

Report to / Rapport au:

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

25 March 2024 / 25 mars 2024

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 – FOURTH QUARTER 2023

OBJET : RAPPORT D'ÉTAPE FINANCIER DU QUATRIÈME 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

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 2023. The results are subject to external audit by the City of Ottawa.

The OPS experienced \$24.8M in pressures in 2023, largely due to costs incurred in the management of events and demonstrations and the associated increased overtime costs. These pressures were offset by \$31.6M of identified solutions, resulting in an overall surplus from operations of \$6.8M in 2023. The pressure from events and demonstrations is further outlined below.

Events and Demonstrations

The OPS planned and responded to numerous large events and demonstrations in 2023, including one-day and multi-day events. These events occurred consistently

and steadily throughout the course of the year. In 2023, as in previous years, the OPS continued taking a more robust approach to the planning and deployment of police. This was evident during the major events that occurred in 2023, including Convoy 2.0, the visit by the President of the United States, the visit by President of Ukraine, and the 1 Million March 4 Children protest. Ongoing demonstrations related to the Israeli-Palestinian conflict and other Federal matters continued to draw on resources throughout the fourth quarter, with a deployment almost every weekend. Efforts remain ongoing to build out a permanent Special Events team that will plan and manage events and demonstrations to ensure 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 utilization of these additional resources, this work is managed by off-duty members on overtime and contributes to the deterioration of member wellness and organizational resiliency. The OPS has requested a more reflective, multi-year funding model from Public Safety Canada that will better reflect the demands on the OPS due to Ottawa being the Nation's capital. Discussions about this continue.

DISCUSSION

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, since 2021 the OPS has managed an increase in risks and pressures. This above average pressure continued in 2023 resulting in \$24.8M of expense pressures and revenue shortfalls.

The increased volume and magnitude of events and demonstrations remained the largest pressure to the OPS budget. In addition, overtime worked by members continues to increase because of vacancies, non-recoverable municipal events, and the robust approach required for event management. These pressures accompanied by a handful of non-discretionary operational pressures and revenue shortfalls contributed to the overall \$24.8M pressure.

The expected Federal administration payments that are part of the National Capital Extraordinary Policing Contract and the Major International Event Security Cost Framework with Public Safety Canada provide offsetting relief to the costs of these events and demonstrations. As well, for 2023, there were various timing differences between the receipt of funding for the reimbursement of costs incurred from policing the large demonstrations in 2022.

Further, offsetting these pressures were savings found in salary and wages from a significant number of vacancies due to the recruitment freeze in 2021 that resulted in the

OPS starting 2022 under complement when historically the OPS starts the year over complement to account for retirements that occur in the first quarter of the year. 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 that are under the Board's control as well as those that are not but are required for tax-related purposes. With regards to budget items that were under the control of the Board, the OPS ended the year in a surplus position of \$6.8M. For the items that aren't under the control of the Board, a deficit of \$0.5M million 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 \$6.3M for 2023.

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

Table 1: 2023 Year End – Significant Variances		
	Key Pressures	Amount
a)	Events and Demonstrations	\$15,400,000
b)	Overtime	\$6,450,000
c)	Non-Discretionary Operational Pressures	\$1,950,000
d)	Revenue Shortfalls	<u>\$1,000,000</u>
	Total Pressures	\$24,800,000
	Key Solutions/Offsets	
e)	2023 Federal Funding	\$15,400,000
f)	Vacancy Saving	\$7,000,000
g)	2022 Federal Funding	\$4,100,000
h)	Revenue & Recoveries	\$2,800,000

i)	Other Savings	<u>\$2,300,000</u>
	Total Solutions	\$31,600,000
	Surplus/(Deficit) from operations	<u>\$6,800,000</u>
	Non-Departmental Taxation	(\$500,000)
	Surplus/(Deficit)	<u>\$6,300,000</u>

PRESSURES

a) \$15.4M Events and Demonstrations Pressures

The OPS has experienced significant expenditure pressures due to major events and demonstrations that occurred throughout the course of the year. 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 partner police services, alongside overtime and non-compensation costs throughout the duration of the events are the primary cost drivers. Significant events and demonstrations in 2023 were Convoy 2.0, the visit by the President of the United States of America, the visit by the President of Ukraine, the 1 Million March 4 Children protest and counter protest, and demonstrations related to the Israeli-Palestinian conflict.

b) \$6.45M Overtime Pressures

Members continue to work a significant amount of overtime to meet the needs of the organization, most notably ensuring that minimum staffing levels on the frontline are met. 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 incidents and the required response also require overtime to properly manage the incident from beginning to end.

c) \$1.95M Non-Discretionary Operational Pressures

The OPS identified pressures throughout the year related to \$1.95M in WSIB claims (\$1.35M) and legal settlements (\$0.6M). These operational pressures both developed during the fourth quarter. There was a \$0.7M settlement in the last month of the year, pushing the insurance budget to a deficit.

d) \$1M Revenue Shortfalls

Most of the OPS's revenues have returned to a relatively stable level during 2023; however, year to date, the OPS experienced revenue shortfalls from red light cameras and from false alarm revenue streams.

SOLUTIONS/OFFSETS**e) \$15.4M 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 ongoing Israeli-Palestinian protests. These costs, that have been incurred in 2023, qualify for reimbursement 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.

f) \$7M Vacancy Savings

The OPS commenced fiscal year 2023 under complement mainly due to the hiring freeze that occurred in 2021. This situation may continue in to 2024 with the primary bottleneck in filling vacancies being limited number of new recruit seats available at the Ontario Police College (OPC). 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 it's hiring efforts.

In addition, the late budget approval in 2023 due to the municipal election 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. These factors, in addition to regular attrition in the first quarter of 2023, resulted in a high number of vacancies.

The OPS achieved \$7M in savings in 2023 because of the vacancies.

g) \$4.1M 2022 Federal Funding

A surplus of \$4.1M was realized due to various timing differences between the receipt of funding through Public Safety Canada for the reimbursement of costs incurred from policing the large demonstrations in 2022. This claim from 2022 is still being audited and the remaining amount owed will be released upon the completion of the audit in 2024.

h) \$2.8M Revenue & Recoveries

The OPS experienced higher than budgeted revenue and recoveries within various accounts. The significant contributors to this portion of the surplus include:

- \$0.9M Airport Authority Contract Revenue – surplus is driven by a late back pay adjustment from 2022, invoiced in early 2023
- \$0.8M Expenditure Recoveries
- \$0.6M Paid Duty Program
- \$0.5M Other revenue surpluses

i) \$2.3M Other Savings

Savings of \$2.3 million were realized from various expenditure accounts with lower actuals than budgeted amounts, including facilities costs (\$0.7M), fuel costs (\$0.3M) and retirement costs (\$0.3M). An additional \$1M of lower debt costs resulted in a debt surplus to further contribute to the operational surplus.

2023 Purchases Made Under Chief's Delegated Authority

CEW's:

Not applicable.

Fleet:

Not applicable.

South Building:

1. Increase/amendment to Colliers Project Leaders contract - \$287,000
2. Increase/amendment to Moriyama Teshima's contract - \$1,060,000
3. OPS construction insurance - \$704,000

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 Q4 2023, this clause was invoked in relation to various events and demonstrations, primarily for surge capacity costs of assisting police services. These are highlighted in Document 2.

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 Fourth 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 fourth quarter of 2023. In total, \$2.13M 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 for reference.

Table 2		
Summary by Type		
Contracts Awarded Under Delegated Authority		
Type	Amount	%
Information & Technology	\$746,042	35%
Facilities & Construction	\$735,453	34%
Professional Services	\$331,243	16%
Goods & Supplies	\$317,964	15%

Consulting Services	\$0	0%
Fleet & Equipment	\$0	0%
Total	\$2,130,701	

- Document 3: a summary of the OPS’s 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 their designate, to close capital projects by returning any remaining balance to the originating sources and funding any deficits.
- 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.
- Document 5: a report 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 2023 year. In 2023, a total of \$74,830 was donated to the OPS, 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 and Procurement under the Special Circumstances Clause

Document 3: Capital Budget Works in Progress

Document 4: Quarterly Grant Update

Document 5: Donations Report

CONCLUSION

The OPS ended the 2023 fiscal year with a surplus from operations of \$6.8M. The organization managed to offset \$24.8 million in operational pressures through the supplemental funding from Public Safety Canada, one time vacancy savings, and other favourable revenue and recovery surpluses from operations during the year. These identified solutions totalled \$31.6M. These results are subject to the year end financial audit performed by a 3rd party through the City of Ottawa.

When the deficit of \$0.5M in the taxation accounts is considered, there is a net operating and taxation surplus of \$6.3M for the police tax rate. The total surplus will be transferred into the City's Tax Stabilization Reserve.

The next quarterly financial report will be tabled with the Board on April 22, 2024.