

Report to / Rapport au:

**OTTAWA POLICE SERVICE BOARD
LA COMMISSION DE SERVICE DE POLICE D'OTTAWA**

27 May 2024 / 27 mai 2024

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 – FIRST QUARTER 2024

OBJET: RAPPORT D'ÉTAPE FINANCIER DU PREMIER TRIMESTRE 2024

REPORT RECOMMENDATIONS

That the Ottawa Police Service Board receive this report for information.

RECOMMANDATIONS DU RAPPORT

Que la Commission de service de police 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's (OPS) fiscal picture. The report summarizes the OPS's current financial position as of the end of the first quarter of 2024 and provides a list of items on the horizon that are being monitored in 2024. Year-end forecasts will be presented in the second and third quarter reports.

Events and Demonstrations

Events and demonstrations have continued to draw on OPS resources throughout the first quarter. The OPS has planned and responded to ongoing events and demonstrations, including one-day and multi-day events. During this first quarter, these events included ongoing demonstrations related to the Middle East conflict, the former prime minister Brian Mulroney's lying in state, St. Patrick's Day, the funeral for Ed Broadbent, and various other

one-day demonstrations. In 2024, as in previous years, the OPS has continued taking a more robust approach to the planning and deploying of police resources. The OPS has continued to use external resources for surge capacity to ensure the community is safe and the city remains open. 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 looks forward to receiving further details regarding the \$50 million in federal funding to be received over the next five years to enhance security near Parliament Hill. This multi-year funding agreement will help address the increased policing costs OPS continues to face due to Ottawa being the Nation's capital, as well as reduce the frequency that members are being pulled from their substantive duties to assist with the events in the downtown core.

DISCUSSION

Events and demonstrations, economic instability and inflation, and staffing pressures resulting in significant overtime requiring the OPS to remain diligent to have a balanced year end. The OPS is also prioritizing the projects supporting the strategic plan set by the Police Services Board and investing additional resources accordingly.

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 2024 with a deficit of \$15.9 million. The deficit is largely due to the reversal of 2023 revenue accruals from prior year, related to Federal funding reimbursements expected for the recovery of costs in relation to National Capital Extraordinary Policing Contract (NCEPC) and the Major International Event Security Cost Framework (MIESCF), with Public Safety Canada.

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 - 2024 FIRST QUARTER FINANCIAL REPORT (\$'s)				
SUMMARY BY DIRECTORATE				
Directorate	3 Month Budget Jan - March	YTD Actual Jan - March	Variance	% Spent
Police Service Board	\$277,600	\$224,945	\$52,655	81.0%
Office of the Chief	\$3,370,475	\$3,173,295	\$197,180	94.1%
Corporate Support Command	\$19,105,831	\$20,412,472	-\$1,306,641	106.8%
Serious and Organized Crime Command	\$28,998,954	\$32,034,617	-\$3,035,663	110.5%
Community Policing Command	\$36,019,425	\$42,236,641	-\$7,217,215	120.0%
Police Non-Directorate Accounts	\$5,326,196	\$9,957,560	-\$4,631,364	187.0%
Total Police Service	\$93,098,481	\$109,039,530	-\$15,941,049	117.1%

Highlights of Q1 Results

At the end of Q1 2024 the OPS is showing a deficit of \$15.9 million. The overall deficit was due to the Federal revenue accruals reversal, given these funds were not yet received in the first quarter from Public Safety Canada. This timing difference accounts for \$15.4 million of the overall deficit.

Other contributors to the deficit were Employment Income (EI) and Canadian Pension Plan (CPP) contributions being front loaded, annual IT software maintenance activities, and Overtime pressures resulting from staffing major events. Positions remaining vacant in Q1 due to lingering vacancies providing a partial offset to the Overtime pressures realized on major events.

Police Service Board – Surplus \$0.1 million

A surplus was realized due to a vacancy not being filled in Q1 as a result of delayed hiring plans for the Senior Policy Advisor position. The Police Services Board is in the process of fulfilling the outlined Staffing Strategy, which includes the addition of another two positions. The budget base for two of these positions remains in Corporate Accounts and will be appropriately reallocated to the Board's budget based upon further execution of the recruitment timeline.

Office of the Chief – Surplus \$0.2 million

A surplus was realized due the timing of when professional services will be utilized and associated costs incurred in 2024.

Corporate Support Command – Deficit \$1.3 million

A deficit was realized due to overtime, front loading of EI and CPP, and annual software/maintenance agreements being paid in the first quarter.

Serious and Organized Crime Command – Deficit \$3.0 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 \$7.2 million

A deficit was realized due to pressures of major event-related overtime, and the front loading of EI & CPP. As discussed in further detail below, the expected reimbursement for the costs incurred in relation to the President of the United States of America visit were accrued at 2023 year-end in this section and reversed during Q1; however, the receipt of funding is not expected until later this year through the Major International Event Security Cost Framework.

Police Non-Directorate Accounts - Deficit \$4.6 million

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 demonstration related to the Middle East conflict.

These costs, that were 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 visit of the President of Ukraine.

This was offset by a surplus 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 transfer of the pay-as-you-go contribution to capital reserves 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 2024. These risks are being monitored and include:

- 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 2024. 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 is finalized. Even with a new federal funding agreement on the horizon, there remains some risk during this transition period that OPS will have to absorb some of these costs.
- Full cost recovery for claims to Public Safety Canada for events from 2022 and 2023. Federal partners, through the National Capital Extraordinary Policing Costs program, have confirmed that funding is in place to cover costs incurred in 2023 for the applicable events falling within the scope of this program. All costs are subject to an audit process that is ongoing. There is some risk of costs being refused and if this varies materially from what was accrued then that would be a pressure in 2024. This process is not anticipated to be completed until the end of the second quarter or early third quarter of 2024.
- There are a handful of pressures as a result of the Community Safety and Policing Act (CSPA) that went into effect April 1, 2024. Given the new requirements of the CSPA, there are additional specialty policing tool purchases, ammunition specifications and training requirements that OPS must adhere to by these identified deadlines.

2024 Purchases Made Under Chief's Delegated Authority

CEW's:

Not applicable.

Fleet:

1. Campbell Ford: Ford Explorer Vehicles for Ottawa Police Service - \$3,045,000
2. Barrhaven Ford: Hybrid Ford Explorer Vehicles for Ottawa Police Service - \$1,506,000
3. Battleshield Industries Limited: Frontline Mobility Fleet Mitigation - \$744,000
4. PK Welding & Fabrications Inc.: Large Bomb Truck Fit-Up Project - \$334,000

South Building:

Not applicable.

2024 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 2024, the OPS was not required to leverage the special circumstances clause for any purchases.

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 2024. In total, \$8.1M 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.

Table 2 Summary by Type Contracts Awarded Under Delegated Authority		
Type	Amount	%
Fleet & Equipment	\$5,655,425	70%
Information & Technology	\$1,816,430	22%
Goods & Supplies	\$525,384	6%
Professional Services	\$127,330	2%
Consulting Services	\$0.00	0%
Facilities & Construction	\$0.00	0%
Total	\$8,124,469	

- 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 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.

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: Quarterly Grant Update

CONCLUSION

This report has highlighted several horizon issues that will be closely monitored in 2024.

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 Federal funding arrangement will continue to be a forefront topic as this continues to evolve into a final agreement, which will help alleviate the event cost pressures that the OPS continues to face on an ongoing basis.

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 September 23, 2024.