

Report to / Rapport au:

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

29 September 2025 / 29 septembre 2025

Submitted by / Soumis par:

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

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SUBJECT: FINANCIAL STATUS REPORT – SECOND QUARTER 2025

OBJET: RAPPORT D'ÉTAPE FINANCIER DU DEUXIÈME 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 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 currently, and identifies solutions where possible. The accuracy of projections in these quarterly reports improves with each quarter as the OPS' expense and revenue patterns become more certain.

Collective Agreement Settlements

Financial implications incurred as a result of the collective agreements for the Ottawa Police Association (OPA) and the Senior Officers' Association (SOA) are creating a major pressure in 2025. Both agreements were negotiated freely between the Ottawa

Police Service Board (the Board) and the respective unions and were finalized during the first half of 2025. The 2025 Budget, approved in 2024, included a reasonable provision for the collective agreement negotiations, but the actually incurred contractual obligations for the salary and benefit costs for members exceed the budgeted baseline amount included in the 2025 Budget. As a result, given the funding provided was less than the contract settlement, OPS is forecasting a funding deficit for 2025. OPS will be seeking funding increases in the 2026 Budget to alleviate the collective agreement budget shortfall.

DISCUSSION

Events and demonstrations, staffing and workload pressures resulting in significant overtime, and the previously mentioned settled collective agreements are the main drivers of a forecasted year end deficit of \$16M for 2025 (4% of operating base budget of \$389M). Due to this forecasted deficit, OPS imposed a discretionary spending freeze in June, implemented safeguards to preserve vacancy savings, and implemented other proactive measures to mitigate further financial strain. While Federal Funding is expected to provide a funding solution to the pressures related to many event and demonstration costs, the annual costs being incurred exceed the \$3M program cap with Public Safety Canada and therefore present a risk of not being fully cost recovered. The OPS recently submitted a claim for \$8.6M in the 2024/2025 fiscal year-end report to Public Safety Canada, of which \$3.3M were related to demonstrations related to the conflict in the Middle East.

OPS has experienced an increase in funding pressures in the past few years. The annual pressures being encountered used to be in the \$10M range, however, are now in the \$20M range. This illustrates the level to which the OPS has incurred expenses greater than that provided in the approved budget and has led to funding pressures accumulating over time. This trend continues in 2025 as OPS is forecasting a total pressure of \$27M.

OPS has identified several pressures and potential solutions in the second quarter as outlined in Table 1.

| Table 1: 2025 Year End – Significant Variances | | |
|---|----------------------------------|-----------------------|
| | Key Pressures | Amount |
| a) | Collective Agreement Settlements | \$7,500,000 |
| b) | Events and Demonstrations | \$8,500,000 |
| c) | Overtime | \$8,000,000 |
| d) | Benefits Shortfall | \$1,500,000 |
| e) | Job Evaluation Settlement | \$1,000,000 |
| f) | Revenue Shortfall | \$300,000 |
| | Total Pressures | \$26,800,000 |
| | Key Solutions/Offsets | |
| g) | Federal Funding | \$8,500,000 |
| h) | Vacancy Savings | \$1,500,000 |
| i) | Revenue & Recoveries | \$1,000,000 |
| | Total Solutions | \$11,000,000 |
| | Surplus/(Deficit) | (\$15,800,000) |

PRESSURES

a) \$7.5M Collective Agreement Settlement Pressures

The projected cost pressure from the 2025 Collective Agreement Settlements is estimated at \$7.5 million. This figure includes \$0.5 million in pressure related to the leave liability. This pressure is mainly the result of the budget base funding that was approved being 2.85% less than the contract settlement for salary increases for 2025.

b) \$8.5M Events and Demonstrations Pressures

OPS has experienced significant pressures due to frequent events and demonstrations that occurred in the first half of 2025. The continued efforts to implement a robust approach to the planning and deployment of police for these activities incurs significant costs. Surge capacity costs of reimbursing assisting police services, alongside overtime and non-compensation costs are the primary drivers of event and demonstration-related pressures. Some of these significant events and demonstrations include the ongoing demonstrations related to the Middle East conflict, the CANSEC trade show and the visit of King Charles and Queen Camilla to the Nation's Capital.

c) \$8M Overtime Pressures

Members continue to work a significant amount of overtime to meet the needs of the organization and the community. Maintaining minimum staffing levels on the frontline for all shifts continues to be the main overtime pressure, but that trendline is now flattening. Other non-recoverable overtime costs creating pressure on current results include limited relief and short staff within Court Security (\$1.4M) and the Communications Centre (\$1.2M)

d) \$1.5M Benefits Shortfall

There is a \$1.5M pressure tied to employee benefit shortfalls, specifically related to Coughlin premium costs and WSIB benefits.

e) \$1M Job Evaluation Settlement

OPS is experiencing a \$1M pressure from the Job Evaluation Settlement. As a result of the new increased responsibilities under the CSPA, Special Constables have been reclassified, leading to higher compensation requirements that are contributing to the overall financial impact.

f) \$0.3M Revenue Shortfall

OPS is experiencing revenue shortfalls from the false alarm revenue stream.

SOLUTIONS/OFFSETS**g) \$8.5M Federal Funding**

Supplemental funding will be sought from the Federal Government, through Public Safety Canada, to reimburse OPS for costs incurred from policing large events and demonstrations that have occurred in 2025 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 events and demonstrations.

h) \$1.5M Vacancy Savings

OPS continued to work on staffing vacancies during the second quarter of 2025. Despite those efforts, OPS is experiencing \$1.5M in vacancy savings. In 2026, OPS continued its efforts to address ongoing staffing vacancies through active recruitment and hiring initiatives.

i) \$1M Revenue & Recoveries

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. \$0.5M Court Security Provincial Grant
- b. \$0.5M Airport Authority Contract

In Year Financial Risks

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 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. 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 OPS with a current pressure of \$2.9 million in 2025. This balance continues to be negotiated for resolution with Public Safety Canada. Similarly, this same risk exists for the 2024-25 and 2025-26 Programs. For the 2024/2025 fiscal year, OPS incurred costs totaling \$8.6M deploying to events and demonstrations in the Nation's Capital. OPS is requesting that supplemental funding from PS Canada be provided to offset costs of \$5.6M that exceed the annual cap of \$3M to avoid these costs being borne by City of Ottawa taxpayers.
- The current state of economic instability poses a risk to 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.

2025 Purchase Made Under Chief's Delegated Authority

CEW's:

Not Applicable

Fleet:

1. Marine Dive & Trails Unit Trailer \$84,000

South Building:

1. Third Party Building Envelope Review - \$235,000

2025 Purchases Made Under Special Circumstances Clause

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 2025, OPS was not required to leverage the special circumstances clause for any purchases.

Grant Update

The quarterly grant update provides a summary regarding the receipt of grant funds from various levels of government as well as any applicable updates on grants that 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. Much of the \$35 million deficit figure is due to timing differences of prepaid expenses or revenue not received yet and won't represent a deficit at year end. Other significant pressures for the OPS are the collective agreement settlements and overtime costs, which are forecasted to create pressures throughout the remainder of the year. A majority of OPS' revenues have returned to a relatively stable level as of Q2 2025.
- **Document 2:** a list of all contracts awarded under delegated authority by the Chief that exceed \$25,000 during the second quarter of 2025. In total, \$2.5M 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.

| Table 2 | | |
|--|--------------------|----------|
| Summary by Type | | |
| Contracts Awarded Under Delegated Authority | | |
| Type | Amount | % |
| Information & Technology | \$1,401,473 | 55% |
| Goods & Supplies | \$755,780 | 30% |
| Facilities & Construction | \$235,158 | 9% |
| Fleet & Equipment | \$84,279 | 3% |
| Professional Services | \$65,940 | 3% |
| Consulting Services | - | 0% |
| Total | \$2,542,630 | |

- **Document 3:** a summary of 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 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 OPS and the associated net book value for the five-year period of 2020 to 2024. The assets are divided into five categories and have a total net book value of \$71.1 million at December 31, 2024. The largest category of asset is "Buildings and Building Improvements" which accounts for almost \$46 million of the total.

The total value of assets assigned to OPS during the reporting period peaked in the most recent reporting year, 2024, at \$71.1 million. The past year, OPS made a concerted effort to lifecycle aging assets that had passed their useful lives in order to provide its members with modern equipment, vehicles and technology. This has resulted in tangible increases in value in all three categories.

The second requirement in this area is to report on one category of assets on a rotational basis. This year the category is Police Equipment. Document 5 provides a summary of the value of the Police 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, 2024, the net book value of these assets is \$6.8 million. The annual operating budget allocates \$0.2 million to maintain these assets.

Since this category of assets is extremely diverse, annual maintenance activities can vary greatly amongst the specific types. For instance, miscellaneous station equipment is comprised mainly of fitness equipment; OPS has an agreement with a third party who performs regularly scheduled maintenance on these items. Other assets, such as Tactical items, are inspected and cleaned regularly by staff. Other assets still, due to their nature, require little or no maintenance.

Risks around this asset category include the following:

- a) Keeping abreast of emerging technological trends
- b) Exposure to foreign exchange rate volatility
- c) Growth of security requirements as new threats in this vector unfold
- d) Maintaining adequate business continuity measures
- e) Unexpected maintenance cost increases

FINANCIAL IMPLICATIONS

As outlined in the report.

SUPPORTING DOCUMENTATION

Document 1: 2nd 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 2024

Document 5: Summary of Police Equipment 2024

Document 6: Quarterly Grant Update

CONCLUSION

This report has highlighted several ongoing issues that will be closely monitored through the remainder of 2025. The settlement of the collective agreement presents a significant financial pressure for 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. OPS also continues to experience significant pressures from overtime due to workload demands and staffing shortages. To help manage these pressures, OPS imposed a

discretionary spending freeze in June, and implemented safeguards to preserve vacancy savings in addition to other proactive measures to mitigate further financial strain. OPS is forecasting the year end variance will be in the magnitude of a \$16 million negative variance for 2025 (4% of operating base budget \$389 million). The third quarter financial report will be tabled with the Board on November 24, 2025.