

**Analyst Briefing Notes**  
**Budget Committee**  
**(March 26, 2007)**

**2007 OPERATING BUDGET**

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Contacts: Judy Broughton, Manager, Financial Planning Division  
 Tel: (416) 392-8393  
  
 Jay Jayapathy, Financial Planning Analyst  
 Tel: (416) 397- 8992

**2007 OPERATING BUDGET****Executive Summary**

- Court Services experienced a net unfavourable preliminary year-end variance of \$5.321 million resulting in the Program underachieving its 2006 Approved Operating Budget of \$9.5 million net revenues by 56%. A revenue shortfall of \$8.231 million is primarily attributable to the unwillingness of defendants to pay court ordered fines and other uncontrollable external factors. The revenue shortfall has been partly offset by under-spending in the amount of \$2.910 million caused by delays in implementing new initiatives to enhance revenue generation.
  - Implementation of 2006 Council approved new initiatives and the recent appointment of 11 Justices of the Peace by the Province will address the 2006 revenue shortfall in 2007.
- The 3-year Operating Budget provides funding for Court Services to deliver efficient court administration and related services to the public in accordance with the Provincial Offences Act and the Memorandum of Understanding between the City of Toronto and the Ministry of the Attorney General. The services are provided using the Provincial Offences Courts in Toronto. The major challenges faced by the Program include:
  - Implementation of more effective fine collection tools.
  - Implementation of a new administrative hearings process.
  - The need for a centralized courthouse facility in the South District.
- The 2007 Recommended Operating Budget of \$35.097 million gross and (\$11.129) million net is comprised of a base budget with gross expenditures of \$34.770 million, net (\$9.068 million) and New/Enhanced service priorities of \$0.327 million gross and (\$2.061) million net.
  - The 2008 Outlook includes \$0.692 million for cost of living increase and \$0.348 million for staff salary adjustments for step and merit increases. The 2009 Outlook of \$0.358 million to cover merit and step increases. The 2009 Outlook does not include a provision for COLA, as the increase is subject to future negotiations.

**Table 1: 2007 Recommended Budget**

(In \$000s)	2006		2007 Recommended Operating Budget			Change - 2007 Recommended from 2006 Approved Budget		FY Incremental Outlook	
	2006 Appvd. Budget	2006 Projected Actuals*	2007 Base	2007 New /Enhanced	2007 Operating Budget			2008	2009
	\$	\$	\$	\$	\$	\$	%	\$	\$
<b>GROSS EXP.</b>	32,459.3	29,548.9	34,769.9	327.4	35,097.3	2,638.0	8.1	1,080.8	358.2
<b>REVENUE</b>	41,959.3	33,727.9	43,838.2	2,388.5	46,226.7	4,267.4	10.2	2,723.3	0.0
<b>** NET EXP.</b>	(9,500.0)	(4,179.0)	(9,068.3)	(2,061.1)	(11,129.4)	(1,629.4)	17.2	(1,642.5)	358.2
<b>Approved Positions</b>	221.0	221.0	221.0	3.0	224.0	3.0	1.4		
<b>TARGET</b>			<b>(9,500.0)</b>		<b>(9,500.0)</b>				
<b>\$ Over / (Under) Program Target</b>			<b>431.7</b>		<b>(1,629.4)</b>				
<b>% Over / (Under) Program Target</b>			<b>(4.5%)</b>		<b>17.2%</b>				

- The 2007 Recommended Operating gross expenditures of \$35.097 million are \$2.638 million or 8.1% greater than the 2006 Approved expenditures of \$32.459 million and the revenues are (\$4.267) million greater than the 2006 approved revenues of \$41.959 million, resulting in (\$1.629) million or 17.2% increase in net revenues over the 2007 target of (\$9.5) million.
  - 2007 key cost drivers consist of COLA (\$0.538 million), merit and step increases (\$0.338 million), the annualized cost of the Off-duty Police Court Attendance Initiative (\$1.2 million) and inflationary increases.
  - The recommended revenues include \$43.838 million in Base revenues and \$2.389 million for New and Enhanced Services.
  - Revenues from phase 2 of the Red Light Expansion program is \$2.061 net with a 2008 incremental revenues of \$2.312 million net.
- The number of convictions is expected to increase due to some recent successes in municipal advocacy efforts related to appointment of Justices of the Peace. Eight Justices of the Peace were appointed in 2006 and 3 more appointed in February 2007. Court Services expects to run courts at full capacity by the fall of 2007.
- The 2007 Recommended Base Operating Budget will maintain service levels at 2006 levels. The New/Enhanced Priority will generate additional revenue for the City with the expansion of the Red Light Camera program.

**Recommendations**

The City Manager and Chief Financial Officer recommend that:

1. the 2007 Recommended Operating Budget for Court Services of \$35.097 million in gross expenditures and (\$11.129) million in net revenues, comprised of the following services, be approved:

<u>Service:</u>	<u>Gross</u> <u>(\$000s)</u>	<u>Net</u> <u>(\$000s)</u>
Finance and Administration	20,176.4	19,147.9
Court Administration	6,731.8	(38,466.4)
Court Support	4,704.7	4,704.7
Planning and Liaison	3,484.4	3,484.4
Total Program Budget	<u>35,097.3</u>	<u>(11,129.4)</u>

2. the General Manager of Transportation Services, in consultation with the Director of Court Services, report to Budget Committee prior to the 2008 Budget process on the status of the Red Light Camera program, including a comparison of actual vs. projected revenues.

## Section A: 2006 Budget Variance Analysis

### Table 2: 2006 Budget Variance Review

(In \$000s)	2005 Actuals	2006 Approved Budget	2006 Projected Actuals*	2006 Appvd. Budget vs Projected Actuals Variance	
	\$	\$	\$	\$	%
<b>GROSS EXP.</b>	28,776.2	32,459.3	29,548.9	(2,910.4)	(9.0)
<b>REVENUES</b>	32,776.2	41,959.3	33,727.9	(8,231.4)	(19.6)
<b>NET EXP.</b>	(4,000.0)	(9,500.0)	(4,179.0)	5,321.0	(56.0)
<b>Approved Positions</b>	221.0	221.0	221.0	0.0	0.0

Source: \* 2006 Preliminary Operating Variance Report.

### 2006 Experience

The Program experienced a net unfavourable variance of \$5.321 million which is 56% under its 2006 Approved Operating Budget of \$9.5 million net revenues. A shortfall in revenues of \$8.321 million can be attributed to the unwillingness of defendants to pay court ordered fines, lower conviction rates resulting primarily from a shortage of Justices of the Peace and Toronto Police Service Officers not attending court and the delay in the expansion of the Red Light Camera Program managed by Transportation division. However, the revenue shortfall was partly offset by under-expenditures totalling \$2.910 million caused by delays in implementing Council approved new initiatives to enhance fine collections.

### Impact of 2006 Operating Variance on 2007 Recommended Budget

The revenue shortfall during 2006 is attributable to factors such as Police non-attendance at court, shortages of the Justices of the Peace resulting in court closures and the unwillingness of defendants to pay court ordered fines. Council has approved four initiatives to address the issues above:

- 1) web functionality to enable defendants to pay fines through the internet
- 2) a dedicated team of Legal Services staff to pursue fines in default
- 3) off duty police court attendance initiative to increase court attendance of Police Officers
- 4) expansion of the Red Light Camera Program managed by the Transportation Division.

To date, three of the four initiatives have been implemented: a web payment functionality went live, in July, to enable defendants to pay fines through the internet, a dedicated solicitor has been hired, since August, to pursue fines in default and the Police Off Duty Court Initiative began in December 2006. There has been positive movement related to the expansion of the red light camera program. In addition, there has also been some recent success in municipal advocacy efforts related to appointment of Justices of the Peace (JPs) with the most recent announcement of an additional 8 JPs being appointed late in 2006, and 3 more in February, 2007. In view of the foregoing, neither under-spending nor revenue shortfalls are expected to persist in 2007.

## Section B: 2007 Operating Budget Overview

### 3-Year Operating Budget Overview

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 Markam 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.

Court Services' strategic directions and priorities include:

- Simplifying the court process by identifying and implementing legislative and regulatory reforms, which may also involve alternative dispute resolution programs.
- Pursuing obtaining Provincial sanctions for surcharge enforcement to reduce the level of unpaid fines experienced by all Ontario municipalities.
- Completing phase 2 of the Red Light Camera Expansion program by late in May 2007. Transportation Services has advised they will commission 44 cameras in 2008, however there is a note of caution that the operation of the 10 existing cameras could be terminated in November 2007 and the balance of 32 to be commissioned in 2009.
- Continuing increased efforts at recovering outstanding defaulted fines through the use of Collection Agencies and services provided by dedicated Legal Division staff.
- 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.
  - Off-duty Police court attendance is expected to reduce the number of cases withdrawn and increase the number of convictions.
- Expanding services provided by Court Services to include the support services function to the Licensing Tribunal.
- A new Administrative Dispute Resolution process under the City of Toronto Act will result in better use of limited trial court space and offers the public an expedited dispute process respecting parking tickets. A report to Council outlining the program details is planned for mid 2007. If approved this will be a significant project requiring the participation of interdivisional and inter-governmental project teams working together to ensure an implementation of this process..
- As a continuous improvement initiative, the Program will 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.

**Service Delivery – Challenges and Issues**

Court Services is comprised of four service areas, as follows:

*Court Administration* – This unit provides administrative services to the Provincial Offences Courts in Toronto that are accessible, user friendly and fair.

*Finance and Administration* – The purpose of this unit is to provide effective and efficient financial management services to the Provincial Offences Courts in Toronto, including fine collection and periodic report to the Province and City Council.

*Court Support* – This unit ensures that excellent services are provided to all stakeholders, including the Judiciary, Enforcement Agencies, Prosecutors and the Legal Profession.

*Planning and Liaison* – Provides centralized planning services to the Courts, including maximizing courtroom usage and utilization.

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

- Implementing digital audio recording technology in each court room.
- Providing technical support for digital audio recording and existing systems, web payments and other applications.
- Lead the implementation of new administrative hearings process for majority of parking by-law disputes.
- Contract management of regulated court forms province wide.

The 2007 Recommended Base Operating Budget ensures these services are maintained at 2006 levels. The New/Enhanced priority for expanding the Red Light Camera program will enhance revenue generation for the City.

**Section C: 2007 Recommended Base Budget**

**Table 3: 2007 Recommended Base Budget**

(In \$000s)	2006 Appvd. Budget	2007 Recommended Base	Change		FY Incremental Outlook	
			2007 Recommended Base v. 2006 Appvd. Budget		2008	2009
	\$	\$	\$	%	\$	\$
<b>GROSS EXP.</b>	32,459.3	34,769.9	2,310.6	7.1	1,039.8	358.2
<b>REVENUE</b>	41,959.3	43,838.2	1,878.9	4.5	370.3	0.0
<b>NET EXP.</b>	(9,500.0)	(9,068.3)	431.7	(4.5)	669.5	358.2
<b>Approved Positions</b>	221.0	221.0	0.0	0.0		
<b>NET TARGET</b>		<b>(9,500.0)</b>			<b>0.0</b>	<b>0.0</b>
<b>\$ Over / (Under) Program Target</b>		<b>431.7</b>			<b>669.5</b>	<b>358.2</b>
<b>% Over / (Under) Program Target</b>		<b>(4.5%)</b>			<b>(7.0%)</b>	<b>(3.8%)</b>

**2007 Recommended Base Budget**

The 2007 Recommended Base Budget of (\$9.068 million) net represents a 4.5% decrease from the Court Services 2006 Approved Budget. In the case of Court Services, revenues exceed expenditures. The 4.5% decrease is an unfavorable change, taking the Court Services Budget over the 0% target for 2007.

- The additional \$2.311 million in gross expenditures recommended for the Program’s Base Budget is needed to fund annualizations, salary increases for union and non-unionized staff, and inflationary increases.
- The \$1.879 million increase in revenues recommended in the 2007 Base Budget includes the annualized impacts of \$1.500 million increase from the off-duty police attendance initiative, \$0.518 million from the 2006 Red Light Camera expansion program and \$0.300 million from the dedicated legal services initiative for fine collection.

**2007 Key Cost Drivers**

- Key cost drivers for 2007 include:
  - COLA increase of \$0.538 million
  - Merit and step increases of \$0.338 million
  - Inflationary pressures of \$0.127 million.
  - Annualized impact for off-duty Police officers attending court of \$1.2 million attending court while off-duty.

**2008 and 2009 Outlook: Net Incremental Impact**

The 2008 and 2009 Outlook includes \$0.670 million net or 7.4 % and \$0.358 million net or 4.0% respectively over the 2007 Recommended Base Budget of \$9.068 million net to maintain the 2007 service level. These increases are required to fund increased COLA, merit and step costs in 2008 and merit and step increases in 2009. No COLA funding is included in the 2009 Outlook as the increase is subject to future negotiations.

## Section D: 2007 Recommended Service Priorities

Table 4: Summary of 2007 New / Enhanced Service Priorities (In \$000s)

Description	2007 Recommended		Rec. New Positions	Net Incremental Impact	
	Gross Exp.	Net Exp.		2008	2009
	\$	\$	#	\$	\$
(a) Enhanced Service Priorities - Council Approved Salary-related cost for 3 clerical staff (9 months) and other costs related to adjudication.	327.4	(2,061.1)	3.0	(2,312.0)	
(b) Enhanced Service Priorities - Program Initiated					
<b>Sub-Total Enhanced Service Priorities</b>	<b>327.4</b>	<b>(2,061.1)</b>	<b>3.0</b>	<b>(2,312.0)</b>	<b>0.0</b>
(a) New Service Priorities - Council Approved					
(b) New Service Priorities - Program Initiated					
<b>Sub-Total New Service Priorities</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Total Recommended New / Enhanced Service Priorities</b>	<b>327.4</b>	<b>(2,061.1)</b>	<b>3.0</b>	<b>(2,312.0)</b>	<b>0.0</b>

## 2007 Recommended Service Priorities

## Enhanced Service Priorities – Approved by Council:

*Red Light Camera Expansion Program*

The City's Transportation Services Division operates and maintains the Red Light Camera (RLC) system, and Court Services is responsible for collecting Court imposed fines for RLC violations.

Based on the success of the pilot project that commenced in 2003 with 10 cameras being rotated among 37 critical intersections, on May 23, 24 and 25, 2006 City Council adopted 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". This report authorized the expansion of the City's red light camera system by 132 camera sites and for the supply, installation, operation and maintenance of these red-light camera systems for a five year period.

The following table illustrates the Council approved expansion schedule:

Number of New Red-light Camera Sites Installed

Year	2006	2007	2008	2009	2010	2011	Total
Number of New Red-Light Camera Sites Installed	12	44	44	32	0	0	132
Number of Months New Sites Are Operating	4	9	11	11	12	8	
Cumulative Number of New Sites	12	56	100	132	132	132	132

The camera systems planned for implementation by September 1, 2006 were not ready until February 2007. These sites are currently waiting for regulatory amendments by the Ministry of Transportation Ontario in order to be activated.

The report also approved three resources for Court Services Division to handle the increased workload due to the expansion project. Pro-rated funding for 2 court office clerks, 1 courtroom clerk, with a 2008 incremental impact of \$0.041 million is included in the 2007 Recommended Operating Budget. These costs are fully offset by fine revenue. The following table depicts the 2007 recommended revenues from this enhanced service.

However there is a note of caution that the operation of the 10 existing cameras could be terminated in November 2007

Year Charge Filed	Fine Revenue Forecast			
	12 Cameras (Effective Feb 1, 2007)		44 Cameras (Effective June 1, 2007)	
	No. of Charges	Incremental Fine Revenue (Net of VFS)	No. of Charges	New/Incremental Fine Revenue (Net of VFS)
		\$000		\$000
2007	13,759	818.4	32,104	2,388.5
2008	15,010	370.3	55,036	2,353.0

**Issues for Discussion**

The 2007 Recommended Operating Budget for Court Services does not include the expenditure and revenue impacts from phase 3 (in 2008) and phase 4 (in 2009) of the red light camera expansion program as these are dependent upon the projected timing for the installation of the red light cameras. The General Manager of Transportation Services, in consultation with the Director of Court Services is directed to report back, for consideration with the 2008 budget process, on the status of the Red Light Camera Program, including a comparison of actual vs. projected revenues.

## Appendix 1

**Summary of Recommended Base Budget Changes  
From 2006 Approved Budget**

(In \$000s)	Summary of 2007 Base Budget Adjustments				Net Incremental Outlook	
	Approved Positions	Gross Expenditures	Revenues	Net	2008	2009
		\$	\$	\$	\$	\$
<b>2006 Council Approved Operating Budget</b>	<b>221.0</b>	<b>32,415.2</b>	<b>41,959.3</b>	<b>(9,544.1)</b>	<b>0.0</b>	<b>0.0</b>
In-year approvals and technical adjustments						
Corporate adjustments	0.0	44.1	0.0	44.1		
<b>2006 Approved Operating Budget</b>	<b>221.0</b>	<b>32,459.3</b>	<b>41,959.3</b>	<b>(9,500.0)</b>	<b>0.0</b>	<b>0.0</b>
Prior year impacts		1,677.7	2,318.4	(640.7)	347.8	358.2
Zero base items						
Economic factors		665.0		665.0	692.0	0
<b>Adjusted Base Budget</b>	<b>221.0</b>	<b>34,802.0</b>	<b>44,277.7</b>	<b>(9,475.7)</b>	<b>1,039.8</b>	<b>358.2</b>
Other base changes		(32.1)		(32.1)		
Base revenue changes			(439.5)	439.5	(370.3)	
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>(32.1)</b>	<b>(439.5)</b>	<b>407.4</b>	<b>(370.3)</b>	<b>0.0</b>
<b>2007 Recommended Base Budget</b>	<b>221.0</b>	<b>34,769.9</b>	<b>43,838.2</b>	<b>(9,068.3)</b>	<b>669.5</b>	<b>358.2</b>
<b>2007 Program Operating Target</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>(9,500.0)</b>	<b>0.0</b>	<b>0.0</b>
<b>% Over (Under) Program Target</b>				<b>(4.5%)</b>	<b>(7.0%)</b>	<b>(3.8%)</b>
<b>% Over (Under) 2006 Appvd. Budget</b>				<b>(4.5%)</b>	<b>(7.0%)</b>	<b>(3.8%)</b>

**Appendix 3**

**Summary of 2007 Recommended New / Enhanced Service Priorities**

**Appendix 4**

**Inflows / Outflows to / from Reserves & Reserve Funds**

Reserve / Reserve Fund Name	Reserve / Reserve Fund Number	Balance as of December 2006 \$	Proposed Withdrawals (-) / Contributions (+)		
			2007	2008	2009
			\$	\$	\$
Insurance Reserve Fund	XR1010	17,536.0	44.1	44.1	44.1
<b>Total Reserve / Reserve Fund Draws / Contributions</b>			<b>44.1</b>	<b>44.1</b>	<b>44.1</b>