



OAKVILLE

REPORT

COUNCIL MEETING

MEETING DATE: FEBRUARY 22, 2021

FROM: Finance Department

DATE: February 9, 2021

SUBJECT: 2021 Halton Court Services Business Plan

LOCATION:

WARD: Town wide

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RECOMMENDATION:

That the *2021 Business Plan and Budget for Halton Court Services* and the accompanying Reserve Fund transfers, as detailed in the report from the Finance department dated February 9, 2021 and attached as 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 CAO's 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.
- The proposed net revenue for HCS in 2021 is \$4.7 million, which is consistent with the 2020 budget. Oakville's projected share of net revenue is expected to remain consistent at just under \$1 million. The \$4.7 million includes a transfer from the Revenue Stabilization Fund of \$649,000.
 - Revenues are budgeted to increase 2% from the 2020 Budget, due in part to a new cost-recovery collections fee of \$30 on defaulted fines.
 - Expenses are budgeted to increase 14% from the 2020 Budget due to increased costs for COVID-19, for the transfer of Part III Prosecutions, and for property operations.

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- The Business Plan calls for a \$50,000 contribution to the Capital Reserve Fund and the use of \$40,000 from the same fund for 2021 purchases.
- The Business Plan incorporates changes and costs related to the transfer of Part III POA prosecutions from the province. In addition, the Business Plan calls for analysis to be completed in 2021 to examine the current cap on the annual revenue distribution and to develop Terms of Reference for a review of HCS.

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

COMMENT/OPTIONS:

Overview of 2020 Financial Performance

Budget

Following are the projected financial results for HCS for 2020:

- Gross revenues of \$8.6 million (79% of budget)
- Operating expenses of \$5.9 million (95% of budget)
- Net revenue of \$2.6 million (57% 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 57,800 charges to be filed, which is less than the 69,200 that were projected for 2020.

Audits

An audit of HCS was started by KPMG during March 2020 for the period ended December 31, 2019 and was completed in late 2020.

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Revenue Stabilization Fund

As it is expected that the 2020 budgeted net revenue will not be realized due to the impact of the COVID-19 pandemic, a transfer will take place from the Revenue Stabilization Fund to ensure that the minimum net revenue budget of \$4.7 million is realized.

2021 Performance Projections

Overall Revenues

The Municipal Partners are projecting gross revenues based on the budgeted revenue for 2020 rather than the actual revenue, given that 2020 was an anomaly. 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. A total of 70,000 charges are projected for 2021 with the expectation that enforcement practices will continue similarly to Q1 of 2020. Gross revenue for HCS in 2021 is budgeted at \$11.1 million as compared to \$10.9 million during 2020. The 2.0% increase in revenue over the 2020 budget can be attributed primarily to the slight increase in projected charges and the proposed implementation of a \$30 collections fee for defaulted fines.

The \$30 collections fee is being proposed to offset a portion of the operating costs within the Collections Unit. This would be consistent with other POA courts in Ontario and would generate approximately \$173,000 annually in recovered operating costs.

Overall Expenditures

Total expenditures in 2021 are budgeted at \$7.0 million compared to the \$6.2 million budgeted for 2020. This represents an overall increase of 13.6% in expenditures. Most of this increase can be attributed to COVID-related expenses (\$496,300), the download of Part III prosecutions (\$58,500), and a significant increase in facility-related expenses (\$138,800).

Overall Net Revenues

The net revenue budget for 2020 is \$4.7 million, after the \$50,000 contribution to the Capital Reserve Fund. While this is consistent with the 2020 budget, it does require the transfer of \$649,000 from the Revenue Stabilization Fund.

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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 is allocated to the MPRSF on an annual basis. The Area Treasurers and JMB have agreed to cease net revenue transfers to this fund as at the end of 2018. The Area Treasurers directed that funds be drawn from the MPRSF during 2019 and 2020 to offset a shortfall in actual net revenues. This direction is expected to continue in 2021. The projected balances in the fund at the end of 2020 and 2021 are \$3.0 million and \$2.4 million respectively.

Capital Reserve Fund

The Municipal Partners are recommending that the minimum contribution of \$50,000 be made to the Capital Reserve Fund during 2021 and that \$40,000 in expenditures during 2021 be budgeted for additional A/V equipment to enable virtual services to be offered. The projected balances in the fund at the end of 2020 and 2021 are \$325,000 and \$342,000 respectively.

Emerging Issues

Proposed Recommendations to Offset Increasing Cost of Court Operations

The Municipal Partners and HCS have raised concerns about the ongoing increase and long-term cost implications related to the operation of the Halton POA court, a concern shared by POA courts across the province. A working group has been formed to work on this issue with the province.

Transfer of Part III POA Prosecutions to Municipalities

As previously reported, the province intends to transfer the prosecution of Part III POA matters to municipalities. A working group has been formed to work on this issue with municipalities across the province. The province has provided drafts of an amended MOU and Local Side Agreement. The Municipal Partners recommend entering into the Amending Agreements with a transfer date no earlier than July 1, 2021. The proposed transfer date is contingent on successful discussions with the province and normal resumption of court services. The Municipal Partners will report back in 2021 once the Part III download date is finalized.

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As a result of this transfer, the 2021 Business Plan and Budget includes staffing costs for the increased caseload.

Recent Legislation

As previously reported, Bill 177 received Royal Assent in December 2017 which is part of the *Modernization of POA Courts Initiative*. Bill 177 includes a proposal to amend current legislation to allow for the transfer of authority and scope of administrative functions from the local judiciary to court administration. The Municipal Partners will report back when further details become available along with any proposed changes to administrative processes at HCS as a result.

On July 21, 2020, Bill 197, the *COVID-19 Economic Recovery Act, 2020*, received Royal Assent. As a result, amendments to the Provincial Offences Act are now in effect. These amendments will enable HCS, in consultation with the judiciary, to make greater use of technology to deliver justice services remotely.

Automated Speed Enforcement

As previously reported, the *Safer School Zones Act, 2017* received Royal Assent in May 2017, allowing municipalities to 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 by the Committee 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 relating to COVID-19. The province has not yet responded to requests for legislative and regulatory amendments to allow municipalities to administer the ASE program through the Administrative Monetary Penalty System.

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.

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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.

(B) FINANCIAL

The 2021 Budget for HCS includes a net operating budget surplus projection of \$4.7 million (after Reserve Fund transfers) which will be shared among the Municipal Partners. Oakville's budgeted net revenue from HCS of \$1.0 million is included in the 2021 budget.

(C) IMPACT ON OTHER DEPARTMENTS & USERS

Click here & provide overview of effects on other departments and users.

(D) CORPORATE AND/OR DEPARTMENT STRATEGIC GOALS

This report addresses the corporate strategic goal to:

- be accountable in everything we do
- be fiscally sustainable

(E) COMMUNITY SUSTAINABILITY

Halton Court Services Business Plan demonstrates a continuous improvement business model wherein service needs are measured against demand and efficiencies/deficiencies in service delivery are reviewed and responded to as appropriate. This continuous review/improvement process ensures the economic benefits of this service are maximized through optimized service delivery.

APPENDICES:

Appendix A – 2021 Halton Court Services Business Plan and Budget

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Commissioner of Corporate Services
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