

Report to / Rapport au:

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

25 September 2023 / 25 septembre 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 – SECOND QUARTER 2023

OBJET: RAPPORT D'ÉTAPE FINANCIER DU DEUXIÈME 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 quarterly financial report summarizes the current financial position of the Ottawa Police Service (OPS), outlines the operational issues affecting the OPS' finances and presents the projected year-end financial position for the organization. This report presents a mid-year projection of the Service's year-end financial position, outlines the significant variances that are known at this time, and identifies solutions. The accuracy of projections in this report improves with each quarter, as the OPS' expense and revenue patterns become more certain.

This report also includes the final 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.

Events and Demonstrations

The OPS continues to attend and track many events throughout Q2 2023, including one-day events and events spanning several days. In 2023, the OPS has continued taking a more robust approach to the planning and deployment of police. This was evident during the two major events, Convoy 2.0 and the visit by the President of the United States, that occurred in the first half of the year. Efforts remain ongoing to build out a permanent Special Events team that will plan and manage events and demonstrations to ensure the community safety prior to, during, and after events and demonstrations. The OPS has continued to rely on partner agency police resources during larger scale 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. The OPS remains in 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

While management interventions implemented in 2022 have been rescinded for 2023, the OPS continues to monitor spending activity and emerging pressures to determine if management interventions are required at some point in 2023.

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

Table 1: 2023 Year End – Significant Variances		
	Key Pressures	Amount
a)	Events and Demonstrations	\$10,200,000
b)	Overtime	\$4,000,000
c)	Revenue Shortfalls	\$1,000,000
	Total Pressures	\$15,200,000
	Key Solutions/Offsets	
d)	Federal Funding	\$10,200,000
e)	Vacancy Savings	\$5,000,000

	Total Solutions	\$15,200,000
	Surplus/(Deficit)	-

PRESSURES

a) \$10.2M Events and Demonstrations Pressures

The OPS has experienced significant expenditure pressures due to the two major events and demonstrations that occurred in the first half of 2023. The ongoing efforts to implement a robust approach to the planning and deployment of police for these activities incurs significant costs. Surge capacity costs of assisting police services, alongside overtime and non-compensation costs throughout the duration of the events are the primary cost drivers. The two significant events and demonstrations to note in the first half of the year were Convoy 2.0 and the visit by the President of the United States of America.

b) \$4M Overtime Pressures

Members continue to work a significant amount of overtime to meet the needs of the organization, most notably minimum staffing levels on the frontline. There are also non-recoverable municipal events that create large pressures on the overtime budget due to the robust approach taken for event management. Lastly, unplanned events and the required response, such as that for the Orleans explosion, also require overtime to properly manage the incident from beginning to end.

c) \$1.0M Revenue Shortfall

OPS' revenues have returned to a relatively stable level as of Q2 2023. Budget adjustments have been made for the 2023 budget year to appropriately reflect the elimination of fees for all volunteer background checks with recent budget adjustments. Year to date, the OPS has experienced revenue shortfalls from red light cameras and from false alarm revenue streams.

SOLUTIONS/OFFSETS

d) \$10.2M Federal Funding

The Federal Government, through Public Safety Canada, is expected to reimburse the OPS for costs incurred from policing Convoy 2.0 as well as other large demonstrations that have occurred in 2023 as per the terms of the Nation's Capital Extraordinary Policing Costs Program. This includes a reimbursement for direct expenses and encompasses a component for overhead administrative costs that are associated to these demonstrations.

The OPS is also expected to be reimbursed under the Major International Event Security Cost Framework for the President of the United States of America visit.

e) \$5M Vacancy Savings

The OPS commenced fiscal year 2023 under complement mainly due to the hiring freeze that occurred in 2021. The primary bottleneck that has resulted in the prolonged duration to address vacancies is the limited number of new recruit seats that are available at the police college. In addition, the late budget approval in 2023 due to the elections delayed the organization's ability to move forward with the required staffing actions for any new positions that were being requested in the 2023 budget. The delayed budget, in addition to regular attrition in the first quarter of 2023, resulted in a high number of vacancies. The OPS continues to feel the effects of the 2021 hiring freeze and although it was removed in 2022, the OPS may not be able to fill its vacancies fully until 2024. The Province of Ontario introduced an additional new recruit class in 2024, bringing the annual intakes from three per year to four. This change will assist greatly in OPS's efforts to catch up with its hiring efforts.

The OPS is anticipating \$5M in savings in 2023 because of the vacancies.

In Year Financial Risks

The OPS manages many financial risks throughout the year of varying levels of magnitude and likelihood. There are certain 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

- 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 event-related costs are recoverable from Public Safety Canada. Events-related costs 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. Events that fall under the Major International Event Security Cost Framework have further limitations in terms of recoverable costs.

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. Procuring goods and services and obtaining 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 (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 Q2 2023, the OPS procured \$4.3 million in goods and services using the special circumstances clause. The procurement of these services and goods were primarily outstanding amounts due to the RCMP for 2022 event costs, including Canada Day, Rolling Thunder and the Truck Demonstration (\$3.6M). The remaining amounts under the clause were in relation to the POTUS visit and were required for operational needs, given the short timeframe to plan this operation.

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. This was a significant reduction target relative to efficiencies identified historically. The OPS began immediately in 2022 to manage expenditures by issuing a General Order directing a discretionary spending freeze January 1st, 2022. This was done in recognition that implementing \$7.05M in reductions in a single year was overly ambitious and requires timely change management and labor relations processes to run their course. Compounding the issue was the unlawful truck demonstration and subsequent major events that resulted in a delay in this work as most staff were engaged with these demonstrations and events. The OPS was successful in implementing \$4.1 million (58%) in base reductions in 2022, which is double what the annual historical average has been for annual efficiencies at the OPS. The management interventions taken in 2022 were successful in mitigating the portion of the

efficiencies target that wasn't implemented in 2022 and ensured a balanced year end position.

As of the end of the second quarter of 2023, the OPS has implemented \$5.7 million (81%) in base reductions of the \$7.05 million target and other strategies are underway to address the outstanding efficiencies.

The OPS recently implemented an administrative assistant review which identified four positions that would be able to be attributed to this savings initiative. Those four positions were needed to bridge a portion of the Front Desk savings that couldn't be realized due to the significant reduction in operating hours that would've accompanied it.

To date, the OPS has provided regular quarterly updates to the Board regarding the progress of its achievement in attaining the \$7.05 million efficiency target through the quarterly financial Board reports. As the Service is transitioning towards its efforts to identify efficiencies as part of the 2024 Budgeting exercise, this will be the final quarterly update on the 2022 efficiency target. Moving forward, the Service will report on its 2024 efficiencies exercise on a quarterly basis through the quarterly financial Board reports.

Grant Update

At the request of the Board, an additional document will be included in the quarterly reports commencing this quarter. This document will provide a quarterly update regarding the receipt of grant funds from the various levels of government as well as any applicable updates on grants that the OPS has applied for. This information is detailed in Document 6.

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 Second 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 second quarter of 2023. In total, \$1.45M in purchase orders were issued under delegated authority in the second 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	%
Facilities & Construction	\$751,232	51.80%
Information & Technology	\$433,718	29.91%
Goods & Supplies	\$186,928	12.89%
Consulting Services	\$78,355	5.40%
Professional Services	\$0	0.00%
Fleet & Equipment	\$0	0.00%
Total	\$1,450,233	

- 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.

Annual Reporting Requirements

Policy CR-4 of the Ottawa Police Services Board Policy Manual, Asset Management, requires that the Chief shall, on a yearly basis:

1. Provide a report to the Board listing the assets assigned to the OPS and their Net Book Value.
2. Report on one category of real assets on a rotational basis to include:
 - a. Value
 - b. Expected useful life
 - c. Annual maintenance cost
 - d. Replacement plan

e. Disposal options.

The first requirement of the policy is satisfied in Document 4, entitled “Summary of Assets Assigned to Ottawa Police Service”. This document provides an overview of the assets assigned to the OPS and the associated net book value for the five-year period of 2018 to 2022. The assets are divided into five categories and have a total net book value of \$65.7 million at December 31, 2022. The largest category of asset is “Buildings and Building Improvements” which accounts for almost \$46.4 million of the total.

The total value of assets assigned to the OPS during the reporting period peaked at \$69.7 million in 2018 and has been declining every year since. This decrease is mainly attributable to holding onto assets for longer periods of time and allowing more depreciation to reduce residual values. This trend is particularly evident within the IT/Telecommunications and Police equipment categories.

The second requirement in this area is to report on one category of assets on a rotational basis. This year the category is the most significant one, ‘Buildings and Building Improvements’. Document 5 provides a summary of the value of buildings and building improvements assigned to OPS including: the net book value, average expected useful life for accounting purposes, annual maintenance costs, and disposal options.

The net book value of these assets is \$46.5 million at December 31, 2022. The annual operating budget includes a provision of just over \$5.4 million to maintain these facilities including the costs of: City maintenance and supervisory staff, utilities, janitorial services, contracts for snow removal and lawn care, and a provision for life cycle repairs.

The OPS continued implementation of various projects contained in the 2017 Facilities Strategic Plan (FSP) approved by the Board in June 2017. However, due to resourcing deficiencies and shifting operational priorities that emerged in 2020, many FSP projects were not able to be initiated or were paused. As well, the anticipated update to the FSP was deferred.

In 2022, the OPS determined the need to re-start the execution of FSP projects, but also required confirmation that objectives in the FSP and the funding value were still accurate. As such, a Refresh to the FSP was undertaken and presented to and approved by the Board in January 2023, covering the years 2023-2037. The refreshed FSP did not add any new projects nor requested any additional funding, rather it focused on bringing forward key projects that had been deferred. As such, the total value of the FSP remains at \$219M and continues to align to the directed 25% cost

savings requested by the Board. The 2023 refreshed FSP continues to remain focused on using innovative real estate solutions such as developing a Campus model in the South, leveraging partnerships and existing City facilities where possible, and disposing of aging or leased infrastructure that create an increased financial burden.

Since the 2017 FSP, the OPS has completed the following activities:

- Completion of Phase A of the Elgin realignment;
- Master campus planning at the South site;
- Completion of the Design development for the South Facility Phase A and B.1;
- 2023 FSP Refresh, capturing objectives for more than 600,000 square feet of the OPS portfolio.

The Board approval of the 2023 FSP Refresh also signaled the re-start of the South Facility project; the foundational project of the FSP and whose execution is sequenced to other projects within the FSP. The South Facility is currently advancing to construction and is anticipated to be ready for move-in in Q4 2026.

The Refresh continued to show the need to progress on modernizing Corporate Space Standards that might consider a Hybrid Work Environment coming out of the Pandemic. The Refresh also identified the execution of an in-depth update to the FSP, anticipated to be initiated in 2024 following the development of the OPS Strategic Goals.

Associated risks include:

- OPS operational readiness to adopt Workplace Innovation Project (WIP) recommendations as related to workspaces;
- Local construction market and labor conditions;
- Exposure to foreign exchange rate volatility;
- US/Canadian trade and tariff issues;
- Maintaining adequate business continuity measures;
- Unexpected maintenance cost increases;
- Non-integration with other OPS service-wide initiatives which could lead to operational ineffectiveness or unnecessary spending.

FINANCIAL IMPLICATIONS

As outlined in the report.

SUPPORTING DOCUMENTATION

Document 1: The Second Quarter Financial Report – Summary by Directorate

Document 2: Purchase Orders Issued Under Delegated Authority

Document 3: Capital Budget Works in Progress

Document 4: Summary of Assets Assigned to OPS 2022

Document 5: Summary of Buildings and Building Improvements 2023

Document 6: Quarterly Grant Update

CONCLUSION

This report has highlighted several ongoing 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 OPS is submitting claims to Public Safety Canada to receive Federal funding to offset the main pressures from the events and demonstrations to manage financial pressures and achieve a balanced budget at year-end.

The next quarterly financial report will be tabled with the Board on November 27, 2023.