

REPORT

Council

Meeting Date: February 28, 2022

FROM: Finance Department

DATE: February 15, 2022

SUBJECT: 2022 Halton Court Services Business Plan and Budget

LOCATION: Town-wide

WARD: Town-wide

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RECOMMENDATION:

1. That the 2022 Business Plan and Budget for Halton Court Services and the accompanying Capital Reserve contribution, as detailed in the report from the Finance department dated February 15, 2022 and attached as Appendix A, be approved.
2. That the draft Terms of Reference with respect to an external review of Halton Court Services, as detailed in the report from the Finance department dated February 15, 2022 and included as part of Appendix A, be approved.

KEY FACTS:

The following are key points for consideration with respect to this report:

- Halton Court Services (HCS) provides court services within Halton for offenses under the *Provincial Offences Act (POA)* and the (federal) *Contraventions Act*.
- As the Municipal Partners, the CAOs of each municipality in Halton serve on the Joint Management Board (JMB) to oversee the management and business HCS.
- Each municipality in Halton is required to approve the annual business plan and budget.
- The operation of HCS is funded through fine revenue.
- The annual net revenue from HCS is divided among all the Municipal Partners – 50% to the Region and 50% to the area municipalities allocated according to weighted assessment share.
- 2022 Business Plan and Budget highlights:
 - The proposed net revenue for HCS in 2022 is \$3.2 million, which is a 32% decrease from the 2021 budget. Oakville's projected share of net revenue is also expected to decrease, from \$996k to \$685k.

- Total revenues are budgeted to be \$10.0 million, a 10% decrease from 2021's budget (\$11.1 million).
- Total expenditures are budgeted to be \$6.8 million, a 4% decrease from 2021's budget (\$7.1 million).
- A recommendation for a \$50k contribution to the Capital Reserve Fund, consistent with prior years.
- A recommendation for an external review of HCS, funded from the Revenue Stabilization Fund.
- Other key issues, including:
 - Impacts of the pandemic;
 - Changes and costs related to the transfer of Part III POA prosecutions from the province;
 - An update on Automated Speed Enforcement.

BACKGROUND:

In keeping with the Inter-municipal Agreement between the City of Burlington, the Towns of Halton Hills, Milton, Oakville and the Region of Halton, the City of Burlington is required to provide its partners with an annual business plan and budget for HCS.

The 2022 Business Plan was completed in November and was built on the performance of HCS in 2019 (not 2020 or 2021 given the impact of the COVID-19 pandemic). The Business Plan and Budget have been reviewed and approved by the JMB and the Area Treasurers. The 2022 Business Plan and Budget is attached as Appendix A to this report.

COMMENT/OPTIONS:

Overview of 2021 Financial Performance

Budget Projections

The following are the projected financial results for HCS for 2021:

- Total revenues of \$9.2 million (83% of budget)
- Total expenditures of \$6.2 million (88% of budget)
- Net revenue of \$2.9 million (62% of budget)

These results are expected to fall short of budget due the impact of the COVID-19 pandemic.

Charges Filed

HCS projects a total of 50,892 charges to be filed by year end, which is 73% of the 70,000 that were projected for 2021.

Audits

An audit of HCS was performed for the period ended December 31, 2020 by KPMG. No items of concern were noted.

Revenue Stabilization Fund & Net Revenue Sharing

No transfer to the Revenue Stabilization Fund will take place for 2021 as it is expected that the budgeted net revenue will not be realized due to the impact of the COVID-19 pandemic. The net operating revenue that is recognized will be distributed as per each municipality's share. For Oakville, the expectation is for the town to receive \$621k for 2021, \$355k short of the \$976k that was in the town's 2021 budget.

2022 Business Plan and Budget

Overall Revenues

The Municipal Partners are projecting gross revenues based on the budgeted revenue for 2019 rather than actual revenue for 2020 or projected revenue for 2021, given the impacts of the pandemic. Although the population continues to grow at a fair rate across Halton, the number of charges filed by local enforcement agencies has remained steady for the last several years. This is contrary to the experience of other regions, where there was a strong correlation between population growth and increased local enforcement. 60,000 charges are projected for 2022 with the expectation that enforcement practices will increase from pandemic lows. Gross revenue for HCS in 2022 is budgeted at \$10.0 million as compared to \$11.1 million originally budgeted for 2021.

Overall Expenditures

Total expenditures in 2022 are budgeted at \$6.8 million compared to the \$7.1 million budgeted for 2021. This decrease is primarily due to a reduction in COVID-related expenses (\$475k), offset by increases in Human Resources costs.

Overall Net Revenues and Revenue Sharing

The net revenue budget for 2022 is \$3.2 million, after the \$50k contribution to the Capital Reserve Fund. This is a notable drop from 2021's budgeted amount (\$4.7 million) but is a slight increase from 2021's projected amount (\$2.9 million). The town's expected share of this revenue is \$685k, down from \$996k in HCS' 2021 budget. The town's 2022 budget did assume a reduction in revenue from HCS; however, the expected share of \$685k is still less than the town's budgeted amount of \$830k.

Revenue Stabilization Fund

A Municipal Partner Revenue Stabilization Fund (MPRSF) was created in 2014 to assist the Municipal Partners in protecting against the impact of volatility in fine revenue and to provide a source of funding to stabilize annual revenue sources. Net revenue in excess of budget for the years 2013 to 2017 was transferred to the MPRSF and interest was allocated to the MPRSF on an annual basis. In 2018, the Area Treasurers and JMB agreed to cease net revenue transfers to this fund. The Area Treasurers directed that funds be drawn from the MPRSF during 2020 to offset a shortfall in actual net revenues, leaving \$847k available at the start of 2021. The 2022 budget calls for the use of \$240k to be used to offset some operating expenses (\$140k) and to fund the external review (\$100k). Along with the projected interest for 2021 and 2022, the expected ending balance for 2022 will be \$639k.

Capital Reserve Fund

The Municipal Partners are recommending that the minimum contribution of \$50k be made to the Capital Reserve Fund in 2022. Along with the projected interest for 2021 and 2022, the expected ending balance for 2022 will be \$401k.

External Review

The JMB supported an external review of HCS with respect to development of operations and recommendations related to service delivery, long-term financial sustainability, and governance. Funding for this review will be provided from the Revenue Stabilization Fund, up to a maximum of \$100k. Draft Terms of Reference are included as part of the Business Plan and Budget in Appendix A.

Emerging Issues

Ongoing Pandemic Recovery

The pandemic continued to effect court operations across the province and the impact is anticipated to be ongoing throughout 2022 and with the possibility of extending into future years to accommodate the backlog of cases needing to be scheduled into court. HCS has a backlog of over 20,000 charges and, given the ongoing impacts of the pandemic, it is anticipated that the recovery process could affect operations for a minimum of 5 years.

Bill 177 Implementation

Bill 177 may have impacts to several HCS processes, though the full effects were not known at the time of the HCS Business Plan and Budget.

Transfer of Part III POA Prosecutions to Municipalities

As previously reported, the province intends to transfer the responsibility for prosecution of Part III POA matters to municipalities. A working group has been formed to work on this issue with municipalities across the province. There have been delays in the process and, as a result, the additional staffing support was not added in mid-2021 as per the 2021 Business Plan and Budget. Instead, these positions are included in the 2022 Business Plan and Budget effective for the second half of the year. HCS will report back to the JMB in 2022 as to the status of the agreements with the province and any staffing implications.

Automated Speed Enforcement

As previously reported, municipalities may now use Automated Speed Enforcement (ASE) camera technology to enforce speeding offences in school zones and community safety zones on roads with speed limits under 80 km/h.

Evaluation of data from various municipalities, including Oakville and Burlington, has identified that ASE would not be a revenue generating program, especially if operated through the Provincial Offences Court system. The number of charges from a single camera location has been assessed to be significant, resulting in anticipated adverse immediate impacts on staffing, judicial resources, and capacity of the POA court schedule, which has already been impacted by the court closures and backlogs relating to COVID-19. It is for that reason that the court system has been working closely with the province to implement legislative and regulatory amendments to allow municipalities to administer the ASE program through Administrative Monetary Penalties (AMPs).

In August of 2021, the province responded, confirming that the province recognizes that an AMPs framework for vehicle-based offences holds significant benefits for municipalities, and affirmed that the province is committed to working municipalities to continue to develop a policy framework for AMP programs. While the timing for required legislative amendments has not been finalized, the target date of mid-2022 has been discussed.

As the ASE has been identified as a net cost program, its implementation will raise financial risks of levy impact to participating Municipal Partners, risk of impact on POA net fine revenues, and other practical concerns which have been intensified by challenges created by COVID-19. If implemented by any of the partnering municipalities in advance of the establishment of AMPs, the number of offences

generated by ASE could overwhelm the court system leading to significant negative impacts. The Municipal Partners recommend a period to allow for an assessment of the impact of COVID-19 on court operations and resources before implementation of the ASE program. The Municipal Partners will report back as new information becomes available.

CONSIDERATIONS:

(A) PUBLIC

Overall service levels to the public are maintained within Halton under the proposed business plan and budget.

(B) FINANCIAL

The 2022 Budget for HCS includes a net surplus of \$3.2 million (after Reserve Fund transfers) which will be shared among the Municipal Partners, with Oakville's share being \$685k. Oakville's 2022 approved budget assumed a higher contribution from HCS at \$830k resulting in a budgeted shortfall of \$145k.

(C) IMPACT ON OTHER DEPARTMENTS & USERS

N/A

(D) CORPORATE STRATEGIC GOALS

This report addresses the corporate strategic goal(s) to:

- be accountable in everything we do
- be fiscally sustainable

(E) CLIMATE CHANGE/ACTION

N/A

APPENDICES:

Appendix A – 2022 Halton Court Services Business Plan and Budget

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Recommended and Submitted by:

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Commissioner of Corporate Services and Treasurer