Report to / Rapport au:

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

23 June 2025 / 23 juin 2025

Submitted by / Soumis par:
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SUBJECT: FINANCIAL STATUS REPORT – FIRST QUARTER 2025

OBJET: RAPPORT D'ÉTAPE FINANCIER DU PREMIER TRIMESTRE 2025

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 2025 and provides a list of items on the horizon that will continue to be monitored in 2025. Year-end forecasts will be presented in the second and third quarter reports.

Tariffs

The recent imposition of tariffs has created economic uncertainty within Canadian markets. Like many organizations, the OPS is working to understand and address the potential financial pressures that may be incurred through the purchase of impacted goods and equipment. While the financial risk and exposure has not yet been fully quantified, it is anticipated that capital purchases will be the most significantly impacted. Capital purchases impacted would include weapons, vehicles and specialized equipment. For example, a 25% tariff on vehicles would result in a pressure to the fleet capital budget of approximately $1.2 million.

In addition, the OPS may bear the impact of tariffs within operational purchases depending on the magnitude and duration of tariff measures; however, since a small portion of the operating budget is goods and equipment, the estimated impact is approximately $1 million on the operating budget.

This situation is being monitored regularly and is rapidly evolving. For instance, the OPS recently received a remission order from the Ontario Association of Chief's of Police that provides the opportunity for time limited relief (6 months, mid-April to mid-October 2025) from tariffs on US-manufactured goods imported for the public safety sector.

DISCUSSION

Events and demonstrations, tariffs, economic instability, collective agreement settlements and staffing pressures resulting in significant overtime, require the OPS to remain diligent to ensure a balanced budget. Efforts include prioritizing projects supporting the strategic plan and investing additional resources accordingly to ensure successful and timely implementation.

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 2025 with a negative variance of $24.4 million. The negative variance is largely due to the reversal of 2024 revenue accruals from the 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. Based on that review there is one material issue to bring to the Board's attention in relation to the pressure from the OPA's negotiated contract agreement.

Specifically, the execution of the collective agreement occurred after the 2025 budget approval. Due to this timing misalignment, the negotiated salary and benefit increases ended up being greater than the provision that was included in the budget for the collective agreement increase. We are forecasting that this variance will be in the magnitude of a $7 million negative variance for 2025. Management is evaluating the expected surpluses and deficits for 2025 to and will then decide if any management interventions are required.

One area of expected savings is a result of the Federal Government's removal of the carbon tax on fuel. This announcement did not influence the first quarter's financials as it took effect in April, but the OPS does expect to realize approximately $0.4 million in savings through the remainder of 2025 with the elimination of this tax. These savings will be detailed further in future quarterly Finance Reports and in a response to a Board inquiry received at the April 28th Board meeting.

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 - 2025 FIRST QUARTER FINANCIAL REPORT ($'s)				
SUMMARY BY DIRECTORATE				
Directorate	**3 Month Budget Jan - March**	**YTD Actual Jan - March**	**Variance**	**% Spent**
Police Service Board	$244,065	$139,621	$104,444	57%
Office of the Chief	$3,159,125	$3,338,290	$(179,165)	106%
Corporate Support Command	$19,716,574	$24,322,893	$(4,606,319)	123%
Serious and Organized Crime Command	$32,074,129	$34,334,684	$(2,260,556)	107%
Community Policing Command	$41,949,925	$49,262,414	$(7,312,489)	117%
Police Non-Directorate Accounts	$287,262	$10,446,811	$(10,159,549)	3637%
Total Police Service	**$97,431,079**	**$121,844,713**	**$(24,413,633)**	**125%**

Highlights of Q1 Results

At the end of Q1 2025 the OPS is showing a negative variance of $24.4 million. Most of the variance was due to the Federal revenue accruals reversal as these funds were not yet received in the first quarter from Public Safety Canada. This timing difference accounts for $12.9 million of the overall deficit. The reversal of the $1.8 million for the Provincial Funding for the new Ottawa-Ontario deal during the quarter further magnified this negative variance.

Other contributors to the deficit included Employment Income (EI) and Canadian Pension Plan (CPP) contributions being front loaded, Workplace Safety and Insurance Board (WSIB) costs, several annual IT software maintenance activities occurring in the first quarter, and overtime pressures resulting from staffing major events. Lastly, increased wages and benefits due to the settlement of the OPA collective agreement have also contributed to the negative variance. Positions remaining vacant in Q1 due to vacancies provide a partial offset to the overtime pressures realized. A timing difference from Reserve Fund payments was also a source to offset some of these pressures in the quarter.

The majority of the negative variance from the first quarter is attributed to timing differences. That said, the OPS has seen an increase in funding pressures the past few years. For instance, the annual pressures being encountered used to be in the $10M range but have been in the $20M range the past few years. This illustrates that the pressures the OPS is facing annually have increased and will be challenging to address each year. This is particularly true now that the staff stabilization plan is implemented; the historical surpluses once depended upon from staffing vacancies to balance the budget are no longer available given the success of the staff stabilization plan implementation.

Detailing the variances from Table 1 are below.

Police Service Board – Positive Variance $0.1 million

A positive variance was realized due the timing of when professional services will be incurred in 2025 and due to the vacant Senior Policy Advisor position.

Office of the Chief – Negative Variance $0.2 million

The Office of the Chief Section is trending on target for the first quarter with a $0.2 million negative variance on an annual budget of $12.6 million mainly due to front loading of EI and CPP.

Corporate Support Command – Negative Variance $4.6 million

A negative variance was realized due to overtime, front loading of EI and CPP, and timing of annual renewals in IT that saw several large annual maintenance expenditures being paid in the first quarter. These IT costs incurred in the first quarter accounted for approximately $1.9 million of the first quarter variance within this Section.

Serious and Organized Crime Command – Negative Variance $2.3 million

A negative variance was realized due to overtime, front loading of EI and CPP, and a timing difference in grant revenues that are to be received after Q1 of 2025.

Community Policing Command – Negative Variance $7.3 million

A negative variance was realized due to both Federal and Provincial funding accruals being reversed during Q1, however, the receipt of funding is not expected until later this year. This includes amounts expected to be reimbursed under the Major International Event Security Cost Framework (MIESCF) for the President of the United States of America visit in 2023 and for the new Ottawa-Ontario deal. In addition, while the Command incurred significant event-related overtime, and was impacted by the front loading of EI and CPP, this was offset by vacancies resulting in lower than budgeted Compensation costs.

Police Non-Directorate Accounts – Negative Variance $10.2 million

The Federal Government, through Public Safety Canada, is expected to reimburse the OPS for costs incurred from policing demonstrations in the Nations' Capital, such as the ongoing Middle East conflict demonstrations. These costs qualify for reimbursement as per the terms of the Nation's Capital Extraordinary Policing Costs Program (NCEPC). A negative variance of $5.6 million was realized both due to timing differences from the expected reimbursement for costs incurred under the 2023-24 Program, as well as there being no revenues recognized as of Q1 for the 2025 budgeted amount.

The OPS is also expected to be reimbursed under the MIESCF for the visit of the President of Ukraine that occurred in 2023. This item was also accrued in prior year and reversed in Q1, therefore resulting in a timing difference with an impact of $1.4 million.

Lastly, the Provincial Ottawa-Ontario deal and the Federal Parliamentary Precinct District Program were incorporated into the 2025 budget as revenue items; however, no funding amounts have been received year to date, thus presenting a negative variance of $3.4 million.

In summary, the three grant program accruals detailed above totalled $10.4 million. That amount was reversed in Q1 of 2025, but the offsetting revenue receipt from the upper levels of government was not received in Q1, which is the cause of the $10.2 million variance seen in corporate accounts.

In Year Financial Risks

The OPS manages many financial risks throughout the year of different levels of magnitude and likelihood. There are several risks that have a high likelihood of being impactful and creating pressures for the OPS in 2025. 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.
- Full cost recovery for claims related to events and demonstrations to Public Safety Canada for events from the 2023-24 Program. Federal partners, through the National Capital Extraordinary Policing Costs program, have accepted the supplemental funding request of $4.8 million to cover costs incurred in the 2023-24 fiscal year. The OPS submitted costs totaling $7.8 million but has been unable to fully recover the costs that were submitted to Public Safety Canada for the 2023/2024 fiscal year that has left the OPS with a current pressure of $2.9 million in 2025 that continues to be negotiated for resolution with Public Safety Canada. Similarly, this same risk exists for the 2024-25 and 2025-26 Programs.
- The current state of economic instability poses a risk to the OPS given the uncertainty surrounding tariffs. The potential for increased costs and logistical challenges may arise as the threat and imposition of tariffs continue to impact markets.
- The interim solution for the OPS training facility requirements are currently being investigated and, depending on the final outcome, there may be an in year financial pressure.
- The settlement of the OPA collective agreement presents increased pressure on compensation costs due to higher wages and increased benefits.

2025 Purchases Made Under Chief's Delegated Authority

<u>CEW's:</u>

1. Axon Public Safety Canada: Conducted Energy Weapon 'TASER 7' Basic Bundle - $1,705,000

Fleet:

1. Campbell Ford: Ford Explorer Police Package Vehicles - $1,574,000
2. FCA Canada Inc: Durango Police Package Vehicles - $543,000
3. General Motors of Canada Company: Chevrolet Blazer EV Police Package Vehicles - $282,000
4. General Motors of Canada Company: Chevrolet Tahoe Police Package Vehicles - $270,000
5. The Trailer Company: Horse Tailers - $244,000
6. Sterling Ford Sales: Transit Vans - $142,000
7. Weldexperts: Fabrication of Prisoner Transport Box - $118,000
8. Battleshield Industries Limited: Custom Fit Up for ESU Drone Van - $45,000

South Building:

9. Revay and Associates Limited: Delay Claim Consultant Services - $112,000

2025 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 2025, 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 2025. In total, $8.9M 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	$3,217,607	36%
Goods & Supplies	$2,687,443	30%
Information & Technology	$2,001,223	23%
Professional Services	$517,721	6%
Consulting Services	$368,013	4%
Facilities & Construction	$77,725	1%
Total	**$8,869,733**	

- 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 2025.

The settlement of the collective agreement presents a significant financial pressure for the OPS due to higher wages and enhanced benefits that were higher than the provision that was included in the budget for the collective agreement increase. We are forecasting that this variance will be in the magnitude of a $7 million negative variance for 2025.

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 22, 2025.