

Report to / Rapport au:

**OTTAWA POLICE SERVICES BOARD
LA COMMISSION DE SERVICES POLICIERS D'OTTAWA**

25 April 2022 / 25 avril 2022

Submitted by / Soumis par:

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SUBJECT: FINANCIAL STATUS REPORT – FIRST QUARTER 2022

OBJET: RAPPORT D'ÉTAPE FINANCIER DU PREMIER TRIMESTRE 2022

REPORT RECOMMENDATIONS

That the Ottawa Police Services Board receive this report for information

RECOMMANDATIONS DU RAPPORT

Que la Commission de services policiers d'Ottawa prenne connaissance du présent rapport à titre d'information.

BACKGROUND

The first quarter financial report provides an early indication of the operational issues impacting the Ottawa Police Service' (OPS) fiscal picture. The report summarizes the OPS' current financial position and outlines the pressures and risks that the OPS is attempting to manage. Please note, the accuracy of quarterly reports improves with each quarter as the OPS' expense and revenue patterns become more certain.

This report also includes the quarterly update on the 2022 Efficiencies Strategy – an exercise that requires the OPS to find \$7.05M in base funding reductions and the elimination of 20 permanent FTEs (for details please see Document 4).

In 2022, the OPS will continue to leverage management interventions to control costs as much as possible without impacting the OPS' commitment to providing effective and adequate policing and with a focus on Community Safety and Well-Being (CSWB), duty of care and public trust with residents in Ottawa.

Most significantly, the OPS is currently tracking increased pressures for events and demonstrations, inflationary costs such as fleet equipment and fuel costs, and loss of revenue.

Events and Demonstrations (100+ expected)

Events and demonstrations are expected to ramp up in the spring and summer and continue all year; the OPS is currently tracking 100 known events including one-day events and events spanning several days (March for Life, Canada Day, Royal visit etc.).

As such, the OPS is building out its Special Events team to have the capacity to meet the workload demand and support its ability to plan and manage events and demonstrations. This includes taking a more robust approach to the planning and deployment of police, and surge and sustain capacity to ensure the community is safe and the city remains open. This approach was taken with the St. Patrick's Day festivities this year and that resulted in an incremental cost of approximately \$300,000. This cost doesn't include the additional surge capacity that was required and provided by the OPP at no cost.

Without additional resources, this work is managed by off-duty members on overtime and will contribute to the deterioration of member wellness and organizational resiliency.

Supply Chain & Inflation

The pandemic continues to place pressure on the supply chain, and the destabilization of the world economy is having a significant impact on inflation. This biggest impact for OPS is within fleet, as it relates to fuel and equipment costs.

DISCUSSION

The increased attention to events and demonstrations, broader economic instability, and the requirement to meet a \$7.05M efficiency target, requires the OPS to leverage several management interventions to balance its budget.

Management interventions continuing in 2022 include a discretionary spending freeze, a credit card audit, and line-by-line reviews with each Directorate. A delay in planned recruitment activities due to the illegal protest that occurred in the city in February is resulting in some vacancy management savings.

The OPS has identified several pressures and potential solutions in the first quarter as outlined in Table 1 followed by corresponding notes.

Table 1: 2022 Year End – Significant Variances		
	Key Pressures	(\$000)
a)	Non-Discretionary Operational Pressures	\$4 - \$8M
b)	Revenue Pressures	\$1 - \$4M
d)	Covid 19 Expenses	\$1 - \$2M
	Total Pressures	\$6 - \$14M
	Key Solutions/Offsets	(\$000)
e)	Management Interventions	\$3 - \$6M
f)	Provincial Funding	\$2 - \$4M
	Total Solutions	\$5 - \$10M

PRESSURES

a) \$4-\$8M Non-Discretionary Operational Pressures

The OPS is already aware of several pressures that will materialize in 2022. In addition to overtime relating to policing events and demonstrations, and fuel, the OPS is liable for a large legal settlement in the first quarter and is facing pressures related to WSIB claims and services as follows:

- \$2M-\$3M Overtime for policing events and demonstrations
- \$500,000-\$1M Fleet fuel & equipment
- \$500,000-\$2M Legal claims & settlements
- \$500,000-\$2M WSIB

b) \$1M-\$4M Revenue Shortfall

During the pandemic the OPS experienced a shortfall in anticipated revenues from pre-pandemic times resulting in additional operational pressures (revenue losses upwards of 50 percent on some revenue streams when compared to pre-Covid revenue). This is

anticipated to continue in 2022 and includes the elimination of fees for all volunteer background checks (\$600,000), reduced recovery from policing contracts at the airport, and from red light cameras and false alarm revenue.

c) \$1M-\$2M COVID 19 Expenditure Pressures

The OPS experienced significant expenditure pressures due to the ongoing pandemic. This pressure includes the purchase of additional PPE for enhanced cleaning protocols and decontamination steps implemented to protect members and the public. These costs will continue throughout 2022 and are not anticipated to be as significant as in previous years.

SOLUTIONS/OFFSETS

d) \$2M-\$4M Management Interventions

Considerable management interventions have been implemented in the past, and continue into 2022 to manage the OPS budget from within, including:

- \$2M-\$4M from discretionary spending freeze in services, supplies and equipment-related costs;
- \$500,000-\$1M from a mission-critical travel order; and
- \$500,000-\$1M from vacancy management.

e) \$2M-\$4M Provincial Grant Funding or Funding from Reserves

In prior years, the City has allocated funding to the OPS from the Provincial Safe Restart Grant to help cover the incremental costs and revenue shortfalls related to the pandemic. The OPS does not have funding for these expenditures and will be relying on the Province/City to offset these pressures.

In Year Financial Risks

The OPS manages many financial risks throughout the year of varying levels of magnitude and likelihood. There are several risks that have a high likelihood of being impactful and creating pressures for the OPS in 2022. These risks, which are being carefully monitored include:

HIGH RISK

- Senior Officers Association (SOA) contract negotiations – SOA collective agreement expired at the end of 2018 and if settled may result in a pressure.
- Job evaluation settlement/process for civilian members –the remaining part of the job evaluation exercise as part of the Service's ongoing agreement with

the Ottawa Police Association (OPA) to jointly evaluate jobs ensuring that they are correctly classified.

- Impact from insurance liability claims and legal settlements due to the uncertainty of the amount and timing of when claims will be processed.

LOW RISK

- Cost recovery for unlawful demonstration - Federal partners through the National Capital Extraordinary Policing Costs program have advised that all costs are expected to be reimbursed. However this process will not be finalized until the third quarter (estimate \$35M).

2022 Purchases Made Under Chief's Delegated Authority

Not applicable.

2022 Efficiencies Update

The 2022 OPS Budget included \$5.05M in permanent budget base reductions proposed by the OPS, as well as an additional \$2M brought forward by the Ottawa Police Services Board (Board), for a total of \$7.05M, including the elimination of 20 permanent positions. An update on the progress of this effort is included in Document 4.

Quarterly Reporting Requirements

Section 2(e) of the Board's Policy BC-2 on Monitoring Requirements requires the Chief to provide the Board with information on specific operational issues.

With respect to financial reporting, these requirements include:

- Document 1 provides the First Quarter Financial Report – Summary by Directorate.
- Document 2 provides a list of all contracts awarded under delegated authority by the Chief that exceed \$25,000 during the first quarter of 2022. In total, \$1.8M in purchase orders were issued under delegated authority in the first quarter. The breakdown of these purchase orders is shown in Table 2 on a category-by-category basis. Expenditure definitions are included in Document 2 for reference.

Table 2 Summary by Type Contracts Awarded Under Delegated Authority		
Type	Amount (\$)	Percentage (%)
Information & Technology	\$1,306,696	74%
Goods & Supplies		
Facilities & Construction		
Professional Services	\$452,502	26%
Consulting Services		
Fleet & Equipment		
Total	\$1,759,197	100%

- Document 3 provides a summary of the OPS' capital budget works in progress and indicates those accounts which will be closed, in accordance with Section 3.1.3.4 of the Financial Accountability Procedures Manual. It enables the Chief Financial Officer to close capital projects by returning any remaining balance to the originating sources and funding any deficits.

FINANCIAL IMPLICATIONS

As outlined in the report.

SUPPORTING DOCUMENTATION

Document 1: 1st Quarter Financial Report – Summary by Directorate

Document 2: Purchase Orders Issued Under Delegated Authority

Document 3: Capital Budget Works in Progress

Document 4: 2022 Efficiencies Update

CONCLUSION

This report has highlighted several pressures that will be closely monitored in 2022.

The most critical pressure currently is the surge capacity and staffing strategy surrounding events and demonstrations in the City of Ottawa to ensure the community feels safe and that the city remains open. The OPS will be monitoring member wellness and the ability to continue to rely on off-duty members on overtime to effectively manage events and demonstrations.

The global inflationary impacts, as well as the high-risk items (contract negotiations, job evaluation and legal settlements) identified, also have the potential to impact the OPS' year end position.

As in prior years, we will be attempting to offset pressures with the various management interventions established to-date.

As these figures become more accurate, management interventions will be adjusted accordingly to ensure we remain fiscally responsible without risk to the public.

The next quarterly financial report will be tabled with the Board on July 25, 2022.

Another update on the achievement of the efficiency target will be provided at that time indicating the progress made on the \$2M (28 percent) of the \$7.05M achieved to-date.