

Report to / Rapport au:

**FINANCE AND AUDIT COMMITTEE
COMITE DES FINANCES ET DE LA VERIFICATION**

18 October 2024 / 18 octobre 2024

Submitted by / Soumis par:

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SUBJECT: 2025 BUDGET DIRECTIONS AND TIMETABLE

OBJET: ORIENTATIONS ET CALENDRIER BUDGÉTAIRES DE 2025

REPORT RECOMMENDATIONS

That the Ottawa Police Service Board's Finance and Audit Committee receive this item for information and discussion, including the recommendation that will be put forward to the Ottawa Police Service Board at the October 28, 2024 meeting:

“That the Ottawa Police Service Board:

- 1. Direct staff to prepare the 2025 Draft Operating and Capital Budgets based on a tax increase of no less than 2.9% and an estimated 1.5% increase in taxes resulting from growth in assessment base.**
- 2. Approve the 2025 budget review and approval timetable.”**

RECOMMANDATIONS DU RAPPORT

Que le Comité des finances et de la vérification de la Commission de service de police d'Ottawa reçoive cet article pour information et discussion, y compris la recommandation qui sera présentée à la Commission de service de police d'Ottawa lors de la réunion du 28 octobre 2024:

« Que la Commission de service de Police d'Ottawa :

- 1- Demande au personnel de préparer les budgets préliminaires de fonctionnement et d'immobilisations de 2025 en fonction d'une**

augmentation des taxes de 2,9% et d'une augmentation des recettes d'imposition découlant de la hausse de l'évaluation foncière estimée à 1,5%.

2- Approuve le calendrier d'examen et d'approbation budgétaires de 2025. »

BACKGROUND

The Ottawa Police Services Board (the Board) is responsible for the provision of adequate and effective police services in the municipality, as defined by Ontario Regulation 392/23 under the Community Safety and Police Act (CSPA). Additionally, Section 50 of the CSPA requires that the Board approves annual budget allocations for the Ottawa Police Service (OPS) to maintain the police service and provide it with equipment and facilities. In conjunction with the Board's Strategic Priorities, the Staff Stabilization Strategy, and other strategic planning documents, the annual budget enables the Board to accomplish its priorities and provide direction to management. The annual budget supports service levels, provides the authority to proceed with key operational and capital projects, and confirms the necessary funding to carry out the 2025 work plan.

City Council approved its budget guideline and timetable for the 2025 process on September 18, 2024, Finance and Corporate Services Committee meeting. These guidelines are generally considered by the Ottawa Police Service Board when determining budget directions for the OPS. Once directions are received by the OPS from the Board, a budget is drafted that addresses the needs of the community and the members of the OPS.

DISCUSSION

The 2025 Ottawa Police Service budget has been developed in consideration of the City of Ottawa budget guideline and timetable. While the Service is prioritizing the improvement of service delivery to the citizens of Ottawa through modernization projects, it is also conscious of the need to manage and control the cost curve in delivering policing services. A balance between modernization while addressing financial realities will be achieved through a combination of service improvements, efficiency exercises and delaying the commencement of some initiatives.

Process:

The development of the Draft 2025 Budget began in June of 2024. As part of this process, OPS Finance staff met with all directorate budget managers and those responsible for strategic projects to ensure that budget requirements were identified and

prioritized. This included understanding investment needs as well as opportunities for finding savings and efficiencies to offset those investment needs. Budget requests were reviewed with the chain of command in September and October up to the Deputy Chief/Chief Administrative Officer level. Additional meetings occurred in October with the Senior Leadership Team to finalize 2025 budget submissions in alignment with the recommendations proposed.

The 2025 Budget has been designed in line with the Direction of the Board and its strategic plan, in consideration of community and member input, and will allow our service to continue to deliver adequate and effective policing to the residents of Ottawa.

Challenges:

In developing the 2025 Budget, and when prioritizing distribution of funds, the OPS has, and continues to, consider key challenges.

In recent years, the OPS has experienced an increase in calls for service, rising crime rates and growing expectations from residents. Residents want more police presence in their communities and improved service. Operational demands are also on the rise, with more demonstrations and events, and an increase in reports of violent crime and property crime.

Overtime costs have significantly risen year over year as a result of increased operational demands and overall low staffing levels. Though this increase in overtime use has provided temporary relief in some circumstances, we continue to rely on temporary assistance from other police services to aide in response to major events and demonstrations throughout the year. The situation is not anticipated to improve until the workforce can be stabilized through the full implementation of the three year Staff Stabilization Strategy.

Legislatively, we are seeing a modernized Community Safety and Policing Act (CSPA) which has a major impact on our operational, training and back-office budgets. We are just beginning to fully understand the implementation costs and they are significant.

Perhaps the biggest challenge impacting the 2025 Budget are inflationary costs. These are expected to continue to increase depending on the outcome of ongoing Collective Bargaining Agreement (CBA) discussions. CBAs achieved elsewhere in Ontario indicate that labour costs will continue to increase. With CBAs with both the Ottawa Police Association (OPA) and the Senior Officers Association (SOA) expiring at the end of the year, it is anticipated that labour costs will only increase at the OPS as well.

Investment in infrastructure has not been maintained to the same degree as other police services across Ontario. Budgetary restrictions have delayed the replacement of critical

assets and increased organizational exposure. The OPS has incurred unanticipated costs associated with our cyber security program, increased maintenance costs and reduced service levels from assets failing.

Key Investments:

The 2025 Budget will ensure that many of the noted challenges can be wholly or partially addressed. The Budget will also allow for initiatives started in 2024 to continue with a focus on community engagement, member support, diversity, equity and inclusion, modernization, and staff stabilization.

Of note, the 2025 Budget will allow for advancement of District Policing – a tailored model of policing that addresses the unique needs of urban, suburban and rural areas. These investments will improve community relationships and service, enhance community policing, and improve trust and confidence. It is expected that suburban and rural communities will benefit greatly from this initiative and will see substantial improvement in police presence and service delivery.

The Budget also includes funding from municipal, provincial, and federal governments for a number of initiatives focused on community safety in the Byward Market area as well as other urban areas of the city. These initiatives include: Market Safe, CORE, Alternative Mental Health Support, the Safer Streets initiative, the Mounted Patrol Unit, and creation of a Parliamentary Precinct.

The Budget will ensure that we can stabilize our staffing and address critical staffing gaps in key areas like Frontline, Traffic Enforcement, Intimate Partner Violence, Fraud and other investigative functions, through continued implementation of the Staff Stabilization Strategy.

The 2025 Budget provides much needed investment for our Criminal Investigations Directorate (CID) and will improve much needed service delivery to victims of crime. Investment will include that needed for the implementation of a Virtual Victim Reporting process and will address long term staffing challenges through the addition of sworn, special constable and civilian positions.

Finally, the 2025 Budget will consider compensation and benefit impacts anticipated as a result of contract settlements of newly negotiated collective bargaining agreements with the Ottawa Police Association (OPA) and the Senior Officers Association (SOA). The

Budget will also allow for absorption of known costs to be incurred in order to achieve compliance with the CSPA.

Solutions:

The OPS and City colleagues are working together on solutions to address noted challenges. Though the tax increase is a main component of the budget, we are using other funding levers to address pressures. Without these, the OPS would not be able to increase the size of our membership, which would delay the planned rollout of the District Policing project, prevent the funding of the new CSPA legislation, and introduce significant financial risk through insufficient provisions for upcoming contract settlements.

The OPS budget has been a shrinking portion of the City budget over the last decade; however, the Service is attuned to the ongoing budget challenges being faced by the City. As part of that we have been meeting with the City Treasurer to identify solutions and efficiency opportunities.

The OPS is committed to balancing municipal budget expectations with the urgent need to improve and modernize service. To this end, OPS staff have committed to conducting significant efficiency exercises beginning in 2025 as a means of managing the cost curve of policing. These exercises will include working with City colleagues to find efficiencies in fleet maintenance, reviewing use of overtime, travel and evaluating span of control. A new initiative to civilianize some police functions and increase the role of special constables will also begin in 2025. This will reduce the reliance on sworn officers, ensuring that these officers can focus their efforts on policing duties only, and will result in some cost savings.

Inherent Risks:

A 2025 Budget based on a tax rate increase of no less than 2.9% and a growth assessment increase of 1.5%, in addition to those solutions noted, provides the current investment required to: provide a modern police service that is adequately and appropriately staffed, begin to address service delivery challenges and solve crime, and proceed with the District model, allowing for the tailoring of services to meet unique needs of our city.

Unfortunately, the budget does not fully address some significant short and longer term financial and operational risks and does not fund some strategic initiatives.

In 2025, the Service faces financial risk in the event CSPA costs go beyond what is currently anticipated and known. The OPS has only included known CSPA costs in the budget and full cost of CSPA implementation will not be finalized for some time. Should

CSPA implementation costs grow beyond what is budgeted, as is expected, the Service will face financial risk.

The Service also faces financial risk due to its continued reliance on overtime and temporary assistance from other police services. Overtime and temporary assistance are often needed to properly manage demonstrations and events, weather events, shortages on frontline, complex investigations, and increasing crime. While the OPS budgets for overtime, and considers financial pressures of temporary assistance, actual costs can fluctuate year over year, creating additional financial risk to the OPS in the event estimates are less than what is incurred.

Creating a budget under the proposed scenario also creates longer term risk, particularly when it comes to planning for and preparing to meet future capital asset requirements. This is especially true given an emerging and unanticipated need to replace existing training facility requirements. The decision by Algonquin College to terminate our Professional Development Centre contract in 2026 will require the OPS to explore and finance an interim solution while establishing funding for a medium to long term solution.

Details on an interim and long-term solution are still being established and plans will be shared as they become clearer; however, a solution to the situation will be costly and requires proper and responsible financial planning and saving be done in the near future. Under the proposed budget scenario, this planning and saving will not be possible.

Along the same lines, the Service has a requirement to regularly replace and enhance technology assets to remain efficient and effective operationally, while enabling strategic initiatives to advance. Under the proposed budgeting scenario, this will not occur at the level required and the roll-out of Body Worn Cameras will be delayed into 2026 at the earliest.

Provincial and Federal Funding:

In 2024, to help address financial challenges, the OPS sought assistance from the Federal and Provincial governments. The OPS was successful and was able to obtain initiative-directed funding from the Provincial (\$17.7M total) and Federal (\$50M total) governments. Both levels of government committed to substantial funding; provincial funding is anticipated to continue for three years (2025 – 2027) and federal funding is anticipated to continue for five years (2025-2030), though this is still to be confirmed.

Funded projects will contribute to addressing the mental health crisis, staffing challenges, service improvement and crime reduction; however, they do not assist with solutions to the municipal budget challenge in a significant way. Funding provided is closely monitored

through the use of key performance indicators (KPIs) and is only to be used for approved projects, all of which will result in the creation of new services. Provided funding cannot be used to address other pressures being faced by the Service; it is only municipal funding that can address this. Further details of financing agreements with the Provincial and Federal Governments have been provided in Appendix 1 of this document.

Next Steps:

Staff have been developing the budget proposal under the guidance of the Board's Finance and Audit Committee. The pressures and solutions addressed during the budget review process will be outlined in the draft documents, which will be tabled with the Board on November 13, 2024.

The guidance received by City Council and the Finance and Corporate Services Committee in September was as follows:

- A) The police service levy be increased by no more than 2.9 percent, and that Council requests that the Board develop its draft budget based on this tax increase.
- B) That the assessment growth taxation revenues generated from new properties be estimated at 1.5 percent of the current taxation for 2024 and that Council requests that the Police Services Board develop their budget within this allocation.

The OPS will be drafting the 2025 Budget based on the recommendations received from the Ottawa Police Service Board.

The schedule in Table 1 provides the key dates for the tabling, public consultation, consideration, and approval of the Board's 2025 budget.

The OPS will table the draft budget document with the Board, followed by a presentation to Council, at a special meeting on November 13, 2024. Public delegations and Board consideration and approval of the budget is scheduled for the Board's regular meeting on November 25, 2024.

Council's approval of the budget will occur on December 11, 2024.

Table 1

Ottawa Police Service Budget Review and Approval Timetable

Milestone	Date
Board Special Meeting, City Council Special Meeting Tabling of Draft 2025 Budget	November 13, 2024
Board FAC Meeting 2025 Budget Delegations	November 22, 2024
Consultation Phase	May to November 2024
Board Regular Meeting: Public Delegations and Budget Approval	November 25, 2024
City Council review / adoption of 2025 Budget	December 11, 2024

CONSULTATION

The consultation that was performed on the 2025 budget has been and will continue to be thorough. Details of consultation approach will be noted in the Budget Consultation Report to be provided to the Board at the October 28, 2024 Regular Board Meeting.

FINANCIAL IMPLICATIONS

The financial implications of the 2025 Budget will be outlined in the draft documents tabled with the Board on November 13, 2024.

CONCLUSION

OPS staff have been working with all operational sections and directorates within the Service to develop a draft 2025 Budget that ensures the policing needs of the City and the needs of our membership are met. The timetable outlined in this report will provide time for the Board to give the OPS their budget direction, and table, review and approve the budget so that it is ready for consideration by Council on December 11, 2024.