

**Report to / Rapport au:**

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

**27 March 2023 / 27 mars 2023**

**Submitted by / Soumis par:**

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**SUBJECT: FINANCIAL STATUS REPORT – FOURTH QUARTER 2022**

**OBJET: RAPPORT D'ÉTAPE FINANCIER – QUATRIÈME 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**

Each quarterly financial report summarizes the current financial position of the Ottawa Police Service (OPS). The Fourth Quarter Financial Status Report presents the year-end financial position of the OPS and outlines the operational issues that affected finances in 2022. The results are subject to an external audit by the City of Ottawa. Throughout the year, staff leveraged financial measures to manage costs as much as possible without impacting the OPS' commitment to providing effective and adequate policing to the residents of the City of Ottawa, with a focus on Community Safety and Well-Being (CSWB), Duty of Care, and Public Trust.

This report also includes the quarterly update on the 2022 Efficiencies Strategy – an Ottawa Police Services Board (Board) directed action that requires the OPS to identify

\$7.05M in permanent base funding reductions and the elimination of 20 permanent full-time equivalents (FTEs) (for details please see Document 4).

The OPS experienced \$16.8M in pressures in 2022 including costs due to events and demonstrations, inflationary costs, and a reduction in revenue relative to pre-pandemic levels. The pressure from events and demonstrations is outlined further below.

### **Events and Demonstrations**

The OPS planned and responded to numerous large events and demonstrations in 2022. These included one-day and multi-day events (e.g. illegal protest, March for Life, Rolling Thunder, Canada Day, Royal visit, Panda game). It is anticipated that this increase in resource requirements for events and demonstrations will continue into 2023 and for the foreseeable future. As such, the OPS has been building out its Special Events team to plan and manage events and demonstrations to ensure community safety is upheld prior to, during, and after events and demonstrations. With support from partner services, this approach has been successfully used for several events this year following the illegal protest in February. Unfortunately, this new posture, requires significant planning and prevention activities before an event as well as ensuring adequate deployment of officers leading up to and following. While this approach is most effective in maintaining public safety, it is also costly.

The OPS will continue to rely on partner agency police resources and off-duty member overtime to manage major events and demonstrations. However, in 2022, the impact of limited recruitment of new officers resulted in the OPS becoming highly dependent on utilizing outside agencies - even for smaller events. Without the addition of new resources, the OPS will continue to manage in this way. Direct costs associated with this approach have been largely funded by Public Safety Canada as they are in alignment with pre-approved reimbursement criteria. Unfortunately, as noted in previous updates, this staffing model relies on overtime and results in the deterioration of member wellness (fatigue) and reduces organizational resiliency (burn-out, sick-time). This was especially true for Canada Day when the organization had to cancel member's annual vacation, for the first time ever, to be able to provide adequate and effective policing. The OPS is actively strengthening its support to members for health and wellness and looking to reduce the reliance on overtime through filling vacancies and requesting additional resources. With the approval of the 2023 budget, which included 20 sworn growth positions added to the complement, the OPS will be planning to hire over 100 sworn officers in 2023. The additional 20 growth positions will assist the OPS with its event deployment, but a much larger need still

exists for event and demonstration management. That requirement will be worked on in conjunction with City partners and the OPSB as the OPS works towards negotiating a new agreement with our Federal partners at Public Safety Canada.

## **DISCUSSION**

Typically, the OPS manages operational risks and pressures internally year-over-year through management interventions and revenue offsets. Historically, the OPS has managed less than \$10M in pressures, however in 2021, the OPS managed an unprecedented \$21.2M in risks and pressures. This above average pressure level continued again in 2022 resulting in \$16.8M of expense pressures and revenue shortfalls.

The increased attention to events and demonstrations, broader economic instability, and the requirement to meet a \$7.05M efficiency target, required the OPS to leverage several management interventions in 2022 to balance its budget.

Most of the solutions identified are one time in nature and aren't anticipated to be available in future budgets. Management interventions actioned included a discretionary spending freeze and line-by-line budget reviews with each Directorate.

There were savings found in salary and wages from a significant number of vacancies due to the recruitment freeze in 2021 that resulted in OPS starting 2022 under complement when historically the OPS starts the year over complement to account for retirements that typically occur in the first quarter of the year. This issue was compounded with the illegal protest that required the whole service to focus almost exclusively on that event. When the OPS did turn its attention to recruitment, the labour market was tight, and consequently the OPS ended the year in 2022 slightly under complement.

The Federal administration payments that are part of the National Capital Extraordinary Policing Contract with Public Safety Canada will aid in providing relief to any year-end pressures since the agreement will cover corporate administrative costs.

The aforementioned factors may lead to the assumption that OPS has flexibility annually when, in fact, once all vacant positions are filled, the OPS will have limited flexibility in future budgets to absorb pressures.

The police tax levy reflects the costs which are under the Board's control as well as those that are not but are required for tax-related purposes. With regards to the budgets that were under the control of the Board, the OPS ended the year in a surplus position of \$400,000. For the items that aren't under the control of the Board, a surplus of \$679,000 was recorded in these tax-related accounts due to the police share of

remissions and supplementary assessments. These tax-related accounts are budgeted and managed by City staff. As a result of the above, the total Police Services budget was in a total surplus position of \$1.1M for 2022.

The list of pressures and solutions in the fourth quarter financial report are as outlined in Table 1 followed by corresponding notes.

<b>Table 1: 2022 Year End – Significant Variances</b>		
	<b>Key Pressures</b>	<b>Rounded Amount</b>
a)	Non-Discretionary Operational Pressures	\$13,600,000
b)	Revenue Pressures	\$2,600,000
c)	Pandemic Expenses	\$600,000
	<b>Total Pressures</b>	<b>\$16,800,000</b>
<b>Key Solutions/Offsets</b>		
d)	Federal Funding and other revenue	\$8,400,000
e)	Vacancy Savings	\$6,300,000
f)	Management Interventions	\$2,500,000
	<b>Total Solutions</b>	<b>\$17,200,000</b>
	<b>Surplus/(Deficit) from operations</b>	<b>400,000</b>
	Non-Departmental Taxation	\$700,000
	<b>Total OPS Surplus</b>	<b>\$1,100,000</b>

## **PRESSURES**

### **a) \$13.6M Non-Discretionary Operational Pressures**

The OPS identified pressures throughout the year related to non-recoverable overtime for policing events and demonstrations, inflation, legal settlements, WSIB claims, and a job evaluation settlement. These major pressures have been refined based on the fourth quarter data and are as follows:

- \$6.0M - Job evaluation settlement payment
- \$3.0M - Legal claims & settlements
- \$2.8M - Non-recoverable overtime for policing events and demonstrations
- \$1.2M - WSIB
- \$600,000 - Fleet fuel

#### **b) \$2.6M Revenue Shortfall**

During the pandemic the OPS experienced a shortfall in anticipated revenues resulting in additional operational pressures. These revenue losses included the elimination of fees for all volunteer background checks, reduced recovery from policing contracts at the airport, from red light cameras, and from false alarm revenue shortfalls.

#### **c) \$600,000 Pandemic Expenditure Pressures**

The OPS experienced expenditure pressures due to the ongoing pandemic. This pressure includes the purchase of additional PPE and enhanced cleaning protocols implemented to protect members and the public.

### **SOLUTIONS/OFFSETS**

#### **d) \$8.4M Federal Funding and other revenue**

The Federal Government, through Public Safety Canada, is expected to reimburse the OPS for costs incurred from policing the illegal protest as well as other large demonstrations that have occurred in 2022 and that are in keeping with the grant agreement. The OPS also experienced a surplus of \$500,000 from the paid duty program in 2022 as more paid duties were required than were budgeted for.

#### **e) \$6.3M Vacancy Savings**

The OPS commenced fiscal year 2022 under complement due to the hiring freeze that was implemented throughout 2021. The hiring freeze, in addition to regular attrition and the illegal protest in the first quarter of 2022 resulted in a higher number of vacancies than usual, a diminished recruit pool, and delayed the recruiting and hiring efforts of the OPS. In 2022, the hiring freeze was cancelled and, as a result, the OPS worked diligently to hire the required new recruits in 2022.

On the civilian side, the OPS dealt with high vacancy numbers due to the very competitive labour market and record low unemployment numbers. Throughout the year work was underway to staff these vacancies, but efforts have taken longer than is typical and have, again, resulted in unanticipated savings through extended vacancies.

The OPS recognized \$6.3M in savings in 2022 because of the vacancies.

#### **f) \$2.5M Management Interventions**

Considerable management interventions have been implemented in the past to manage the OPS budget and continued in 2022. These interventions included:

- \$1.9M from discretionary spending freeze in services, supplies and equipment-related costs; and
- \$600,000 from a mission-critical travel order.

#### **2022 Purchases Made Under Chief's Delegated Authority**

The Board has delegated the authority to the Chief to approve purchasing related to the lifecycle management of the OPS fleet of vehicles and conducted energy weapons. The following list itemizes those purchases that were approved through that delegated authority in the third quarter:

1. Purchase Order 45103186: \$900,000 for the purchase of 17 Ford Explorer Interceptor's. Delegated authority for this purchase was provided at the December 20, 2021 Board meeting.

#### **2022 Purchases Made Under Special Circumstances Clause**

The illegal protest that occurred in February 2022, Rolling Thunder, and Canada Day events resulted in OPS having to procure surge capacity in the form of police officers from other services, accommodations, and towing services, as well as other services related to the events and demonstrations outside of regular procurement practices. The Financial Accountability Procedures (FAP) Manual allows for such procurement when special circumstances exist, in the opinion of the Chief of Police, as per section 3.2.4.8 of the FAP Manual. In total, the OPS paid for \$31.2 million in goods and services using the special circumstances clause identified above in the fourth quarter. The detailed list of the items bought in this manner can be found in Document 2.

#### **2022 Efficiencies Update - \$7.05M budget reductions**

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 Board, for a total of \$7.05M (including the elimination of 20 permanent positions). Finding these efficiencies has been challenging, and while efficiencies have been partially re-invested into priority strategic initiatives, there have been negative implications to the Service and members. These include but are not limited to a reduction in training opportunities for members, delayed improvements for fleet and facilities, a

reallocation of 20 FTEs, and lost flexibility to staff to respond to new and emerging issues in the community (e.g. cybercrime).

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 Fourth 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 fourth quarter of 2022. In total, \$1.7M in purchase orders were issued under delegated authority in the fourth 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.

<b>Table 2</b>		
<b>Summary by Type</b>		
<b>Contracts Awarded Under Delegated Authority</b>		
<b>Type</b>	<b>Amount (\$)</b>	<b>Percentage (%)</b>
Fleet & Equipment	\$1,165,794	68%
Information & Technology	\$377,493	22%
Facilities & Construction	\$122,112	7%
Goods & Supplies	\$56,667	3%
Consulting Services	-	-
Professional Services	-	-
<b>Total</b>	<b>\$1,722,077</b>	<b>100%</b>

- 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. That section enables

the Chief Financial Officer to close capital projects by returning any remaining balance to the originating sources and funding any deficits.

- Document 5 on Board Policy CR-8 – “The Acceptance of Donations, Gifts, Loans and Sponsorships”: Section 6 and 7 of the policy requires that the Chief report to the Board all donations, gifts, loans and sponsorships valued at over \$500 as part of the quarterly process and that all that are valued over \$50 be properly documented. This document lists those items for the 2022 year. In 2022, a total of \$85,785 was donated to the OPS, the majority of which was in support of the OPS Gala.

## **FINANCIAL IMPLICATIONS**

As outlined in the report.

## **SUPPORTING DOCUMENTATION**

Document 1: 4th 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

Document 5: 2022 Donations Report

## **CONCLUSION**

The OPS ended the 2022 fiscal year with a slight surplus from operations of \$400,000. The organization managed to offset \$16.8 million in operational pressures through the supplemental funding from Public Safety Canada, the one-time vacancy savings, and the early intervention of spending controls by management. These results are subject to the year end financial audit performed by a third party through the City of Ottawa.

When the surplus of \$679,000 in the taxation accounts is taken into account, there is a combined operating and taxation surplus of \$1.1M for the police tax rate. The total surplus will be transferred into the City’s Tax Stabilization Reserve.

The Service achieved 58 percent of its savings target, with identified opportunities for additional savings planned for 2023. Despite not achieving this ambitious target in one year’s time the OPS was successful in implementing double the historic average efficiency target in 2022.