

# Analyst Briefing Notes

## Budget Committee

(January 28, 2008)

**2008 OPERATING BUDGET**

Executive Summary .....	2
Recommendations .....	5

**Section A: 2007 Budget Variance Analysis .....** 6

2007 Experience .....	6
Impact of 2007 Operating Variance on the 2008 Recommended Budget .....	7

**Section B: 2008 Operating Budget Overview .....** 8

3-Year Operating Budget Overview .....	8
Challenges and Issues.....	9

**Section C: 2008 Recommended Base Budget.....** 11

2008 Recommended Base Budget .....	11
2008 Key Cost Drivers and Reduction Strategies .....	12

**Section D: 2008 Recommended Service Priorities .....** 13

Summary of 2008 New / Enhanced Service Priorities .....	13
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**Section E: Issues for Discussion .....** 14

Outstanding Issues from 2007 and Prior Years .....	14
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**Appendices:**

Appendix 1: Summary of Recommended Base Budget Changes from 2007 Approved Budget.....	15
Appendix 2: Summary of Service Level Adjustments .....	N/A
Appendix 3: Summary of 2008 Recommended New/Enhanced Service Priorities .....	16
Appendix 4: Inflows/Outflows to/from Reserves and Reserve Funds .....	17

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January 28, 2008

**2008 OPERATING BUDGET****Executive Summary**

- The 2007 projected year-end position of (\$6.271 million) net revenues is \$4.849 million or 43.6% below the 2007 Approved Operating Budget of (\$11.120 million) net revenues for Court Services. The variance is the combined result of underachieved revenues and project delays. The revenue shortfall of \$3.192 million is due primarily to the delay in the implementation of the Red Light Camera Expansion Program that resulted in a shortfall of \$2.2 million and the unwillingness of the defendants to pay court ordered fines.
  - Implementation of the Council approved Red Light Camera Expansion Program and increased court attendance by off duty police officers will address the 2007 revenue shortfalls in 2008.
- The 3-Year Operating Budget has been derived from the Program's Strategic Plan that is mandated by the Provincial Offences Act (POA) and the Memorandum of Understanding between the City of Toronto and the Ministry of the Attorney General as well as a number of Council-approved initiatives. In compliance with the mandated responsibilities, the Program's major objective is to provide dispute resolution services to the public while ensuring justice is fairly administered. The major challenges faced by the Program include:
  - The need to have changes to the existing legislation to increase sanctions available to enforce payment of court ordered fines by persons unwilling to pay voluntarily as ordered by the Court.
  - Increased number of Justices of the Peace assigned to preside in courtrooms requires additional court staff and prosecution staff. Due to increasing court activities, Court Services is faced with the need to find additional well-secured courthouse offices and increased staff to cope with the increased workload demands.
- The 2008 Recommended Operating Budget of (\$11.383 million) for Court Services is 2.4% or \$0.263 million above the Program's 2007 Approved Operating Budget and maintains 2007 service levels.

Table 1: 2008 Recommended Budget

(In \$000s)	2007		2008 Recommended Operating Budget			Change - 2008 Recommended from 2007 Approved Budget		FY Incremental Outlook	
	2007 Approved Budget	2007 Projected Actual	2008 Base	2008 New /Enhanced	2008 Operating Budget			2009	2010
	\$	\$	\$	\$	\$	\$	%	\$	\$
<b>GROSS EXP.</b>	35,586.5	37,243.6	39,334.6	0.0	39,334.6	3,748.1	10.5	519.1	97.0
<b>REVENUE</b>	46,706.5	43,514.3	50,393.9	324.0	50,717.9	4,011.4	8.6	21.5	0.0
<b>NET EXP.</b>	(11,120.0)	(6,270.7)	(11,059.3)	(324.0)	(11,383.3)	(263.3)	2.4	497.6	97.0
<b>Approved Positions</b>	230.0	230.0	230.0	0.0	230.0	0.0	0.0	0.0	0.0
<b>TARGET</b>			(11,120.0)		(11,120.0)				
<b>\$ Over / (Under) Program Target</b>			60.7		(263.3)				
<b>% Over / (Under) Program Target</b>			0.5%		(2.4%)				

- The 2008 Recommended Operating Budget for Court Services is (\$11.383 million) net. This is comprised of \$39.335 million in gross expenditures and \$50.718 million in revenues. Approval of the 2008 Recommended Operating Budget will not result in any change to the Program's staff complement.
  - The 2009 Outlook net increase of \$0.498 million or 4.5%, over the 2008 Recommended Budget, includes merit and related fringe benefit increases of \$0.097 million for the non-unionized staff, reversal of one-time cost containment gapping of \$0.118 million; and other miscellaneous non-salary expenditure increases totalling \$0.352 million. The expenditure increases are partly offset by the reversal of the 2008 additional day's pay of \$0.048 million. No increases are included for cost of living (COLA) in the outlook estimates for 2009 and 2010 as these are not yet determined. The 2010 Outlook includes \$0.097 million for merit and related fringe benefit increases.
- The 2008 Recommended Operating Budget is \$0.263 million or 2.4% over the 2008 target. The gross expenditure budget incorporates the Program's key cost drivers including COLA, merit and step increases and other non-discretionary expenditures that total \$3.985 million.
- The expenditure increases will be partly defrayed by increased collection activities of fines in default totalling \$2.477 million and the Province approved collection agency fees recoveries of \$1.100 million.
- A report, dated November 6, 2007, from the Director of Court Services, entitled "Introduction of New User fee to Pay Fines On-line" was approved by Council at its meeting of December 11, 12 and 13, 2007. Accordingly, a user fee of \$3.00 per transaction of POA fines through the

City's on-line Web, will be levied effective January 1, 2008 resulting in additional revenue of \$0.324 million.

- The 2008 Recommended Budget provides funding to maintain the same level of service as in 2007:
  - Provincial Offences Dispute Resolution,
  - Provincial Offences Court Case Management, and
  - Default Fine Collection Management.

## Recommendations

The City Manager and Chief Financial Officer recommend that:

1. the 2008 Recommended Operating Budget for Court Services of \$39.335 million gross and (\$11.383 million) net, comprised of the following services, be approved:

<u>Service:</u>	<u>Gross (\$000s)</u>	<u>Net (\$000s)</u>
Finance & Administration	23,112.4	22,035.7
Court Administration	7,128.5	(41,971.4)
Court Support	4,961.2	4,961.2
Planning & Liaison	3,591.2	3,591.2
Licensing Tribunal	541.3	0.0
	<hr/>	<hr/>
Total Program Budget	39,334.6	(11,383.3)
	<hr/>	<hr/>

## Section A: 2007 Budget Variance Analysis

**Table 2: 2007 Budget Variance Review**

	2006 Actuals	2007 Approved Budget	2007 Projected Actuals*	2007 Appvd. Budget vs Projected Actuals Variance	
(In \$000s)	\$	\$	\$	\$	%
<b>GROSS EXP.</b>	29,548.9	35,586.5	37,243.6	1,657.1	4.7
<b>REVENUES</b>	33,727.9	46,706.5	43,514.3	(3,192.2)	(6.8)
<b>NET EXP.</b>	(4,179.0)	(11,120.0)	(6,270.7)	4,849.3	(43.6)
<b>Approved Positions</b>	221.0	230.0	230.0	0.0	0.0

Source: \*Projected Actuals Based on the September 30, 2007 Variance Report.

### 2007 Experience

Court Services' projection to year-end indicates an unfavourable variance of \$4.849 million or 43.6% of the Program's 2007 Approved Operating Budget of (\$11.120 million) net revenues. The unfavourable variance is the combined result of underachieved revenues and expenditure overages. A shortfall in revenues of \$3.192 million is due primarily to the delay in the implementation of the Red Light Camera Expansion Program managed by Transportation Services Division, which resulted in a shortfall of \$2.200 million, and the unwillingness of the defendants to pay court ordered fines that resulted in a revenue underachievement of approximately \$0.990 million. Over-spending of \$1.657 million is primarily due to the additional payments for attendance of off duty police officers and other collection-related costs. Cost containment savings of \$0.153 million slightly offset revenue shortfalls.

### 2007 Cost Containment Savings

As mentioned above, Court Services achieved cost containment savings of \$0.153 million in 2007 through the measures itemized in the table below. These measures are recommended to continue into 2008, resulting in savings of \$0.202 million.

Net Cost Containment Savings	2007 (\$000s) Savings	2008 (\$000s) Continued Savings	Comments
<b>Hiring Freeze Savings:</b>			
Delay Hiring of 2 Supervisory staff	118.2	118.2	Coordination, integration and scheduling of court workflow will be adversely impacted and compromise the effectiveness of operations.
<b>Sub-total</b>	<b>118.2</b>	<b>118.2</b>	
<b>Service Level Adjustments:</b>			
Redeploy 50% of staff (3) providing phone response service to schedule trials thereby reducing overtime costs associated with trial scheduling - service level change: 4,750 calls per month will not be attended resulting in longer wait/response times.	25.0	60.0	Net Savings
<b>Sub-total</b>	<b>25.0</b>	<b>60.0</b>	
<b>Discretionary Savings:</b>			
Cancel business travel	10.0	24.0	Will result in reduced opportunities for staff to learn with colleagues and contribute in forums dealing with service delivery
<b>Sub-total</b>	<b>10.0</b>	<b>24.0</b>	
<b>TOTAL COST CONTAINMENT</b>	<b>153.2</b>	<b>202.2</b>	

## Impact of 2007 Operating Variance on the 2008 Recommended Budget

The delay experienced in implementing the Red Light Camera (RLC) expansion initiative, due to provincial regulations, has been resolved. The RLC program will be expanded in 2008 and it is anticipated that the 2007 budgeted revenues will be realized in 2008.

Increased court attendance by off duty police officers and appointment additional Justices of Peace by the Province will also address the 2007 revenue shortfalls in 2008.

Savings of \$0.202 million from the delay in hiring two supervisory staff and other efficiencies will result from the continuation of cost containment measures into 2008.

## Section B: 2008 Operating Budget Overview

### 3-Year Operating Budget Overview

The Court Services' mission is:

“To provide dispute resolution services to defendants and the public in Toronto in accordance with the Provincial Offences Act and the Memorandum of Understanding between the City of Toronto and the Ministry of the Attorney General in order to ensure justice is fairly administered”.

To achieve this mission, the Program is structured along the following service lines:

SERVICE AREA	DESCRIPTION
Provincial Offences Dispute Resolution	<p>Support courtroom hearings and related activities respecting contested charges involving Provincial statutes and Municipal bylaws. In order to guarantee the defendants fundamental right to have ‘Access to court hearings led by an independent judiciary’, it is always ensured that:</p> <ul style="list-style-type: none"> <li>➤ the courtroom capacity is used in excess of 95% to accommodate over 250 thousand hearings and trials each year</li> <li>➤ a hearing is held within six month of date of request for hearing</li> <li>➤ persons requesting an interpreter are provided with an interpreter at their hearing</li> <li>➤ a court transcript is produced within 90 days of the request.</li> </ul>
Provincial Offences Court Case Management	<p>Responsible for court administration processes respecting charges issued under Provincial law. In accordance with the legislated mandate, provide information about court processes to the public, process payments, schedule hearings/trials, identify unpaid fines for enforcement and liaison with the judiciary, and ensure prosecution and judiciary is maintained. Provide resources to ensure that the courts are efficiently operated to provide court administration and conduct transactions at counters, by phone, email or internet so as to complete request or transaction during first contact.</p>
Default Fine Collection Management	<p>While processing fines paid respecting convictions under charges issued under Provincial law, take collection action necessary to effect payment on fines not paid when due (fines in default) Compliance with court ordered sanctions serves as part of the consequences of breaching the law and serves as a deterrent to similar behavior in future as well as sending a message to the balance of society that laws are to be upheld.</p>



- Court Services' 3-Year Operating Budget continues to support efficient court administration and related services to the public using the Provincial Offences Courts in Toronto, located at 1530 Markham Rd., York Civic Centre, Old City Hall and 137 Edward Street. The services delivered are in accordance with the Memorandum of Understanding between the City of Toronto and the Ministry of the Attorney General.
- The 2008 Recommended Operating Budget for Court Services is (\$11.383 million) in net revenues. This represents a \$0.263 million (2.4%) increase in net revenues over the Program's net target of (\$11.120 million). The 2008 Recommended Budget incorporates certain base expenditures that are more than offset by increased revenues.
- Court Services' 2008 Recommended Operating Budget will maintain the 2007 approved positions of 230.0.
- For 2008, salary and wage impacts account for an incremental pressure of \$1.130 million. This includes a cost-of-living adjustment of \$0.313 million, merit/step increases of \$0.371 million and related adjustments to fringe benefits of \$0.247 million. An additional amount of \$2.556 million included in the total gross expenditures for the Police Off duty Court Attendance initiative will be more than offset by an increase in revenue of \$3.0 million.
- To help mitigate the impact of rising base costs, the 2008 Recommended Operating Budget for Court Services includes the following two cost recovery measures:
  - recovery of collection agency commission costs, estimated at \$1.100 million for 2008, and
  - the Council approved new user fee of \$3.00 per use of the web based internet payment module. This will be implemented effective January 1, 2008 with expected revenues in the amount of \$0.324 million.
- The Program will continue to face mounting base pressures including rising salary, leased facility rental costs and other collection-related costs. In the absence of legislative changes to increase sanctions available to enforce payment of court ordered fines, service efficiencies and/or legislative changes to increase sanctions available to enforce payment of court ordered fines, Court Services will be challenged to meet the City's affordability targets for 2009 and beyond.

## **Challenges and Issues**

The Program will be facing the following challenges and responsibilities in future years:

- Ensuring adequate resources are provided to operate courts efficiently in recognition of the fundamental right of individuals by ensuring access to court hearings led by an independent judiciary.
- Using new technology to record court hearings to assist staff in completing their legislative duties and to enhance service delivery by reducing the current timeframe to produce a court transcript.

- Increasing court capacity and strengthening collection efforts to provide assurance to the public that the City continues to take all actions possible to ensure compliance.
- Providing business and technological staff resources to support other priority initiatives.
- Contract management for printing and distribution of regulated court forms to all POA court offices in Ontario.
- As new processes and technology becomes available, staff will need to be trained to ensure that public services are delivered efficiently and effectively.

### **Strategic Priorities**

- The Court Services' 3-Year Operating Budget focuses on the following strategic priorities:
  - Simplifying the court process by identifying and implementing legislative and regulatory reforms
  - Obtaining Provincial sanctions for surcharge enforcement to reduce the level of unpaid fines experienced by all Ontario municipalities.
  - Complete phase 2 of the Red Light Camera Expansion program in 2008.
  - Continuing increased efforts at recovering outstanding defaulted fines through the use of Collection Agencies and services provided by dedicated Legal Division staff.
  - Continue to increase Off-duty Police court attendance to reduce the number of cases withdrawn and increase the number of convictions.
  - In the light of ongoing advocacy efforts, increasing court capacity and strengthening collection efforts, the trial request rate is expected to decrease while defendant unwillingness to pay court-ordered fines will reduce.
  - As a continuous improvement initiative, establish functional requirements and procure equipment and training that will allow staff to use modern technology, improve the quality of transcripts and capture the verbal court record of proceedings.

### Section C: 2008 Recommended Base Budget

**Table 3: 2008 Recommended Base Budget**

	2007 Approved. Budget	2008 Recommended Base	Change 2008 Recommended Base vs. 2007 Approved Budget		FY Incremental Outlook	
					2009	2010
(In \$000s)	\$	\$	\$	%	\$	\$
<b>GROSS EXP.</b>	35,586.5	39,334.6	3,748.1	10.5	519.1	97.0
<b>REVENUE</b>	46,706.5	50,393.9	3,687.4	7.9	21.5	0.0
<b>NET EXP.</b>	(11,120.0)	(11,059.3)	60.7	(0.5)	497.6	97.0
<b>Approved Positions</b>	230.0	230.0	0.0	0.0	0.0	0.0
<b>NET TARGET</b>		<b>(11,120.0)</b>			<b>0.0</b>	<b>0.0</b>
<b>\$ Over / (Under) Program Target</b>		<b>60.7</b>			<b>497.6</b>	<b>97.0</b>
<b>% Over / (Under) Program Target</b>		<b>0.5%</b>			<b>4.5%</b>	<b>0.9%</b>

### 2008 Recommended Base Budget

- The 2008 Recommended Base Budget of (\$11.059 million) net revenue represents a \$0.061 million (0.5%) increase over Court Service's 2007 Approved Budget.
- Cost-of-living adjustments (COLA), that average 2.44% for 2008, merit and step increases, and related fringe benefit adjustments comprise \$1.130 million of the recommended gross expenditure increase of \$3.748 million.
- Collection agencies are employed on a commission basis, to collect fines in default, and the commission expenses are absorbed into the operating expenditures. The POA courts have been successful in obtaining the Province's consent to charge back the commission fees to the defaulters. The 2008 Recommended includes an estimated charge back in the amount of \$1.100 million.
- In total, budgeted revenue for 2008 is \$3.687 million greater than in 2007, including the collection agencies commission fee recoveries of \$1.100 million.
- Annualization of the increased court attendance of off duty Police officers results in increased costs of \$2.835 million. This increased cost will be more than offset by increased revenues arising from increased fine collections.
- The 2008 Recommended Base Budget results in no changes to the 2007 staffing complement.

**2008 Key Cost Drivers and Reduction Strategies**

- The additional \$3.748 million in expenditures recommended for the Program's Base Budget is needed to fund the annualized cost of 2007 approved service changes, merit and step increases, non-salary economic factors, as well as other base changes.
- Key cost drivers for 2008 include:
  - COLA increase of \$0.313 million.
  - Merit and step increases of \$0.371 million.
  - Fringe benefit adjustment of \$0.247 million.
  - Increased expenditure for off-duty Police officers attending court of \$2.835 million.
- Cost containment savings totalling \$0.202 million from the delay in hiring two supervisory staff (\$0.118 million) and other efficiency reductions (\$0.084 million) will slightly defray the above pressures.

**2009 and 2010 Outlook: Net Incremental Impact**

The 2009 and 2010 Outlook includes \$0.498 million net or 4.5% and \$0.097 million net or 0.9% respectively over the 2008 Recommended Base Budget of (\$11.059 million) net revenues to maintain the 2008 service level. The 2009 increase includes the reversal of one-time gapping of \$0.118 million recommended as a 2008 cost containment measure. The Outlook increases are required to fund merit related fringe benefit increases and Non-Salary expenditure increases. No COLA funding is included in the 2009 and 2010 Outlook as the increase is subject to future negotiations.

### Section D: 2008 Recommended Service Priorities

**Table 4: Summary of 2008 New / Enhanced Service Priorities (In \$000s)**

Priority	Description	2008 Recommended		Rec. New Positions	Net Incremental Impact	
		Gross Exp.	Net Exp.		2009	2010
		\$	\$		#	\$
(a) Enhanced Service Priorities - Council Approved: New User Fee - Payment of POA fines on-line.		0.0	(324.0)			
(b) Enhanced Service Priorities - Program Initiated:						
Sub-Total Enhanced Services		0.0	(324.0)	0.0	0.0	0.0
(a) New Service Priorities - Council Approved:						
(b) New Service Priorities - Program Initiated:						
Sub-Total New Service Priorities		0.0	0.0	0.0	0.0	0.0
Total Recommended New / Enhanced Service Priorities		0.0	(324.0)	0.0	0.0	0.0

#### **Recommended Enhanced Services – Council Approved:**

##### **New User fee: \$0.324 million**

City Council at its meeting of December 11, 12 & 13, 2007 approved a report entitled “Introduction of New User fee to Pay Fines On-line”. A \$3.00 per payment transaction was approved for web-based on-line payments effective January 1, 2008, resulting in additional revenues in 2008 in the amount of \$0.324 million.

**Section E: Issues for Discussion****Outstanding Issues from 2007 and Prior Years**

A report entitled “Red-Light Camera Operations: Contract Extension and Request for Proposal 9148-05-5048 for the Supply, Installation, Operation and Maintenance of Red-Light Camera Systems Within the City of Toronto and Other Municipalities Within Ontario” was approved by City Council at its meeting of May 23, 24 and 25, 2006.

The report authorized the extension of the existing contract with Affiliated Computer Systems as well as the expansion of the program. However, due to longer than anticipated delays in receiving regulatory amendments from the Ministry of Transportation, the camera systems were not ready until November 2007.

As a result of the delay in implementation, fine revenue for Court Services has been severely under-achieved. During the 2007 Operating Budget process, Council directed the General Manager of Transportation Services, in consultation with the Director of Court Services, to report to Budget Committee on the status of the Red Light Camera program, including a comparison of actual vs. projected revenues. This report is pending.

# Appendix 1

## Summary of Recommended Base Budget Changes

### From 2007 Approved Budget

(In \$000s)	Summary of 2008 Base Budget Adjustments				Net Incremental Outlook	
	Approved Positions	Gross Expenditures	Revenues	Net	2009	2010
		\$	\$	\$	\$	\$
<b>2007 Council Approved Operating Budget</b>	<b>230.0</b>	<b>35,577.1</b>	<b>46,706.5</b>	<b>(11,129.4)</b>	<b>0.0</b>	<b>0.0</b>
In-year approvals and technical adjustments						
Corporate adjustments		9.4		9.4	0.0	0.0
<b>2007 Approved Operating Budget</b>	<b>230.0</b>	<b>35,586.5</b>	<b>46,706.5</b>	<b>(11,120.0)</b>	<b>0.0</b>	<b>0.0</b>
Prior year impacts		569.9		569.9	167.6	97.0
Zero base items						
Economic factors		585.5		585.5	0.0	0.0
<b>Adjusted Base Budget</b>	<b>230.0</b>	<b>36,741.9</b>	<b>46,706.5</b>	<b>(9,964.6)</b>	<b>167.6</b>	<b>97.0</b>
Other base changes		2,592.7		2,592.7	351.5	0.0
Base revenue changes			3,687.4	(3,687.4)	(21.5)	0.0
Recommended Service Level Adjustments:						
Service efficiencies						
Revenue adjustments						
Minor service impact						
Major service impact						
<b>Total Recommended Base Adjustments</b>	<b>0.0</b>	<b>2,592.7</b>	<b>3,687.4</b>	<b>(1,094.7)</b>	<b>330.0</b>	<b>0.0</b>
<b>2008 Recommended Base Budget</b>	<b>230.0</b>	<b>39,334.6</b>	<b>50,393.9</b>	<b>(11,059.3)</b>	<b>497.6</b>	<b>97.0</b>
<b>2008 Program Operating Target</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>(11,120.0)</b>	<b>0.0</b>	<b>0.0</b>
<b>% Over (Under) Program Target</b>				<b>0.5%</b>	<b>4.5%</b>	<b>0.9%</b>
<b>% Over (Under) 2007 Appvd. Budget</b>				<b>0.5%</b>	<b>4.5%</b>	<b>0.9%</b>

**Appendix 3**

**Summary of 2008 Recommended New / Enhanced Service Priorities**



## Appendix 4

## Inflows / Outflows to / from Reserves &amp; Reserve Funds

Reserve / Reserve Fund Name	Reserve / Reserve Fund Number	Balance as of December 2007	Proposed Withdrawals (-) / Contributions (+)		
			2008	2009	2010
		\$	\$	\$	\$
Insurance Reserve Fund	XR1010	26,270.7	53.5	53.5	53.5
Total Reserve / Reserve Fund Draws / Contributions		26,270.7	53.5	53.5	53.5