

Report to / Rapport au:

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

24 April 2023 / 24 avril 2023

Submitted by / Soumis par:

Chief of Police, Ottawa Police Service / Chef de police, Service de police d'Ottawa

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SUBJECT: FINANCIAL STATUS REPORT – FIRST QUARTER 2023

OBJET: RAPPORT D'ÉTAPE FINANCIER DU PREMIER TRIMESTRE 2023

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 as of the end of the first quarter of 2023 and provides a list of horizon items that are being monitored in 2023. Year-end forecasts will be presented in the second and third quarter reports.

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).

Events and Demonstrations

Events and demonstrations have returned to near normal levels in 2023. The OPS has attended and tracked many events in Q1 2023 including one-day events and events spanning several days (POTUS visit, Prime Minister of Japan visit, King of Jordan visit, Convoy 2.0, the Premieres Conference, St. Patrick's Day, etc.). In 2023, the OPS has continued taking a more robust approach to the planning and deployment of police and has continued to use surge and sustain capacity to ensure the community is safe and the city remains open. This work is putting significant strain on the teams dedicated to these events.

Without additional resources, this work continues to be managed by off-duty members on overtime and contributes to the deterioration of member wellness and organizational resiliency. With that in mind, the OPS has commenced negotiations with Public Safety Canada on a more reflective, multi year funding model that will better reflect the demands on the OPS due to Ottawa being the Nation's capital.

DISCUSSION

Events and demonstrations, economic instability and inflation, and the requirement to meet the \$7.05M efficiency target, requires the OPS to remain diligent in order to have a balanced year end.

While management interventions implemented in 2022 have been rescinded for 2023, the OPS continues to monitor spending activity and emerging pressures and is prepared to leverage management interventions in 2023 if needed.

The OPS has identified variances in the first quarter as outlined in Table 1. The year-to-date budget figures contained in this report are presented on a "calendarized" basis. The OPS ended Q1 2023 with a minor deficit of \$100,000.

Finance reviewed the first quarter results to ensure that spending and revenue results were not indicative of any underlying issues needing to be highlighted or addressed at this time. Additional information on specific program areas, where there was a significant variance from budget that should be highlighted, is provided in the next section.

Table 1 - 2023 FIRST QUARTER FINANCIAL REPORT (\$'s)

SUMMARY BY DIRECTORATE				
Directorate	3 Month Budget Jan-March	YTD Actual Jan-March	Variance	% Spent

Police Service Board	\$249,200	\$174,816	\$74,384	70.2%
Office of the Chief	\$3,242,450	\$3,048,388	\$194,062	94.0%
Corporate Support Command	\$17,769,356	\$18,585,331	-\$815,975	104.5%
Info, Intel and Investigations Command	\$28,533,604	\$30,312,959	-\$1,779,355	106.2%
Community Policing Command	\$34,598,975	\$34,909,749	-\$310,774	100.8%
Police Non-Directorate Accounts	\$5,361,121	\$2,841,294	\$2,519,827	53.0%
Total Police Service	\$89,754,706	\$89,872,537	-\$117,831	100.3%

Highlights of Q1 Results

At the end of Q1 2023 the OPS realized a deficit of \$100,000. The overall deficit was due to Employment Income (EI) and Canadian Pension Plan (CPP) contributions being front loaded, annual IT software maintenance activities, and OT pressures resulting from staffing major events (POTUS, Convoy 2.0 etc.). Positions remaining vacant in Q1 due to a late budget approval provided a partial offset to the Overtime pressures realized on major events.

Police Service Board – Surplus \$100,000

A surplus was realized due to a vacancy not being filled in Q1.

Office of the Chief – Surplus \$200,000

A surplus was realized due to various positions remaining vacant during Q1.

Corporate Support Command – Deficit \$800,000

A deficit was realized due to major event-related overtime, front loading of EI and CPP, Conducted Energy Weapon (CEW) procurement, and annual software/maintenance agreements being paid in the first quarter.

Info, Intel and Investigations Command – Deficit \$1.8 million

A deficit was realized due to major event-related overtime, front loading of EI & CPP, and a timing difference in grant revenues that are to be received after Q1.

Community Policing Command – Deficit \$300,000

A deficit was realized due to pressures due to major event-related overtime, and the front loading of EI & CPP.

Police Non-Directorate Accounts - Surplus \$2.5 million

A surplus was realized in the corporate accounts area for the following reasons: the timing of debt payments, the placement of growth positions in corporate accounts temporarily until new positions are created and placed in a cost centre, and the payment of the pay-as-you-go contribution in the second quarter.

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 2023. These risks are being monitored and include:

HIGH RISK

- Senior Officers Association (SOA) contract negotiations – SOA collective agreement expired at the end of 2018.
- Impact from insurance liability claims and legal settlements due to the uncertainty of the amount and timing of when claims will be processed.
- Increased pressures for events and demonstrations in 2023. Not all events are recoverable from Public Safety Canada, and those that are recoverable are required to go through a supplemental funding request process until a new long term agreement for additional permanent funding can be secured.
- Revenue shortfalls from the pandemic.

LOW RISK

- Cost recovery for unlawful demonstrations and Canada Day in 2022. Federal partners, through the National Capital Extraordinary Policing Costs program, have confirmed that funding is in place to cover costs incurred in 2022 for the illegal Convoy, Rolling Thunder, and Canada Day. All costs approved through the audit process are expected to be reimbursed at 100 percent. However, there is some risk, albeit low, of some costs being refused. This process is not

anticipated to be completed until the end of the second quarter or early third quarter of 2023.

2023 Purchases Made Under Chief's Delegated Authority

Not applicable.

2023 Purchases Made Under Special Circumstances Clause

The OPS continues to experience challenges when deploying for major events as procuring goods and services and requiring surge capacity support from partner agencies must occur quickly and does not allow time to seek Board approvals. In addition, ongoing supply chain issues, resulting in long lead times for essential safety equipment and operational infrastructure, may require the Chief to act immediately.

There are instances where seeking Board approval would not be conducive to ensure timely delivery of essential goods and services required for operational needs or officer safety purposes.

The Financial Accountability Procedures 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 Q1 2023, the OPS purchased \$900,000 in goods and services using the special circumstances clause identified above. There were two payments made that make up that \$900,000. The first one is in relation to the Ottawa Marriot for \$300,000 related to the 2022 Canada Day deployment and the second one is in relation to a Telecom system provider for \$600,000 in relation to the NG911 upgrade. This purchase had to be done expeditiously due to a grant from the Province being provided with very little notice.

All of these purchases were made at no cost to City taxpayers.

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. The 2022 Budget also included the elimination of 20 permanent positions. An update on the progress of this effort has been provided 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: the First Quarter Financial Report – Summary by Directorate.
- Document 2: a list of all contracts awarded under delegated authority by the Chief that exceed \$25,000 during the first quarter of 2023. 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.
- Document 3: a summary of the OPS' capital budget works in progress and an indication of those accounts that will be closed, in accordance with Section 3.1.3.4 of the Financial Accountability Procedures Manual. This section of the manual enables the Chief Financial Officer to close capital projects by returning any remaining balance to the originating sources and funding any deficits.

Table 2 – Summary by Type

Contracts Awarded Under Delegated Authority		
Type	Amount	%
Information & Technology	\$949,262.00	55.1%
Facilities & Construction	\$668,250.22	38.8%
Professional Services	\$74,590.08	4.3%
Goods & Supplies	\$29,306.88	1.7%
Fleet & Equipment	\$0.00	0.0%
Consulting Services	\$0.00	0.0%
Total	\$1,721,409.18	

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 horizon issues that will be closely monitored in 2023.

The most critical pressure currently are costs resulting from employing the surge capacity and staffing strategy for events and demonstrations in the City of Ottawa. 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 as much as possible.

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

As in prior years, the OPS will be attempting to offset pressures with the various management interventions if necessary. As the year end figures become more accurate, management interventions will be adjusted accordingly to ensure we remain fiscally responsible without risk to the public. The Q2 Status Report will provide a better indication as to the overall year-end position and will include a forecast to the end of the year.

The next quarterly financial report will be tabled with the Board on July 24, 2023. Another update on the achievement of the efficiency target will be provided at that time indicating the progress made on the \$5.2M (74%) of the \$7.05M achieved to-date.