

Report to / Rapport au:

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

2 December 2024 / 2 décembre 2024

Submitted by / Soumis par:

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

Contact Person / Personne resource:

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SUBJECT: FINANCIAL STATUS REPORT – THIRD QUARTER 2024

OBJET: RAPPORT D'ÉTAPE FINANCIER DU TROISIÈME 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 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 improve 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 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 third quarter, these events included ongoing demonstrations related to the Israeli-Palestinian conflict, Canada Day activities, the 1 Million March 4 Children demonstration 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 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 third quarter report as outlined in Table 1, followed by corresponding notes.

Table 1: 2024 Year End – Significant Variances		
	<u>Key Pressures</u>	<u>Amount</u>
a)	Overtime	\$9,700,000
b)	Events & Demonstrations	\$9,500,000
c)	Non-Discretionary Operational Pressures	\$2,500,000
d)	Revenue Shortfalls	\$1,000,000
	Total Pressures	\$22,700,000
	<u>Key Solutions/Offsets</u>	<u>Amount</u>
e)	Federal Funding	\$12,800,000
f)	Vacancy Savings	\$4,800,000
g)	Other Solutions	\$3,500,000
h)	Revenue & Recoveries	\$1,600,000
	Total Solutions	\$22,700,000
	Surplus/(Deficit)	-
	Risk: Federal Funding	\$6,000,000
	Deficit Risk	(\$6,000,000)

PRESSURES

A) \$9.7M 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 (\$712K) and homicide investigations (\$192K). The amount of overtime required in 2024 is forecasted to exceed the amounts from 2023 and will be the third year in a row of overtime amounts that are double those seen in years prior to the Convoy demonstration.

B) \$9.5M Events and Demonstrations Pressures

The OPS has experienced significant expenditure pressures due to frequent events and demonstrations that occurred through Q3 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 recoverable 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, Canada Day and the visit by the French Prime Minister. Lastly, while the OPS awaits the finalization of the \$50 million, five-year funding model with Public Safety Canada, eligible costs have been incurred year to date, thus the expenses forecasted to be incurred to year end have been included in the \$9.5 million figure.

C) \$2.5M Non-Discretionary Operational Pressures

The OPS identified pressures in the second quarter related to WSIB claims (\$0.7 million) and Fleet maintenance charges (\$0.3 million). In addition, the OPS is facing a benefits cost pressure in the amount of \$1.5 million that was identified in the third quarter by the OPS' benefits provider.

D) \$1M Revenue Shortfall

As in previous years, the OPS has continued to experience revenue shortfalls from red light cameras and from false alarm revenue streams. This shortfall is currently in the range of \$1M.

SOLUTIONS/OFFSETS

A) \$12.8M Federal Funding

The Federal Government, through Public Safety Canada, is expected 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 is also expected to be reimbursed under the Major International Event Security Cost Framework for the UN Climate Conference held in April. In addition, with the audit completed, the final holdback amount is to be received from the Federal Government in relation to supplemental funding for 2021/2022 and 2022/2023 fiscal years. The amount being paid is above the estimate that was accrued in prior years resulting in a surplus in 2024.

Lastly, while the OPS awaits the finalization of the \$50 million, five-year funding model with Public Safety Canada, eligible costs have been incurred year to date, thus the expected funding reimbursement has been included in the \$12.8 million figure.

B) \$4.8M Vacancy Savings

The OPS continues to work on addressing ongoing vacancies during the third 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 reaping those rewards 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.

C) \$3.5M 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-time savings, as these funds will be used for the South Facility starting in 2025. Additional offsets in various accounts are related to surpluses in facilities maintenance (\$0.9 million), professional fees (\$0.7 million) and legal claims (\$0.9 million).

D) \$1.6M Revenue & Recoveries

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

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

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.
- Collective bargaining negotiations and any potential retroactive agreements that would impact 2024.

2024 Purchases Made Under Chief's Delegated Authority

CEW's:

Not applicable.

Fleet:

1. Prisoner transport truck \$118,000
2. Emergency Services Unit Van \$74,000

South Building:

1. Project Management Services for Tenant Fit-Up Phase \$265,000

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 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 2024, invoking this clause was not necessary.

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 4.

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. The majority of the \$15.5 million deficit figure is due to timing differences of revenue not received yet, which 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 Q3 2024.

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, \$2.69M 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	\$1,392,629	52%
Professional Services	\$543,376	20%
Facilities & Construction	\$265,092	10%
Goods & Supplies	\$159,983	9%
Fleet & Equipment	\$191,553	7%
Consulting Services	\$65,126	2%
Total	\$2,686,726	

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 through the remainder of 2024.

The most critical pressure currently relates to 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 Q3 are expected to trend similarly throughout the year and will continue to be closely monitored throughout 2024. The Ottawa Police Service is forecasting a balanced budget for year end 2024.

The next financial report will be tabled with the Board in January 2025.