved and is planned to launch in early 2021. The Vision Zero program is comprised of a number of traffic safety initiatives led by the Region’s Transportation Services department including red light cameras (“RLC”) and automated speed enforcement (“ASE”). Infractions issued under Vision Zero will be processed through the Niagara Region Provincial Offences Court. However, authorization received to implement the RLC and ASE initiatives under Vision Zero was subject to successful negotiations with the LAMs

to amend the Inter-Municipal Agreement with respect to the sharing of both the revenues and the costs associated with the implementation and operation of the Vision Zero program to ensure that the program is financially sustainable to the Region.

As a result of COVID-19, discussions with LAMs in relation to the program and requested amendments to the Inter-Municipal agreement were delayed. An update on the status of the program was provided to JBM in Report JBM-C 12-2020 dated November 5, 2020; and is being provided to Council in Report CSD 81-2020 proceeding to Corporate Services Committee on December 9, 2020.

The 2020 budget was based on 6 months of operations for RLC and 9 months for ASE. Based on the estimated timelines for 2021 Staff do not foresee operations exceeding the timelines used to estimate 2020 budget and as a result, the 2021 base budget includes the budget as approved in 2020. The budget for the Vision Zero program has been prepared on a cost neutral basis, meaning revenue equal expenses. The 2022 budget will be based on actuals operating results for 2021.

#### Niagara Region Courts Inter-Municipal Agreement

The budget has been prepared with consideration of the budget requirements as outlined in the Niagara Region Courts Inter-Municipal agreement. The Niagara Region Courts Inter-municipal Agreement (the “Inter-municipal Agreement”) provides that:

##### *Section 7 – Budget*

7.1 The Manager, on behalf of the Agent, shall prepare an annual budget for the Program setting out estimated operating and capital costs, and projected revenue from fines, fees, applicable grants, subsidies and other revenues. The budget shall be submitted to the Board for approval. Following Board endorsement, the budget shall be submitted to Regional Council for approval.

##### *Section 8 – Apportionment of Costs and Revenue*

8.1 The Agent shall be entitled to recover its costs from the gross revenues generated by the transfer of POA administration. Gross revenues shall not include Part II Parking revenues, as otherwise provided for in Section 6 of this Agreement.

8.2 The Region shall receive 50% of the net revenues.

8.3 All Municipalities, with the exception of the Region, shall receive 50% of net revenues, and it shall be distributed on the basis of assessment.

This 2021 operating budget was approved by the Joint Board of Management Niagara Region Courts on November 17, 2020, in accordance with the above.

### **Alternatives Reviewed**

Further reduction in discretionary expenses would result in the Niagara Region not being able to meet its obligations under the Memorandum of Understanding with the Ministry of the Attorney General to properly administer the Provincial Offences Court in Niagara.

### **Relationship to Council Strategic Priorities**

The 2021 Budget was prepared in alignment with Regional Council guidance and Strategic Priorities.

### **Other Pertinent Reports**

JBM-C 9-2019 Court Services – 2020 Budget Report  
PW 64-2019 Public Works – Vision Zero Road Safety Program  
JBM-C 6-2020 - 2021 Capital Budget - Court Scheduling Tool Modernization Project  
CSD 41-2020 – Budget Planning

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*This report was prepared in consultation with Blair Hutchings, Program Financial Analyst and Beth Brens, Manager, Financial Support. Reviewed by Donna Gibbs, Director, Legal and Court Services and Helen Chamberlain, Director of Financial Management and Planning.*

**Appendices**

Appendix I            Schedule of Expenditures and Revenue;  
                             Courts 2019 Actuals;  
                             2020 budget and Q3 Forecast and 2021 budget



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	2019 Actual	2020		2021						
	Total	Q3 Forecast Total	Budget Total	Total Base Services	Base Variance	Base Variance %	Budget Total Program Changes	Total	Total Variance	Total Variance %
A_40000AB Compensation	1,615,203	1,596,440	2,569,704	2,549,452	(20,252)	(0.8%)	-	2,549,452	(20,252)	(0.8%)
A_41000AB Administrative	1,753,147	1,357,164	2,891,177	2,899,274	8,097	0.3%	9,550	2,908,824	17,647	0.6%
A_44000AB Operational & Supply	1,419,809	410,356	1,162,564	1,155,220	(7,343)	(0.6%)	(41,338)	1,113,882	(48,681)	(4.2%)
A_50000AB Occupancy & Infrastructure	-	1,498	-	-	-	-	1,000	1,000	1,000	-
A_52000AB Equipment, Vehicles,Technology	8,334	9,980	500	500	-	-	13,000	13,500	13,000	2,600.0%
A_58000AB Financial Expenditures	241,425	199,099	158,000	223,000	65,000	41.1%	-	223,000	65,000	41.1%
A_75100AC Transfers To Funds	-	200,000	200,000	293,362	93,362	46.7%	14,688	308,050	108,050	54.0%
A_60000AC Allocation Between Departments	(4,780)	(105,783)	(6,890)	(7,960)	(1,070)	15.5%	-	(7,960)	(1,070)	15.5%
<b>Gross Expenditure Subtotal</b>	<b>5,033,138</b>	<b>3,668,753</b>	<b>6,975,055</b>	<b>7,112,849</b>	<b>137,794</b>	<b>2.0%</b>	<b>(3,100)</b>	<b>7,109,749</b>	<b>134,694</b>	<b>1.9%</b>
A_34950AB Other Revenue	(7,240,347)	(5,040,000)	(8,859,747)	(8,924,747)	(65,000)	0.7%	-	(8,924,747)	(65,000)	0.7%
<b>Gross Revenue Subtotal</b>	<b>(7,240,347)</b>	<b>(5,040,000)</b>	<b>(8,859,747)</b>	<b>(8,924,747)</b>	<b>(65,000)</b>	<b>0.7%</b>	<b>-</b>	<b>(8,924,747)</b>	<b>(65,000)</b>	<b>0.7%</b>
<b>Net Expenditure (revenue) before indirect allocations</b>	<b>(2,207,209)</b>	<b>(1,371,247)</b>	<b>(1,884,692)</b>	<b>(1,811,898)</b>	<b>72,794</b>	<b>(3.9%)</b>	<b>(3,100)</b>	<b>(1,814,998)</b>	<b>69,694</b>	<b>(3.7%)</b>
A_70000AC Indirect Allocation	605,873	540,922	595,044	539,774	(55,270)	(9.3%)	50,000	589,774	(5,270)	(0.9%)
A_70200AC Capital Financing Allocation	552,316	554,343	555,230	545,049	(10,181)	(1.8%)	-	545,049	(10,181)	(1.8%)
<b>Allocation Subtotal</b>	<b>1,158,189</b>	<b>1,095,264</b>	<b>1,150,274</b>	<b>1,084,824</b>	<b>(65,451)</b>	<b>(5.7%)</b>	<b>50,000</b>	<b>1,134,824</b>	<b>(15,451)</b>	<b>(1.3%)</b>
<b>Net Expenditure (revenue) after indirect allocations</b>	<b>(1,049,020)</b>	<b>(275,983)</b>	<b>(734,418)</b>	<b>(727,074)</b>	<b>7,344</b>	<b>(1.0%)</b>	<b>46,900</b>	<b>(680,174)</b>	<b>54,244</b>	<b>(7.4%)</b>
FTE - Reg			35.0	35.0	-		-	35.0	-	
FTE - Temp			-	-	-		-	-	-	