

Analyst Briefing Notes

Administration Committee
(January 5, 2006)

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PART I: 2006 Operating Budget Overview

Table 1: 2006 Proposed Budget

	2005		2006 Proposed Operating Budget			Change 2006 Proposed from 2005 Budget		FY Incremental Outlook	
	2005 Approved Budget	2005 Proj Act.	2006 Proposed Base	2006 New Council Priorities	2006 Proposed Op. Bud.			2007	2008
(In \$000s)	\$	\$	\$	\$	\$	\$	%	\$	\$
GROSS EXP.	29,428.4	29,200.0	30,855.2	1,700.0	32,555.2	3,126.8	10.6	0.0	0.0
REVENUE	38,462.9	32,736.0	38,440.9	3,518.4	41,959.3	3,496.4	9.1	0.0	0.0
NET EXP.	(9,034.5)	(3,536.0)	(7,585.7)	(1,818.4)	(9,404.1)	(369.6)	4.1	0.0	0.0
Approved Positions	221.0	221.0	221.0	0.0	221.0	0.0	0.0	0.0	0.0
TARGET			(8,853.8)						
\$ Over / (Under) Program Target			1,268.1						
% Over / (Under) Program Target			14.3%						

Executive Summary

- The 2005 projected year-end surplus of \$(3.536) million net represents a \$(5.499) million unfavourable variance. Although expenditures have been kept in line, revenues are \$5.727 million under-achieved. This is a result of limited court space, the difficulty of ensuring that Police Officers appear at Court, the Police Services job action in the Fall of 2005 and shortages of Justices of the Peace.
- The 2006 Proposed Budget for Court Services of \$(9.404) million net is comprised of \$(7.586) million net for Base funding and \$(1.818) million net for New Initiatives and represents a 4.1% higher net surplus than the 2005 Approved Budget.
- The 2006 Proposed Base Budget is \$1.268 million or 14.3% over the target mainly as a result of inflationary increases and retaining revenues at 2005 budgeted levels, which, given the 2005 year end projections, will be a challenge to achieve.
- The 2006 Proposed Budget for Court Services includes three new initiatives. Approval of the three initiatives will result in the Program meeting its target. The proposed initiative to increase Off Duty Police Officer Attendance at Court is in conjunction with Toronto Police Services; and will result in reduced waiting times for Court appearances and increased revenues of \$1.500 million. Transportation Services is proposing an expansion to its Red Light Camera project, which will result in increased safety at controlled intersections and increased revenues included in the Court Services Proposed Budget of \$0.518 million. In addition, an initiative is proposed,

in conjunction with Legal Services to reduce fines in default. This project is designed to collect additional outstanding fines in default in the amount of \$1.500 million.

Recommendations

It is recommended that:

- (1) the Court Services' 2006 Proposed Operating Budget of \$32.555 million gross and \$(9.404) million net, comprised of the following services, be approved:

<u>Service:</u>	<u>Gross</u> <u>(\$000's)</u>	<u>Net</u> <u>(\$000's)</u>
Finance and Administration	18,204.9	16,739.9
Court Administration	7,465.0	(33,029.3)
Court Support	4,079.9	4,079.9
Planning and Liaison	2,805.4	2,805.4
	<hr/>	<hr/>
Total Program Budget	<u>32,555.2</u>	<u>(9,404.1)</u>

- (2) the Director of Court Services report back to the Budget Advisory Committee on the success of the Off Duty Police Initiative during to the 2007 operating budget process.

PART II: BASE BUDGET

Section A: 2005 Budget Variance Analysis

Table 2: 2005 Budget Variance Review

	2004 Actuals	2005 Approved Budget	2005 Projected Actuals *	2005 Approved vs Projected Actuals Variance Over / (Under)	
(In \$000s)	\$	\$	\$	\$	%
GROSS EXP.	27,750.7	29,428.4	29,200.0	(228.4)	(0.8)
REVENUES	37,395.3	38,462.9	32,736.0	(5,726.9)	(14.9)
NET EXP.	(9,644.6)	(9,034.5)	(3,536.0)	(5,498.5)	(60.9)
Approved Positions	221.0	221.0	221.0	0.0	0.0

*Projected Actual expenditures to year-end based on 3rd Quarter Variance Report

2005 Experience

The 3rd quarter projection to year end is \$(3.536) million net. This represents a \$(5.499) million unfavourable variance.

- Revenues are expected to be under-achieved by \$5.727 million by year end. Approximately \$3.200 million of this can be attributed to lower conviction rates and, therefore, less fines collected. This is a result of limited trial court space, the difficulty of ensuring Police Officers appear at Court and shortages of Justices of the Peace. The remaining \$2.500 million under-achievement is due to the Police job action that took place in the Fall of 2005.
- In 2004, approximately \$3.5 million in revenue was accrued to 2005 (to match payments to fines imposed). This accrual has been satisfied in full in 2005. For 2005, revenue will once again need to be accrued.
- Some expenditure savings were realized to try to offset some of the shortfall in revenues. These savings resulted from lower than expected interpretation costs and a reduction in actual interdivisional charges.

Impact of 2005 Operating Variance on 2006 Proposed Budget

Projected under-achieved revenues in 2005 may continue into 2006. However, the \$2.500 million shortfall experienced in 2005 due to the Police job action will not recur in 2006.

As court trials are being scheduled into the Summer of 2006 using on duty available dates provided by Toronto Police, unless officers attend more regularly for their court cases, charges will continue to be withdrawn.

Section B: 2006 Proposed Base Budget

Table 3: 2006 Proposed Base Budget

(In \$000s)	2005 Approved Budget	2006 Requested Base	2006 Proposed Base	Change		FY Incremental Outlook	
				2006 Proposed Base v. 2005 Approved Budget		2007	2008
	\$	\$	\$	\$	%	\$	\$
GROSS EXP.	29,428.4	29,581.3	30,855.2	1,426.8	4.8	0.0	0.0
REVENUE	38,462.9	38,462.9	38,440.9	(22.0)	(0.1)	0.0	0.0
NET EXP.	(9,034.5)	(8,881.6)	(7,585.7)	1,448.8	(16.0)	0.0	0.0
Approved Positions	221.0	221.0	221.0	0.0	0.0	0.0	0.0
NET TARGET			(8,853.8)				
\$ Over / (Under) Program Target			1,268.1				
% Over / (Under) Program Target			14.3%				

2006 Proposed Base Budget

- The 2006 Proposed Base Budget of \$(7.586) million net represents a decrease of 16.0% or \$1.449 million from the 2005 Approved Operating Budget. This decrease is an unfavourable variance since the Court Services budget is a surplus budget – revenues are greater than expenditures. The 2006 Proposed Base Budget compares unfavourably to the target by 14.3%.
- The Court Services 2006 Proposed Base Gross Expenditure Budget is \$1.427 million or 4.8% over its 2005 Approved Gross Expenditure Budget as a result of collective agreements and inflationary increases. The base budget revenues have remained at 2005 levels. This results in a 2006 Proposed Base Budget that has a \$1.268 million net decrease in surplus and compares unfavourably to the target by 14.3%.
- No reductions to target have been proposed to address the variance to the target in the 2006 Proposed Operating Budget. However, three new initiatives have been proposed that will result in the program meeting target. These are described in Section D.

2006 Key Cost Drivers

- Harmonization and Cost-of-living adjustments (COLA) that average 3% for 2006 are non-discretionary expenditures that result in additional costs of \$0.909 million.
- Inflationary increases add \$0.391 million to the pressure.

**Table 4: Summary of Proposed Base Budget Changes
From 2005 Approved Budget**

	Summary of 2006 Base Budget Adjustments				Net Incremental Outlook	
	Approved Positions	Gross Expenditures	Revenues	Net	2007	2008
(\$000's)		\$	\$	\$	\$	\$
2005 Approved Operating Budget	221.0	28,826.5	38,462.9	(9,636.4)	0.0	0.0
In-year approvals and technical adjustments		601.9		601.9		
2005 Approved Operating Budget	221.0	29,428.4	38,462.9	(9,034.5)	0.0	0.0
Annualizations		782.4		782.4		
Economic factors		518.2		518.2		
Adjusted Base Budget	221.0	30,729.0	38,462.9	(7,733.9)	0.0	0.0
Other base changes		126.2		126.2		
Base revenue changes			(22.0)	22.0		
2006 Base Budget Request	221.0	30,855.2	38,440.9	(7,585.7)	0.0	0.0
Proposed Base Adjustments:						
Other base changes						
Service efficiencies						
Revenue adjustments						
Minor service impact						
Major service impact						
Total Proposed Base Adjustments	0.0	0.0	0.0	0.0	0.0	0.0
2006 Proposed Base Budget	221.0	30,855.2	38,440.9	(7,585.7)	0.0	0.0
2006 Program Operating Target	N/A	N/A	N/A	(8,853.8)		
% Over (Under) Program Target	N/A	N/A	N/A	14.3		
% Over (Under) 2005 Approved Budget	0.0	4.8	(0.1)	16.0		

Section C: 2006 Base Budget Issues**Key Issues / Recommendations***Other Base Budget Changes*

Expenditure increases are limited to inflationary increases.

Service Level Changes

No service level changes are proposed in the Court Services 2006 Proposed Base Budget.

Revenue Changes

Base budget revenues are budgeted at the same level as 2005. Please see discussion under 'Service Levels, Delivery or Gap Issues' below on revenue collection challenges.

3Year Operating Budget Overview

The Court Services 3 Year Operating Budget assumes no net change from 2005 levels. Actual revenues realized will need to be monitored and reviewed during the 2007 and 2008 operating budget processes.

Three Key Program initiatives to address revenue challenges are proposed and are described in New Priorities, Section D.

The Court Services' 2006 Proposed Base Operating Budget does not meet target. The target has been addressed and met by introducing three new program initiatives.

Service Levels, Delivery, or Gap Issues

Court Services continues to experience revenue collection challenges that arise due to factors that are beyond the control of the Program. This results in difficulties in budgeting for, monitoring and collecting revenues.

Justices of the Peace are appointed by the Province. There has been an on-going shortage of Justices of the Peace provided to the Court system. This results in pressure in scheduling trials which delays the revenue collection process. Court Services has reported on this issue to Council at its November 2005 meeting.

Historically, Police Officers have been assigned trial dates during regular duty. When other Police matters arise, the Officer cannot go to Court. This has resulted in both lost revenues as well as creating a detrimental impact on public behaviour. There is a growing expectation that if an individual schedules a court date, the Officer will not appear and the case will be withdrawn. A proposed new initiative has been developed to ensure Off Duty Police Officers are scheduled for

court. It is expected that by the end of 2005 close to 50,000 charges will be withdrawn on the day scheduled for trial as a result of the officer not being at court.

The level of unpaid fines continues to grow. This is a province-wide concern. In 1997, the Provincial Auditor estimated that unpaid fines grow at a rate of about \$4 million per month across Ontario. In Toronto, unpaid fines continue to grow at a rate of \$1.2 million each month. The initiative to collect large fines in default by dedicating Legal Services staff to use collection remedies available is estimated to realize gross revenues of \$1.5 million in 2006.

In addition, a report was submitted to the Administration Committee at its meeting of October 6th, 2005, titled 'Indefinite closure of the First Attendance program in Toronto Provincial Offences Courts'. The report advised of the judicial direction to close, for an indefinite period, the First Attendance program as a result of the continuing shortage of Justices of the Peace. The report states that there are no immediate financial implications; however, it is anticipated that this will affect both the costs and revenues associated with Court Services in 2006 and possibly beyond. No estimates are available as yet. This report was received for information.

Court Services revenues are volatile in nature, prone to swings in enforcement activity, attendance at court by police officers, court decisions and prosecutorial discretion.

Issues Referred to 2006 Operating Budget Process

None

Outstanding Issues from 2005 and Prior Years

None

PART III: NEW COUNCIL PRIORITIES

Section D: 2006 Proposed New Council Priorities

Table 5: Summary of 2006 Proposed New Council Priorities (\$000)

Council Priority	Description	Total 2006 New Requests		2006 Not Proposed		2006 Proposed Council Priorities		Proposed New Positions	Net Incremental Impact	
		Gross Exp.	Net Exp.	Gross Exp.	Net Exp.	Gross Exp.	Net Exp.		2007	2008
		\$	\$	\$	\$	\$	\$	#	\$	\$
	Council Priorities: n/a									
	Sub-Total Council Priorities									
	New Requests Referred to 2006 Operating Budget: n/a									
	Sub-Total Referred									
	New Program Requests:									
10	Off Duty Police Court Attendance	1,200.0	(300.0)			1,200.0	(300.0)			
10	Initiative to reduce Fines in Default	500.0	(1,000.0)			500.0	(1,000.0)			
10	Red Light Camera Program Expansion	0.0	(518.4)			0.0	(518.4)			
	Sub-Total New Program Requests	1,700.0	(1,818.4)			1,700.0	(1,818.4)			
	Total New Council Priorities	1,700.0	(1,818.4)			1,700.0	(1,818.4)			
Council Priority		6 - Ensure housing is affordable 7 - Get the powers and funding needed for Toronto to succeed 8 - Improve the planning process 9 - Increase public involvement in civic affairs 10 - N/A								
1 - Improve Public Service										
2 - Make Progress on the Waterfront										
3 - Improve Business Climate										
4 - Make Toronto a clean and beautiful city										
5 -Strengthen our at-risk neighbourhoods										

Key Issues / Recommendations*2006 New Council Priorities*

None

New Requests Referred to 2006 Operating Budget Process

None

*2006 New Program Requests***Off Duty Police Court Attendance**

An initiative is proposed that will increase the attendance of Police Officers at Court. The Police Officer who charges a citizen with an offence must show up at Court in order for the proceedings to continue. Officers scheduled to appear in Court are often prevented from attending due to on-going police work. If the Officer does not appear, the case is withdrawn. This results in 1) lost revenues; and 2) a perception that if citizens choose to go to court over paying the fine, the chances of the fine getting withdrawn are significant (thereby tying up Court time further, resulting in long delays in the setting of Court dates and encouraging unfavourable public behaviour).

This initiative has been proposed by the Toronto Police Service, in conjunction with Court Services and Legal Services to ensure that Police Officers appear at Court. The 2006 Proposed Budget includes \$1.200 million for the additional costs associated with this program. Revenues in the amount of \$1.500 million are anticipated, resulting in a net revenue of \$0.300 million. The costs represent half year implementation. The Director of Court Services is requested to report back to the Budget Advisory Committee on the success of this proposal following the six month pilot of this program; including financial impacts for the 2007 and 2008 Operating Budgets for Court Services.

Initiative to Reduce Fines in Default

Currently, there are 534 certificates of default outstanding, at an estimated value of \$10.2 million. The proposed initiative will provide a dedicated team of Legal Services staff (one solicitor and two law clerks) to pursue fines in default. The additional positions are shown as increases in the Legal Services' staff complement, with recoveries from Court Services. Other expenses include the costs of disbursements related to filing fines in default. The 2006 Proposed Budget includes \$0.500 million for this program. It is expected that \$1.5 million of the outstanding \$10.2 million could be collected in 2006.

Red Light Camera Program Expansion

Transportation Services has proposed an expansion of its existing red light camera program. This program has been developed to improve the safety at intersections controlled by traffic control signals. Funding has been included in the 2006 Transportation Services Proposed Budget for this initiative in the amount of \$0.531 million gross and \$0.192 million net. The existing program will be expanded by adding 11 more red light cameras at intersections. Revenues are collected by Court Services and, therefore, \$0.518 million in incremental revenues arising from the red light camera program expansion have been included in the 2006 Proposed Operating Budget for Court Services.

Appendix B

Summary of New Council Priority Services