

**SALT LAKE CITY COUNCIL STAFF REPORT**  
**BUDGET ANALYSIS – FISCAL YEAR 2010-11**

**DATE:** June 1, 2010  
**BUDGET FOR:** JUSTICE COURT  
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**JUSTICE COURT BUDGET**

The functions of the Justice Court include adjudicating small claims, criminal and non-criminal cases, domestic violence court cases, and cashiering. The budget is proposed to decrease by 0.10% or \$43,168. With the proposed budget changes, there will be 49.0 FTEs in the Justice Court.

<b>JUSTICE COURT BUDGET</b>				
	<b>Adopted 2009-10</b>	<b>Proposed 2010-11</b>	<b>Difference</b>	<b>Percent Change</b>
Justice Court (Cashiering, Criminal and Non-Criminal Adjudication, Small Claims)	\$4,487,059*	\$4,530,227*	\$43,168	0.10%

**\*This accounts for direct costs only (not indirect costs).**

**POTENTIAL MATTERS AT ISSUE AND MAJOR BUDGET ISSUES**

**Collections**

The City Council requested a collections discussion which will be held in a separate briefing on June 1<sup>st</sup>.

**Elimination of positions (projected savings of \$118,274)**

The Administration proposes to eliminate a vacant Hearing Officer I position (\$54,296) and a vacant Clerk position (\$63,978) for a total savings of \$118,274. With these reductions, Court staff indicates that customer wait time on the phone and in person may increase.

**Court Caseload**

The Administration has provided information regarding Court caseload. The numbers indicate that parking tickets have decreased, as has been the trend for the last few years. Small claims cases are expected to increase this next fiscal year with the change in UCJA Rule 4-801. (Currently, small claims cases are split between the District Court and the Justice Court. After September 1, 2010, all small claims cases filed in Salt Lake City will go to the Justice Court.) Traffic tickets were up 30% in 2009 and the increase appears to be continuing into this fiscal year. Misdemeanor cases are up slightly, but not significantly.

Category	2009 (through April)	2010 (through April)	Percentage change
Parking tickets	107,602	101,888	(5.3%)
Small Claims Cases	7,385	6,216	(15.8%)
Traffic Tickets	47,717	49,630	4.0%
Misdemeanor Cases	12,703	12,745	0.3%
<b>Total</b>	<b>175,407</b>	<b>170,479</b>	<b>(2.8%)</b>

### **Operations Budget Reductions**

The Administration proposes a \$50,000 reduction in the operations budget as well as a \$9,790 reduction in non-mandated out of town training. This includes a \$21,100 decrease in prisoner transport and security services. Court staff indicates that they are conducting hearings via internet when possible, and working with the security contractor to assign bailiffs other responsibilities when they aren't needed in the courtrooms.

### **Increase in Surcharge for Class B Misdemeanors**

According to the Administration, a recent legislative change affecting the Justice Court requires an increase in the surcharge for Class B misdemeanors from 85% to 90%. The City is not anticipating any change in revenues. In FY 2009, 11,388 Class B misdemeanors were filed. To date, 14,704 have been filed in FY 2010.

### **Justice Court Cost Analysis - Revenues versus Expenses**

The Administration has provided a cost analysis of the Justice Court for fiscal year 2009. The total Revenues exceed Expenses by \$356,930. Expenses for the Justice Court total \$8,270,793, while revenues total \$8,627,723. A cost analysis has been provided by the Administration as an attachment to the staff report. **It should be noted that it is not legally appropriate for a municipal government to consider a court a revenue source. Please also note that the attached chart includes the fully loaded indirect costs.**

SOURCES OF REVENUE	EXPENSES
Criminal fines and fees	Personnel and Operating costs (direct costs from Justice Court cost centers)
Late and warrant fees and court costs	Debt Service (Justice Court's share)
Traffic fines and fees	Building maintenance & utilities
Small Claims fees	Overhead costs: attorneys, administrative costs, computer technical services, human resources, financial report/audit requirements, payroll, record storage, etc.
Traffic school fees	

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*Additional Information*

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**LEGISLATIVE INTENT STATEMENTS**

**1. Collections:**

In addition to focusing on collection strategies as an interim study issue, it is the intent of the Council that in the short-term, the Administration would make every reasonable effort to turn over collectibles to an outside agency for more immediate follow-up and to provide a quarterly report on the status of the collection efforts.

Response from the Administration:

The Justice Court shortened the timeframe for sending cases with judgments to collections from six years to ten days after judgment is entered. We are now sending criminal cases to the State Office of Debt Collections, but that Office does not have jurisdiction over civil judgment cases and those will continue to be sent to an outside collection agency with the expedited timeframe in place. The OSDC will take only outstanding debt that has been reduced to a judgment. The State has contracted with 11 different collection agencies that they use along with their own in-house agents to collect on their accounts. The OSDC also has higher priority for intercepting state tax (and soon federal tax) returns, greatly increasing their chance of collecting. The OSDC adds a State allowed percentage to the bill and takes that amount as their fee, paying the City the entire face value of the judgment. Since February 7, 2010, the City has sent 426 criminal and traffic cases, totaling \$174,000 to OSDC. In the short time OSDC has been working these cases, they have collected \$13,628. Since OSDC can garnish income tax refunds, we should see a sharp increase in the amount collected next spring as well as a gradual increase as the number of cases sent increases.

**INTERIM STUDY ITEM UPDATES**

- 1. Citywide Collections strategy** - In response to the City Council's expressed interest in aggressive collection of City receivables, the Administration has been working on setting up a City-wide Accounts Receivable system to identify, invoice and monitor the wide variety of receivables currently scattered across City departments. The Administration is examining all outstanding receivables to determine the best course of action for rapid collections. Collection procedures are being reviewed and process revisions are being implemented.

Identify and quantify outstanding receivables: The Administration continues to identify areas within the City that bill customers for City services and is maintaining a master list of these receivables. The identified outstanding amount owed as of 3/31/10 is approximately \$6.3 million. This includes \$1,017,500 in parking tickets, \$1,967,158 in Justice Court fines and

\$3,249,266 in other amounts owed.

The Administration has implemented several process revisions that are slowly beginning to improve collections. To date, these changes have resulted in additional revenue of \$46,074. Revenue Auditing also just recently closed a long outstanding debt of \$600,000 with a telecommunication company and, as a result, the City will also have ongoing revenue of about \$200,000.

Collection Agency for NSF Checks: The pilot program with ePayments was not as successful as hoped, collecting only 30% of non-sufficient funds (NSF) checks submitted. The pilot program will be discontinued. The outstanding returned (NSF) checks will instead be sent to a collection agency using the same schedule as parking tickets. In addition, the Treasurer's Office is implementing a city-wide digitized check system where all checks written to the City are converted to ACH (turned into a debit transaction instead of a paper check). This process has been tested in the Treasurer's office for the last 10 months and has resulted in far fewer returns (only 4 ACH's were returned during the test period).

Office of State Debt Collection (OSDC): The Administration is working with the Utah Office of State Debt Collection to utilize their collections services. This process relies on Judges to review and release cases to be sent to collections (the OSDC will take only outstanding debt that has been adjudicated, meaning we have a warrant or judgment against the person for the debt, and they will not take civil cases). The State has contracted with 11 different collection agencies that they use along with their own in-house agents to collect on their accounts. The OSDC also has a higher priority for intercepting state tax (and soon federal tax) returns, greatly increasing their chance of collecting. The OSDC adds a State allowed percentage to the bill and takes that amount as their fee, paying the City the entire face value of the judgment. Since February 7, 2010, the City has sent 426 criminal and traffic cases, totaling \$174,000 to OSDC. In the short time OSDC has been working these cases; they have collected \$13,628. Since OSDC can garnish income tax refunds, we should see a sharp increase in the amount collected next spring as well as a gradual increase as the number of cases sent increases. We can only send the cases once they are delinquent, and the clerk must be able to find these cases while doing case management, which is only done when time permits, and with our reduced staffing this is not done as often as it once was.

*During the briefing on the proposed budget, the Council may wish to identify legislative intents relating to the Justice Court.*

*During the briefing, the Council may wish to identify potential programs or functions to be added to the Council's list for future audits.*

**JUSTICE COURT/ADMINISTRATIVE ENFORCEMENT  
FULLY LOADED COST ANALYSIS**

Revenue	FY09 Projected
Criminal non-traffic --	
Fines	\$ 1,557,571
Security Surcharge - City	38,856
Late & Warrant Fees, Court Costs	270,163
Accident Surcharge	6,794
Traffic --	
Fines	2,232,180
Security surcharge	258,271
Late Fees	228,302
Accident Surcharge	63,807
Traffic Mitigation	290
Civil Fines	
Parking and Other fines	3,395,525
Small Claims	51,675
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Traffic School	<u>524,289</u>
Total Revenue	\$8,627,723 Note 1
<b>Expenses</b>	
<b>Direct Costs</b>	
Personnel and Operating	\$ 5,530,242 Note 2
Materials and Supplies	218,936 Note 2
Charges and Services	184,334 Note 2
Equivalent Rental Cost - Current Market (17,288 sq ft * \$25.00)	486,245 Note 3
Building Maintenance and Utilities	144,922 Note 4
Depreciation Expense (leasehold improvements and equipment)	170,519 Note 3
<b>Indirect Costs</b>	
Immunity Claims and Unallocated Costs	34,547 Note 5
Risk Fees	83,032 Note 6
Public Services Administration	50,052 Note 7
Public Services Finance and Accounting	11,110 Note 8
General Admin Fees - PR	31,303
General Admin Fees - Purchasing	2,319
General Admin Fees - HR	23,427
General Admin Fees - A/P	20,636
General Admin Fees - Reporting/Audit/Non Departmental Audit	71,926
General Admin Fees - IMS	147,708
General Admin - Treasurer, Records, other misc	31,039
General Admin Fees - Budget/Policy	16,301
Prosecutors 4 @ 77,140	308,560 Note 10
Prosecutors 2 paralegals @ 54,544	109,088 Note 10
Prosecutors Overhead 6 FTEs over Total of 34 FTEs in Prosecutor's 17.65%	37,528 Note 11
Police - Overtime Costs (\$400,00 -50% Justice, 40% District, 10% Admin Hearings)	200,000 Note 12
Legal Defenders	357,020 Note 13
Total Expenses	<u>\$8,270,793</u>
Revenue/(Expenses)	<u>\$ 356,930</u>

- Note 1 Revenues for FY09 are projected using 6 month of actual revenue
- Note 2 Direct expenditures are projected using 6 months of actual expenses
- Note 3 Equivalent Rental Cost is calculated as follows
  - Justice Court - 17,288 sq ft at market value rate of \$25.00 per sq ft
  - Parking Enforcement - 3,603 sq ft at market value rate of \$15.00 per sq ft
- Note 4 Building maintenance and utilities direct costs are traced in the following cost centers
  - Justice Court - 0700918
  - Parking Enforcement - 0700921
- Note 5 Uses calculated unallocated governmental immunity cost per of \$515 per FTE
  - Justice Court FTE's = 51
  - Parking Enforcement FTE's = 16
- Note 6 Pro rated portion of actual risk fees allocated to Adm Svs
- Note 7 Pro rated portion of Public Service administrative costs
- Note 8 Pro rated portion of Public Service finance and accounting costs
- Note 9 Pro rated portion of Adm Svs administrative fees
- Note 10 Personal service costs for four prosecutors and two paralegals working 100% for Courts
- Note 11 Pro rated portion (17.65%) of prosecutor's overhead costs
- Note 12 50% of police overtime is related to attending hearings for Justice Court
- Note 13 Legal defenders cost related to Justice court cases