

**Report to / Rapport au:**

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

**23 September 2024 / 23 septembre 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 – SECOND QUARTER 2024**

**OBJET: RAPPORT D'ÉTAPE FINANCIER – DEUXIÈME 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 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.

**Events and Demonstrations**

The OPS continued to attend and track many events throughout Q2 2024, including one-day events and events spanning several days. In 2024, as in previous years, the OPS has continued taking a more robust approach to the planning and deployment of

police. During this second quarter, these events included ongoing demonstrations related to the Israeli-Palestinian conflict, the visit of the French Prime Minister, the United Nations Climate Conference and various other one-day demonstrations in the Nation's capital. Efforts remain ongoing to establish 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 is in the process of finalizing a \$50 million, five-year funding model with Public Safety Canada that will assist with the demands on the OPS due to Ottawa being the Nation's capital.

## DISCUSSION

Events and demonstrations, inflation, and staffing pressures resulting in significant overtime require 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 (the Board) and investing additional resources accordingly.

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

<b>Table 1: 2024 Year End – Significant Variances</b>		
	<b>Key Pressures</b>	<b>Amount</b>
a)	Overtime	\$6,500,000
b)	Events and Demonstrations	\$6,000,000
c)	Non-Discretionary Operational Pressures	\$1,500,000
d)	Revenue Shortfalls	\$1,400,000
	<b>Total Pressures</b>	<b>\$15,400,000</b>
<b>Key Solutions/Offsets</b>		
e)	Vacancy Savings	\$6,800,000

f)	Federal Funding	\$6,000,000
g)	Revenue & Recoveries	\$1,600,000
h)	Other Solutions	\$1,000,000
	<b>Total Solutions</b>	<b>\$15,400,000</b>
	<b>Surplus/(Deficit)</b>	-

## PRESSURES

### a) \$6.5M Overtime Pressures

Members continue to work a significant amount of overtime to meet the needs of the organization and the community, most notably maintaining 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. Other non-recoverable overtime costs creating a pressure on current results include limited relief and short staff within the communications centre (\$295K) and homicide investigations (\$218K).

### b) \$6M Events and Demonstrations Pressures

The OPS has experienced significant expenditure pressures due to frequent events and demonstrations that occurred in the first half of 2024. 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. Some of these significant events and demonstrations include the ongoing demonstrations related to the Israeli-Palestinian conflict, the United Nations Climate Conference, and the visit by the French Prime Minister.

### c) \$1.5M Non-Discretionary Operational Pressures

The OPS identified pressures in the second quarter related to WSIB claims (\$1.2M) and Fleet maintenance charges (\$0.3M).

### d) \$1.4M Revenue Shortfall

As in previous years, the OPS has continued to experience revenue shortfalls from red light cameras and from false alarm revenue streams. In 2024, paid

duties became an additional revenue shortfall pressure that will be impacting the 2024 results; it has become a challenge to staff paid duties without the use of overtime as member interest in working paid duties has waned in 2024. This challenge was evident recently with the Service being unable to provide the requested officers for the Pride Parade.

## **SOLUTIONS/OFFSETS**

### **e) \$6.8M Vacancy Savings**

The OPS continues to work on addressing ongoing vacancies during the second quarter of 2024. The Province of Ontario introduced an additional new recruit class at the Ontario Police College (OPC) in 2024, bringing the annual intakes from three classes per year to four. This change will assist greatly in OPS' efforts to catch up with its hiring efforts over time, and we anticipate that resulting rewards will be reaped beginning in 2025 when those in the extra recruit class become road ready. However, the organization still faces limitations in the number of seats being provided at the police college resulting in the surpluses forecasted for 2024.

### **f) \$6M Federal Funding**

Supplemental funding will be sought from the Federal Government, through Public Safety Canada, to reimburse the OPS for costs incurred from policing large demonstrations that have occurred in 2024 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 has also applied to be reimbursed under the Major International Event Security Cost Framework for the UN Climate Conference held in April.

### **g) \$1.6M Revenue & Recoveries**

The OPS is experiencing higher than budgeted revenue and recoveries within various accounts as of the second quarter. The significant contributors to this portion of the surplus include:

- a. \$0.6M Background Check surplus
- b. \$1M Court Security Provincial Grant surplus

### **h) \$1M Other Solutions**

The OPS is showing a \$1M financial charge surplus, which will be realized savings from debt, due to the debt payments ending this year for one of the OPS facilities. However, this is a one-times savings, as these funds will be used for the South Facility.

**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 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 being finalized in the near future, there remains some risk during this transition period that the OPS will have to absorb some of these costs.
- 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 the OPS must adhere to by these identified deadlines.
- 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. The payment remains pending as the revised audited figures are under review.

**2024 Purchase Made Under Chief's Delegated Authority****CEW's:**

Not Applicable

**Fleet:**

1. Ford E450 Cab & Chassis \$100,000
2. Passenger Van \$78,000
3. Midnight Blue Police SUV \$70,000

4. Sterling Grey Metallic Police SUV \$68,000
5. Upfit of 2 Electric Vehicles \$67,000

**South Building:**

1. Third Party Building Envelope Review - \$185,000
2. Piling Testing & Inspections plus Vibration Monitoring - \$149,000

**2024 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 approval. 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 2024, the OPS was required to leverage the special circumstances clause for the NG 9-1-1 purchase. This was for the purchase of equipment and professional services from Netagen for the future migration of the 9-1-1 connections for both the Ottawa Police Service and Ottawa Fire Services (OFS) from the legacy Enhanced 9-1-1 (E911) network to the new Next Generation 9-1-1 (NG9-1-1) network, as mandated by the Canadian Radio-television and Telecommunications Commission (CRTC), for the amount of \$912,734.56 before applicable taxes.

**Grant Update**

The quarterly grant update provides a summary 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. A majority of the \$26 million deficit figure is due to timing differences of either prepaid expenses, or revenue not received yet and won’t represent a deficit at year end. The other significant pressure for the OPS is overtime costs, which are forecasted to be a pressure throughout the remainder of the year, based on present trends. Most of the OPS’ revenues have returned to a relatively stable level as of Q2 2024.
- **Document 2:** a list of all contracts awarded under delegated authority by the Chief that exceed \$25,000 during the second quarter of 2024. In total, \$3.1M 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.

<b>Table 2</b> <b>Summary by Type</b> <b>Contracts Awarded Under Delegated Authority</b>		
<b>Type</b>	<b>Amount</b>	<b>%</b>
Information & Technology	\$1,337,455	43%
Goods & Supplies	\$810,361	26%
Professional Services	\$428,723	14%
Fleet & Equipment	\$382,921	12%
Facilities & Construction	\$115,881	4%
Consulting Services	-	0%

<b>Total</b>	<b>\$3,075,340</b>	
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- **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 2019 to 2023. The assets are divided into five categories and have a total net book value of \$65.9 million at December 31, 2023. The largest category of asset is "Buildings and Building Improvements" which accounts for almost \$46.2 million of the total.

The total value of assets assigned to the OPS during the reporting period peaked at \$68.2 million in 2019 and has primarily been declining, with a slight increase this year due to an uptick in Police Equipment purchases as a result of the creation of the Specialized Capital Asset account. The previous trend of decreasing amounts is mainly attributable to holding onto assets for longer periods of time and allowing more depreciation to reduce residual values. This trend was particularly evident within the Police Equipment category.



The second requirement in this area is to report on one category of assets on a rotational basis. This year the category is Information Technology (IT) Equipment. Document 5 provides a summary of the value of IT Equipment assigned to OPS including: the net book value, average expected useful life for accounting purposes, annual maintenance costs and disposal options.

As of December 31, 2023, the net book value of these assets is \$2.2 million. The annual operating budget allocates \$0.6 million to maintain these assets, covering expenses such telephone system maintenance contracts, enterprise storage hardware maintenance, wireless infrastructure maintenance, and firewall and switch maintenance.

### **Key Challenges:**

1. **Vendor Delays:** The OPS continues to face challenges with timely procurement of IT and telecommunications equipment. Vendor delays, exacerbated by global supply chain disruptions, have impacted the ability to acquire critical infrastructure components promptly, which in turn affects operational readiness.
2. **Increased User Expectations:** As technology adoption accelerates across the organization, user expectations have grown accordingly. The demand for faster, more reliable equipment puts pressure on the IT & Telecommunications infrastructure, necessitating continuous improvements to meet these evolving needs.
3. **End-of-Life Asset Replacement:** Several IT assets have reached or are approaching end-of-life status, with no further security patches available. Previously, the OPS accepted the associated risks; however, given the heightened cybersecurity threats, the OPS can no longer afford to do so. Ensuring that these assets are replaced promptly is now a priority.
4. **Capacity Constraints:** The most significant challenge is the capacity of the IT team. The expansion of capacity is urgently needed to manage the replacement of all end-of-life assets while maintaining ongoing operations. Without addressing this capacity gap, the OPS risks further delays and potential vulnerabilities in the IT infrastructure.

### **Opportunity for Cloud Migration:**

As part of the strategy to address the challenges mentioned above, the OPS is actively exploring the potential to replace certain on-premise IT assets with public cloud

services. This migration presents a significant opportunity to reduce risks, enhance service quality, and improve capacity, all while potentially lowering costs in some areas.

Transitioning to cloud-based services would shift some of the budget from capital expenditures to operational expenses. This change requires careful planning, including retraining the IT staff on new technologies, managing the transition with clients, and ensuring that all legal frameworks are reviewed to identify any restrictions on what data or services can be hosted in the public cloud.

Despite these challenges, the OPS believes that cloud migration is a viable and promising option. It offers the potential to better align the IT services with evolving needs while addressing the capacity and security challenges currently faced by the Service.

### **Risks:**

- **Unexpected Costs:** New services and upgrades needed to implement business changes may incur unforeseen expenses, especially as the OPS strives to meet rising user expectations.
- **Maintenance Cost Increases:** Unexpected hikes in maintenance costs could strain the budget, especially in the context of aging infrastructure.
- **Non-Integration with OPS Initiatives:** Failure to align IT upgrades with broader OPS initiatives may lead to inefficiencies and unnecessary spending.
- **Cybersecurity Threats:** The growing complexity of cyber threats necessitates continuous enhancements to the OPS' security measures, which in turn increases demand for network bandwidth and storage capacity.
- **Exponential Data Growth:** The proliferation of video files and imaging continues to drive exponential growth in storage requirements.
- **Business Continuity:** Maintaining adequate business continuity measures remains crucial, particularly as the OPS addresses these challenges and transitions to new systems.

### **FINANCIAL IMPLICATIONS**

As outlined in the report.

### **SUPPORTING DOCUMENTATION**

Document 1: 2<sup>nd</sup> 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 2023

Document 5: Summary of IT/Telecommunications 2023

Document 6: Quarterly Grant Update

## **CONCLUSION**

This report has highlighted several ongoing issues that will be closely monitored through the remainder of 2024.

The most critical pressure currently is costs resulting from employing the surge capacity and staffing strategy for events and demonstrations in the City of Ottawa, as well as overtime for regular operations. 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 and regular operations as much as possible. The Federal funding arrangement continues to be a forefront topic as this continues to evolve into a final agreement, which will help alleviate the event cost pressures that OPS continues to face on an ongoing basis. The pressures and solutions identified in Q2 are expected to trend similarly throughout the year and will continue to be closely monitored throughout 2024. As such, the Ottawa Police Service is forecasting a balanced budget for year end 2024.

The third quarter financial report will be tabled with the Board on November 25, 2024.