

Memorandum

JBM-C 9-2024

Subject: 3rd Quarter Variance Analysis and Forecast to December 31, 2024

Date: November 28, 2024

To: Joint Board of Management

From: Miranda Vink, Associate Director, Court Services

This memo is intended to provide a summary of the status of the 2024 Court Services operating results as of September 30, 2024, as a result of a recent forecasting exercise undertaken.

Background

Court Services revenue and expenditures are influenced by a number of factors, many of which are beyond the control of Staff, including charging volumes and the types of charges, number of court appearances required (including requests for trials and appeals), availability of judicial resources, applications for extension of time to pay, as well as the need to undertake collection activities to recover delinquent fines.

Additionally, the 2024 budget included assumptions regarding the implementation of the Vision Zero (VZ) program, led by the Region's Transportation division, which launched in September 2023, resulting in variances as the realized experience continues to unfold. From January to September 2024, a number of factors created variances in both the revenue and expense lines regarding VZ, including but not limited to;

- Increased volume of credit card payments resulting in increased fees;
- Mid-year change in agreement with Paytickets.ca for processing VZ ticket payments online resulting in unanticipated increase in costs;
- Variance in Automated Speed Enforcement (ASE) and Red Light Camera (RLC) charging volumes compared to original estimates as a result of:
 - RLC launch in March 2024 (as opposed to January 2024);
 - Significant surge of ASE charging volumes in March and April 2024;
- Higher than anticipated pre-paid fine rates and lower dispute rates for ASE;
- Gradual recruitment of the approved VZ full time employees (FTEs), with 7 of the positions being occupied as of September 2024.

As per the Inter-Municipal Agreement, 50% of the net revenues/net expenditures are shared with/recovered from the local area municipalities (LAMs).

Base Operations

Charging volumes for base operations have slightly decreased compared to the same period in 2023; with Q1-Q3 2024 (22,334) being 3% lower than Q1-Q3 2023 (22,950); and overall remain significantly lower than pre-2020 rates.

Despite a significant drop in charging base volumes from 2020 onward, the number of cases that are going delinquent is increasing at a concerning rate. Year-to-date statistics for 2024 show that the monthly delinquent case average for base charges is 799 cases per month; a substantial increase over Q4 2023 numbers (649 cases per month) and just slightly below 2022 numbers (at which time they were at their highest since 2015 when rate tracking was implemented). Following the 2023 program launch, the delinquent case average for VZ charges is 578 cases per month as of Q3 2024.

Based on the Q3 forecasted operating results, base operations will be in a net revenue position of \$112 thousand at year end, of which \$56 thousand will be allocated to the Region and \$56 thousand will be allocated to the LAMs. The forecasted net revenues of \$56 thousand represents a \$26 thousand deficit over the budgeted distribution of \$82 thousand. The year-to-date and forecasted variance analysis for base operations is included in Appendix 1 to Memorandum JBM-C 9-2024. Appendix 2 to Memorandum JBM-C 9-2024 illustrates the forecasted distribution of base operations net revenues to the LAMs to the end of 2024.

Vision Zero Operations

ASE charges were introduced in September 2023, followed by RLC charges in April 2024. From January 1 to September 30, 2024, 44,308 ASE and 2,019 RLC charges have been issued. It is important to note that the contract between Niagara Region Transportation and the Joint Processing Centre planned for the issuance of 45,000 ASE and 5,000 RLC charges annually. To date, charges issued represent 98.5% of the current annual allocation of ASE charges and 40.4% of the annual allocation of RLC charges. An influx of charges in March and April 2024 contributed to an increase in fine revenues (and related expenditures for processing) as a result. However, charging volumes are anticipated to stabilize for the remainder of the year.

Additionally, VZ charges generally have a higher pre-paid fine rate (ASE 68%, RLC 42%), meaning less fines are disputed compared to base charges (40% prepaid rate). As a result, these cases are disposed within a shorter period of time and require less

resources for trials or early resolution, in addition to less enforcement of delinquent fines.

Overall, VZ expenses and revenues look significantly different than initially projected for 2024. The VZ budget was established with a \$0 distribution related to VZ operations in 2024. Based on the Q3 forecasted operating results, VZ operations are forecasted to be in a net revenue position of \$2,904 thousand at year end, of which \$1,452 thousand will be allocated to the Region and \$1,452 thousand will be allocated to the LAMs. The year-to-date and forecasted variance analysis for VZ operations is included in Appendix 3 to Memorandum JBM-C 9-2024. Appendix 4 to Memorandum JBM-C 9-2024 illustrates the forecasted distribution of VZ operations net revenues to the LAMs to the end of 2024.

All net revenues resulting from VZ operations must be reinvested into road safety programs as per the Inter-Municipal Agreement, as amended. Region Transportation staff expect to have a report to Council on the Vision Zero Road Safety Strategic Plan in Q1 2025 that will include how the Region's share of net revenues resulting from VZ operations will be reinvested in road safety programs. The Region's Transportation division will also be reaching out to LAM staff to explore opportunities to collaborate on reinvestment to maximize community safety impact. Finance Staff will be providing an update to the local area treasurers at their next scheduled meeting in December 2024.

Summary

Court Services participates in the Niagara Region's quarterly financial reporting process which provides analysis and commentary on budget to actual results. The Niagara Region Q3 2024 Financial Update report, as well as previous reports, can be accessed on the Niagara Region's external website.

<https://www.niagararegion.ca/government/budget/finance/default.aspx>

Respectfully submitted and signed by

Miranda Vink
Associate Director, Court Services

Appendices

Appendix 1 – Q3 2024 Year-to-Date Budget vs. Actual and Forecasted Variance Analysis – Base Operations Only

Appendix 2 – Q3 2024 Forecasted Distribution to Local Area Municipalities – Base Operations Only

Appendix 3 – Q3 2024 Year-to-Date Budget vs. Actual and Forecasted Variance Analysis – Vision Zero Operations Only

Appendix 4 – Q3 2024 Forecasted Distribution to Local Area Municipalities – Vision Zero Operations Only