
Subject: Court Services 2020 Operating Budget
Report to: Budget Review Committee of the Whole
Report Date: Thursday, November 21, 2019

Recommendations

1. That the 2020 Court Services gross base operating budget of \$6,330,582 and net budgeted revenue of \$734,418, as outlined in **Appendix 1, BE APPROVED.**
2. That the 2020 Court Services gross operating budget of \$1,794,747 and net operating budget of \$0 for the program change related to the implementation of the Vision Zero Road Safety Program, as outlined in **Appendix 2, BE APPROVED** subject to:
 - a. Successful completion of an amendment to the Niagara Region Courts Inter-municipal Agreement with respect to the sharing of revenue and costs of the Vision Zero program; and
 - b. Regional Council approval of both the Vision Zero Road Safety Program and the related operating budget for 2020.

Key Facts

- 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 Court.
- 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.

- 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*.
- This 2020 operating budget was approved by the Joint Board of Management, Niagara Region Courts on November 18, 2019.
- If Budget Review Committee of the Whole approves the base Court Services 2020 operating budget, the benefits include a 2020 distribution level for net revenue forecasted at \$734,418 to the local area municipalities (LAMs) and \$734,418 to the Region, which is an increase in net revenue of 21.4% over the 2019 approved budget and thereby a better outcome than the budget planning direction of 2% provided by Council.
- If Budget Review Committee of the Whole approves the Court Services 2020 operating budget program change for the implementation of the Vision Zero Road Safety Program ("Vision Zero"), it is expected that public safety will be increased as a result of a change in driving behavior, contributing to road safety and reducing traffic collisions and resulting injuries or fatalities.
- Staff have determined that an amendment to the Inter-Municipal Agreement is required in order for the Vision Zero program to be financially sustainable, failing which staff will not proceed with the implementation of the program.

Financial Considerations

Base Operating Budget

The total budgeted net revenue for 2020 is \$1,468,836, to be split between the Niagara Region and the LAMs in accordance with the Inter-municipal Agreement. The amount of \$734,418 is budgeted to be distributed to the LAMs, based on the 2020 proportionate share of assessment value for the municipalities.

It is anticipated that base revenue generated from the payment of fines will increase by \$325,000 based on current trends and the implementation of new contracts with collection agencies to collect delinquent fines. Staff also anticipate an overall increase in base operating expenses, including indirect allocations, of \$65,736, as a result of increases in expenses related to the increased revenue projections such as Victim Fine Surcharge ("VFS") and Collection Agency Costs ("CAC") as well as the contribution to the Court Services Reserve in the amount of \$200,000. These increases are offset by savings to be realized through the reduction of 3 permanent FTEs and the closure of the St. Catharines courthouse in October 2019.

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 2020 budget as presented proposes a \$129,632 or 21.4% increase in net Regional revenue and is within Regional Council's budget planning direction of 2% of the net 2019 base budget (which would equate to a net revenue decrease of \$12,000).

Operating Budget with Vision Zero Road Safety Program

Staff in the Transportation Services division have proposed the introduction and implementation of the Vision Zero program on certain Regional roads in 2020 that is comprised of red light cameras ("RLC") and automated speed enforcement ("ASE"). Infractions issued under Vision Zero will be processed through the Niagara Region Provincial Offences Court.

Report PW 64-2019 Vision Zero Road Safety Program was presented to the Public Works Committee and approved by Council on November 14, 2019. Recommendations in PW 64-2019 include authorization to implement initiatives under Vision Zero, 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. Currently, the revenue-sharing formula provided in the Inter-municipal Agreement would result in a negative cash flow for the Niagara Region.

It is important to note that the Vision Zero program will not proceed and no costs will be incurred under this program unless an agreement can be reached with the LAMs whereby the Inter-municipal Agreement is successfully amended with respect to the sharing of revenues and total program operational costs; therefore, no net revenue has been included in the proposed 2020 budget for this program change. The implementation of the program is also dependent on final approval by Regional Council of the program and the associated budget.

Revenue and costs proposed in the 2020 operating budget are estimated assuming a partial year of operation in 2020 of Vision Zero, with RLC operating for six (6) months and ASE for nine (9) months. These costs would decrease if the implementation of the program is delayed.

Based on the estimated volume of charges arising from the implementation of Vision Zero, costs associated with court administration, including the processing of tickets, prosecution, adjudication and collection services associated with the Vision Zero Program have been proposed as a program change for the 2020 operating budget (Appendix 2). Included in these costs are additional staffing (12 FTEs), contract Per Diem Prosecutors, ticket processing charges, VFS, adjudication and other administrative costs estimated at \$1.8 million for 2020.

Provided the Inter-Municipal Agreement is amended for this program, and based on the estimated charges that will be issued, it is estimated that the revenue generated from the payment of fines will be sufficient for the program to be self-funded, which includes the operational costs of the program incurred by Court Services, as well as Transportation Services and Business Licensing. The program would therefore not be reliant on the levy budget as a funding source. The implementation of the program will not negatively affect the distribution of net revenue, as proposed in the 2020 base operating budget for the current POA Court Services as outlined in Appendix 1.

Analysis

Base Operating Budget

As per Table 1 below, the total budgeted revenue is proposed to increase by 4.8% or \$325,000. Recent year-over-year trends have shown an increase in both infraction and delinquent fine revenue. Staff have therefore estimated a corresponding increase in the budgeted revenue for 2020. As set out in JBM-C 10-2019 Collection Agency RFP Results, new collection strategies will be implemented and are expected to promote increased recovery of fine payments.

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 \$845,000 in delinquent fines has been successfully collected since implementation of this initiative in 2014, which represents a 61% recovery rate. As set out in this report, these funds are split between Niagara Region and all local area municipalities.

As shown in Table 1 below, the total operating expenses for service delivery, including indirect allocations, but excluding the distribution of net revenue to the LAMs, is budgeted with an overall increase of 1.2% or \$65,736. This net decrease is the result of a combination of the following:

- Increases in expenses related to the higher revenue projections, including increased VFS and CAC.
- Transfer to the Court Services Reserve fund of \$200,000 to fund future capital requirements of the facility.
- These increases are partially offset by costs decreases as a result of:
 - Reduction of 3 full-time court clerk positions (overall reduction from 26.0 to 23.0 FTEs), which were realized through attrition. These reductions are a result of re-distribution of workloads and streamlining of processes, which were made possible through the continued expansion of the e-ticketing program and the amalgamation of Court Services locations. These initiatives will provide efficient and effective delivery of services at reduced costs.
 - Building cost savings realized through the closure of the St. Catharines Courthouse on October 31, 2019 and consolidation of operations at the newly constructed Welland Courthouse.

Table 1 – 2020 Court Services Gross & Net Budget

	2020	2019	\$ Change	% Change
Gross Operating Expenses (excluding Dist. to LAMs)	\$ 5,596,164	\$ 5,530,428	\$ 65,736	1.2%
Gross Operating Revenues	\$ (7,065,000)	\$ (6,740,000)	\$ (325,000)	4.8%
Total Net Revenue to be Allocated	\$ (1,468,836)	\$ (1,209,572)	\$ (259,264)	21.4%
50% Distribution to LAMs	\$ 734,418	\$ 604,786	\$ 129,632	21.4%
Net Revenue - Niagara Region	\$ (734,418)	\$ (604,786)	\$ (129,632)	21.4%

Staff is recommending an annual transfer to the Court Services Capital Reserve in the amount of \$200,000 in order to fund ongoing capital requirements of the facility and/or subsequent replacement in accordance with best practice in asset management. As the proposed budget reflects incremental net revenue to the Region and the Local Area Municipalities, this would be a reasonable time to consider an appropriate capital reserve strategy. This amount is based on the following assumptions:

- The current Welland facility cost was approximately \$12 million.
- With an expected service life of 40 years, the replacement of the facility could be in excess of \$25 million.
- Currently there is a balance in the Court Reserve of \$1.6 million.
- The budget remaining in the capital project for the Welland courthouse to be returned to the reserve is estimated to be approximately \$900,000.
- Debt charge budget is approximately \$531,000 and this budget can be repurposed to reserve contributions when the debt is paid off in 2042. From that time to future facility replacement, this could provide for \$7.5 million to the capital reserve.
- Remaining requirement is approximately \$15 million.
- \$200,000 today with additional inflation provided for in future operating budgets would generate an additional \$15 million in funding.

Operating Budget with Vision Zero Road Safety Program

The total Court Services operating expenses, including VFS costs, for the implementation and operation of the Vision Zero program is estimated to be approximately \$1.8 million for 2020, based on the assumed start dates of April 2020 for ASE and July 2020 for RLC and the resulting estimated volume of charges (currently

approximately 32,000 to 38,000 charges are processed per year on average by Court Services). This would include the costs for additional staffing (including Per Diem contract Prosecutors), VFS, adjudication, ticket processing and other administrative costs. There are no anticipated capital costs for Court Services to support the program.

Additional costs associated with administering and operating the Vision Zero program will also be incurred by other Regional departments in addition to Court Services, including the Transportation Services and Business Licencing divisions. These costs are estimated to be approximately \$1.7 million for 2020 and include equipment costs, ticket processing through a Joint Processing Centre, MTO charges, consulting and additional program staffing.

In anticipation of Council approval in principle of the Vision Zero program, a consolidated business case has been prepared (attached as Appendix 2) and will be included for consideration as part of the 2020 Operating Budget deliberations for the program.

Subject to successful negotiation with the LAMs with respect to the sharing of revenues and operating costs for the program, approximately 31,000 tickets will need to be issued to obtain an annual break even (cost neutral) point. The field studies conducted by Transportation Services staff have indicated that the number of speeding infractions within School Zones on Regional Roads will support the minimum required number of tickets.

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 9-2019 Court Services – 2020 Budget Report
- JBM-C 12-2019 Court Services 2020 Operating Budget
- PW 64-2019 Public Works – Vision Zero Road Safety Program

Appendices

Appendix 1	Schedule of Expenditures and Revenue; Courts 2018 Actuals; 2019 budget and Q3 Forecast and 2020 budget
Appendix 2	TRP-001 2020 Operating Business Case – Vision Zero Road Safety Program

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