
Subject: Court Services – 2019 Budget Report

Report to: Budget Review Committee of the Whole

Report date: Thursday, January 31, 2019

Recommendations

That the 2019 Court Services gross operating budget of \$6,135,214 and net budgeted revenue of \$604,786, as outlined in **Appendix 1, BE APPROVED.**

Key Facts

- Pursuant to Section 7 of the Niagara Region Courts Inter-municipal Agreement (the “Inter-municipal Agreement”):
 - 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.
- Under the provisions of the Memorandum of Understanding (the “MOU”), the Local Side Agreement and the Inter-municipal Agreement, the Regional Municipality of Niagara (the “Region”) acts as an agent on behalf of the twelve local area municipalities, and administers Provincial Offences Courts located in the City of St. Catharines and Welland.
- Court Services staff administers a high volume of violations under *the Highway Traffic Act*, *the Trespass to Property Act*, *the Liquor License Act*, municipal bylaws, 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*.
- If Budget Review Committee of the Whole approves the 2019 budget, the benefits include:
 - A 2019 distribution level for net revenue forecasted at \$604,786 to the area municipalities and \$604,786 to the Region which is an increase in net revenue of 11.1% over 2018 thereby a better outcome than the budget guidance provided by Council.

- It upholds Niagara Region's obligation in the MOU with the Ministry of the Attorney General (the "MAG") to provide an acceptable level of customer service and access to justice despite the following budget pressures:
 - a decrease in the number of pre-paid fines;
 - an increase in labour costs; and
 - the ongoing funding of debt financing for the new courthouse from the Court Services revenue.

Financial Considerations

It is anticipated that revenue generated from the payment of fines and the debt financing obligation for the new courthouse will remain consistent in 2019 with the 2018 budgeted amounts, and that there will be an overall decrease in operating expenses, resulting in a budgeted net revenue of \$604,786 to the Region. The amount of \$604,786 will also be provided to the local area municipalities to be distributed based on the 2019 proportionate share of assessment value for the municipalities as outlined in **Appendix 2**.

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. All net revenue is shared, with 50% going to the Region and 50% going to the local area municipalities. The 2019 budget as presented has a \$60,304 or 11.1% increase in net Regional revenue and is within Regional Council's guidance of 1.5% to 2% of net base budget, which would equate to a net revenue decrease of \$8,200.

The forecasted budget will maintain an acceptable level of customer service and access to justice.

Analysis

The total operating expenses for service delivery are budgeted with an overall decrease of 1.1% and there is no changes in revenues, resulting in a decrease in the net operating budget before indirect allocations of 2%. The net revenue is further increased by a forecasted decrease in the indirect allocations for administrative support costs and capital financing.

	2019	2018	\$ Change	% Change
Total Expenses (excluding Dist. to LAMs)	\$ 4,296,372	\$ 4,343,653	\$ (47,281)	(1.1)%
Total Revenues	\$ (6,740,000)	\$ (6,740,000)	\$ -	0.0%
Net Base	\$ (2,443,628)	\$ (2,396,347)	\$ (47,281)	2.0%
Indirect Allocations & Debt Charges	\$ 1,234,056	\$ 1,307,383	\$ (73,327)	(5.6)%
Total Net Revenue	\$ (1,209,572)	\$ (1,088,964)	\$ (120,608)	11.1%
50% Distribution to LAMs	\$ 604,786	\$ 544,482	\$ 60,304	11.1%
Net Revenue - Niagara Region	\$ (604,786)	\$ (544,482)	\$ (60,304)	11.1%

Revenue budget is forecasted to remain constant in 2019. A new process to encourage the timely payment of fines prior to default, as well as some increased fine revenue from the plate denial initiative implemented effective May 1, 2017, will assist to offset the ongoing decrease in charges laid by enforcement agencies at this time (9% year to date) and a 14% decrease in the number of charges that are pre-paid. Also, 4.5% of Part 1 charges, although down from 5.8 % in 2017 are challenged in court, which delays revenue from being realized.

An early resolution (ER) option was introduced in 2012 and although this option assists with reducing the cost to administer a charge through the system, it also contributes to a decrease in revenue as one of the potential outcomes of an ER meeting with the prosecutor is the reduction of the fine amount. Outstanding fine amounts continue to increase annually despite an enhanced focus and varied approach to enforcement. For example, Court Services has leveraged the opportunity to collect on some of its delinquent fines through a partnership with the majority of the local area municipalities through the “add to tax roll” initiative. The exception is the City of Niagara Falls, which declined to enter into an Agreement with the Region to participate in this initiative. The majority of the partnerships with the participating local area municipalities have been in place since and to date they have successfully collected \$701,464.11 in delinquent fines. As set out in this report, these funds are split between Niagara Region and all local area municipalities, including the City of Niagara Falls. In addition, Court Services also utilizes demand notices, suspends driver’s licenses, uses third party collection agencies, and various methods of civil enforcement including garnishments and Writs of Seizure and Sale to bind lands to try to collect delinquent fines.

The decrease in operating expenses will be realized as a result of adjustments to interpreter and adjudication costs, as well as the e-ticketing initiative as it becomes more widely used by the Niagara Regional Police officers.

Court Services continues to operate facilities in both the City of Welland and St. Catharines. As of October 1, 2018, a new Court Master Plan was implemented by the Local Administrative Justice of the Peace, which directs that all matters be scheduled in Welland, and therefore only counter service is offered at the St. Catharines courthouse (with the court room being available for long trial/overflow matters on an as-needed basis). In the spring of this year, a Report will be brought to the Joint Board of Management and Regional Council related to the St. Catharines facility, as the lease at this location expires on October 31, 2019.

There is no planned contribution to the Court Services Reserve Fund in 2019 as a result of the initiation of debt financing for the new courthouse. Net revenue previously allocated to reserve is being directed to pay for debt financing on the new courthouse and is included in the indirect allocation expenses. The debt servicing costs for the new courthouse in 2019 are consistent with the charges for 2018. The balance of indirect administrative support cost overall reductions of \$73,321 relate to lower distribution of operating and capital allocations from other departments. This reduction in the indirect allocations from corporate support services assists with the overall increase in net revenue forecasted in 2019.

The multi-year budget for 2020 forecasts a 0% increase in revenue and a 1.3% increase (or \$79,223) in gross expenditures, with forecasted net revenue for each of the Niagara Region and the local area municipalities at \$525,563. This is based on the assumption that revenues will remain constant at their current rate with initiatives such as the new enforcement through plate denial.

In 2021, there is a 0% increase in revenue and a 0.7% increase (or \$42,265) in gross expenditures forecasted. The forecasted net revenue available to both the local area municipalities and the Niagara Region would be \$483,298 in 2021.

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 and adequately administer the Provincial Offences Court in Niagara.

Other Pertinent Reports

- JBM (C) 11-2017 Court Services – 2018 Budget Report

This report was prepared in consultation with Sara Mota, Program Financial Specialist, and reviewed by Donna Gibbs, Director, Legal and Court Services and Helen Chamberlain, Director of Financial Management and Planning.

Prepared by:

Monica Ciriello
Manager, Court Services
Enterprise Resource Management
Services

Recommended by:

Todd Harrison, CPA, CMA
Commissioner/Treasurer
Enterprise Resource Management
Services

Submitted by:

Ron Tripp, P. Eng.
Acting, Chief Administrative Officer

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Appendices

Appendix 1	Schedule of Expenditures and Revenue; Courts 2017 Actuals; 2018 budget and Q3 Forecast and 2019 budget	Page 6
Appendix 2	MPAC Municipal Assessment for 2019	Page 7

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	2017 Actual	2018		2019						
	Total	Q3 Forecast Total	Budget Total	Base Services	Base Variance	Base Variance %	Budget Total Program Changes	Total	Total Variance	Total Variance %
A_40000AB Compensation	1,882,140	1,804,399	1,999,716	2,039,232	39,516	2.0%	-	2,039,232	39,516	2.0%
A_41000AB Administrative	2,029,875	1,882,752	1,866,835	1,834,060	(32,775)	(1.8%)	-	1,834,060	(32,775)	(1.8%)
A_44000AB Operational & Supply	908,243	1,253,215	920,982	928,536	7,554	0.8%	-	928,536	7,554	0.8%
A_50000AB Occupancy & Infrastructure	6,875	-	-	-	-	-	-	-	-	-
A_52000AB Equipment, Vehicles, Technology	10,392	6,845	500	500	-	-	-	500	-	-
A_58000AB Financial Expenditures	141,179	138,350	109,000	108,000	(1,000)	(0.9%)	-	108,000	(1,000)	(0.9%)
A_60000AC Allocation Between Departments	(2,027)	(6,569)	(8,899)	(9,170)	(271)	3.0%	-	(9,170)	(271)	3.1%
Gross Expenditure Subtotal	4,976,677	5,078,992	4,888,135	4,901,158	13,024	0.3%	-	4,901,158	13,024	0.3%
A_34950AB Other Revenue	(6,813,208)	(7,282,663)	(6,740,000)	(6,740,000)	-	-	-	(6,740,000)	-	-
Gross Revenue Subtotal	(6,813,208)	(7,282,663)	(6,740,000)	(6,740,000)	-	-	-	(6,740,000)	-	-
Net Expenditure (revenue) before indirect allocations	(1,836,531)	(2,203,671)	(1,851,865)	(1,838,842)	13,024	(0.7%)	-	(1,838,842)	13,024	(0.7%)
A_70000AC Indirect Allocation	717,809	610,279	624,332	680,775	56,443	9.0%	743	681,518	57,186	9.2%
A_70200AC Capital Financing Allocation	628,839	682,833	683,052	552,538	(130,514)	(19.1%)	-	552,538	(130,514)	(19.1%)
Allocation Subtotal	1,346,648	1,293,112	1,307,383	1,233,313	(74,070)	(5.7%)	743	1,234,056	(73,328)	(5.6%)
Net Expenditure (revenue) after indirect allocations	(489,883)	(910,559)	(544,482)	(605,529)	(61,047)	11.2%	743	(604,786)	(60,304)	11.1%
FTE - Reg			26.0	26.0	-		-	26.0	-	
FTE - Temp			-	-	-		-	-	-	

2019 Court Distribution to Area Municipalities

2019 Budget

Area Municipality	2019	Apportioned	Budget	Budgeted Distribution by Quarter			
	Assessment		Total	March	June	September	December
Niagara Falls	\$11,423,994,476	19.50%	\$117,933.28	\$29,483.32	\$29,483.32	\$29,483.32	\$29,483.32
Port Colborne	\$1,883,392,977	3.21%	\$19,413.64	\$4,853.41	\$4,853.41	\$4,853.41	\$4,853.41
St. Catharines	\$14,860,665,217	25.36%	\$153,373.72	\$38,343.43	\$38,343.43	\$38,343.43	\$38,343.43
Thorold	\$2,327,497,177	3.97%	\$24,010.00	\$6,002.50	\$6,002.50	\$6,002.50	\$6,002.50
Wellsand	\$4,719,658,916	8.05%	\$48,685.28	\$12,171.32	\$12,171.32	\$12,171.32	\$12,171.32
Fort Erie	\$3,781,255,244	6.45%	\$39,008.68	\$9,752.17	\$9,752.17	\$9,752.17	\$9,752.17
Grimsby	\$4,562,453,495	7.78%	\$47,052.36	\$11,763.09	\$11,763.09	\$11,763.09	\$11,763.09
Lincoln	\$3,794,236,761	6.47%	\$39,129.64	\$9,782.41	\$9,782.41	\$9,782.41	\$9,782.41
NOTL	\$5,294,306,150	9.03%	\$54,612.16	\$13,653.04	\$13,653.04	\$13,653.04	\$13,653.04
Pelham	\$2,698,198,822	4.60%	\$27,820.16	\$6,955.04	\$6,955.04	\$6,955.04	\$6,955.04
Wainfleet	\$1,086,036,827	1.85%	\$11,188.56	\$2,797.14	\$2,797.14	\$2,797.14	\$2,797.14
West Lincoln	\$2,188,974,902	3.73%	\$22,558.52	\$5,639.63	\$5,639.63	\$5,639.63	\$5,639.63
Total	\$58,620,670,964	100.00%	\$604,786.00	\$151,196.50	\$151,196.50	\$151,196.50	\$151,196.50