

Report to / Rapport au:

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

27 November 2023 / 27 novembre 2023

Submitted by / Soumis par:

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

Contact Person / Personne ressource:

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SUBJECT: FINANCIAL STATUS REPORT – THIRD QUARTER 2023

OBJET: RAPPORT D'ÉTAPE FINANCIER DU TROISIÈME 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 the third quarter 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.

Events and Demonstrations

The OPS continues to attend and track many events throughout Q3 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, as well as with the visit by President of Ukraine and 1 Million March 4 Children protest and counter protest that occurred in the latest quarter. 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 third 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	\$13,200,000
b)	Overtime	\$5,000,000
c)	Revenue Shortfalls	\$1,000,000
	Total Pressures	\$19,200,000
	Key Solutions/Offsets	
d)	Federal Funding	\$13,200,000
e)	Vacancy Savings	\$5,000,000
f)	Fuel Savings	\$400,000
g)	Other Offsets	\$600,000
	Total Solutions	\$19,200,000
	Surplus/(Deficit)	-

PRESSURES

a) \$13.2M Events and Demonstrations Pressures

The OPS has experienced significant expenditure pressures due to major events and demonstrations that occurred since the beginning 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 significant events and demonstrations to note year to date were Convoy 2.0, the visit by the President of the United States of America, the visit by the President of Ukraine and the 1 Million March 4 Children protest and counter protest.

b) \$5M 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 also require overtime to properly manage the incident from beginning to end.

c) \$1.0M Revenue Shortfall

Most of OPS' revenues have returned to a relatively stable level as of Q3 2023. However, year to date, the OPS continues to experience revenue shortfalls from red light cameras and from false alarm revenue streams.

SOLUTIONS/OFFSETS**d) \$13.2M 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, like the more recent 1 Million March 4 Children protest and counter protest, 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 visits of the President of the United States of America and the President of Ukraine.

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.

f) \$0.4M Fuel Savings

The fuel budget for 2023 was constructed using a higher retail price than we have experienced in 2023. That higher price was based upon the trend in gas pump pricing that was observed in 2022, as the 2023 budget was being constructed. Year to date, the pump prices have remained relatively stable at a lower level, and we are now anticipating a modest surplus of \$0.4M for 2023, in this account.

g) \$0.6M Other Offsets

The final section includes a total savings of \$0.6M and consists of surpluses in two main areas: Background Clearance revenue and the retirement account. Background Clearance revenue shows a surplus of \$0.4M as that revenue rebounds to pre-pandemic levels. The retirement account is also in a surplus position of \$0.2M. Note that both accounts will be adjusted to reflect their new activity levels in the 2024 Budget.

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

CEW's:

Not applicable.

Fleet:

Not applicable.

South Building:

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.

For Q3 2023, invoking this clause was not necessary.

Grant Update

As requested by the Board, detailed reporting on grants is included in this quarterly report. Document 4 provides 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.

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 Third 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 third quarter of 2023. In total, \$1.47M in purchase orders were issued under delegated authority in the third 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	%
Information & Technology	\$780,530	52%
Professional Services	\$364,122	25%
Facilities & Construction	\$169,939	12%
Goods & Supplies	\$159,983	11%
Consulting Services	\$0	0.00%
Fleet & Equipment	\$0	0.00%
Total	\$1,474,574	

- 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, or designate, 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: 3rd Quarter Financial Report – Summary by Directorate

Document 2: Purchase Orders Issued Under Delegated Authority

Document 3: Capital Budget Works in Progress

Document 4: 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 March 25, 2024.