

Report to / Rapport au:

**OTTAWA POLICE SERVICES BOARD
LA COMMISSION DE SERVICES POLICIERS D'OTTAWA**

27 April 2020 / 27 avril 2020

Submitted by / Soumis par:

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

Contact Person / Personne ressource:

Jeff Letourneau, Chief Administration Officer/ agent administratif principal

LetourneauJ@ottawapolice.ca

SUBJECT: FINANCIAL STATUS REPORT – FOURTH QUARTER 2019

**OBJET: RAPPORT D'ÉTAPE FINANCIER DU QUARTRIÈME TRIMESTRE 2019
REPORT RECOMMENDATIONS**

That the Ottawa Police Services Board receive this report for information.

RECOMMANDATIONS DU RAPPORT

Que la Commission de services policiers d'Ottawa prenne connaissance du présent rapport à titre d'information.

BACKGROUND

The 2019 Fourth Quarter Financial Report presents the year-end financial position of the Ottawa Police Service (OPS) and outlines the operational issues that affected the Service's finances in 2019. This report was originally scheduled for the Board's March meeting, which was cancelled due to the COVID-19 response.

DISCUSSION

OPS ended its 2019 fiscal year with a net operating budget surplus of \$2.4 million. The \$2.4 million surplus was due to budget pressures of \$3.7 million offset by \$6.1 million of budget solutions.

The budget pressures of \$3.7 million were caused by pressures in overtime, compensation costs related to Workplace Safety and Insurance Board (WSIB) and retirements, higher fuel prices and increased vehicle maintenance expenses.

The budget solutions of \$6.1 million were due to higher revenues, reduced operating expenditures on supplies, facilities and IT maintenance, a reduction in insurance claims and compensation savings related to collective agreement changes.

The non-departmental taxation accounts, which are beyond the control of the Board, were in a surplus position of \$0.9 million. As a result of the above, the police tax rate was in a total surplus position of \$3.3 million for 2019.

Each of the significant variances is summarized in Table 1 and discussed in more detail below.

Identified Pressures

a) Overtime

Overtime costs created a pressure of \$1.7 million in 2019. The Emergency Services Unit (ESU) had a very busy 2019 that commenced with the Trail Rd dump body search followed by an enhanced presence in the Byward market over the summer. There were two other major events in the first half of the year which resulted in pressures on this budget and those were the Westboro station bus crash and the flood. Finally, various sections also experienced significant overtime pressures due to staffing shortages.

b) Vehicle Maintenance

In 2017, staff initiated a one-time deferral of the planned replacement of approximately 60 fleet vehicles. This action enabled the Service to transfer \$2.4 million from the Fleet Replacement Reserve to support the Operating Budget.

In 2018 a further transfer of \$0.6 million was approved to help finance the implementation of conducted energy weapons, resulting in a deferral of roughly 15 vehicles. The deferral plan was managed by extending the service life of these assets through the rotation of low and

Table 1 - Ottawa Police Service 2019 Year End – Significant Variances	
Pressures	(\$000)
Overtime	(1,700)
Vehicle Maintenance	(600)
WSIB	(500)
Retirements	(500)
Fuel	(400)
Total Pressures	(3,700)
Solutions	
Revenue & Recoveries	3,000
Reduced Expenditures	2,300
Claims	600
Compensation	200
Total Solutions	6,100
Projected Surplus (Deficit)	2,400

high mileage vehicles. The deferral of replacement caused vehicle maintenance costs to rise, creating the \$0.6 million pressure in 2019.

c) WSIB

Workplace Safety and Insurance Board (WSIB) costs created a pressure of \$0.5 million. The increase in WSIB claims is mainly a result of new presumptive legislation allowing Operational Stress Injury (OSI) claims, along with an increase in the volume of claims and lost time. Also retroactive adjustments are being processed as individuals are moved from long term disability insurance (LTDI) to WSIB.

d) Retirements

The retiree benefits finished the 2019 fiscal year with a pressure of \$0.5 million. This pressure was created by many factors including rate increases, an increase in the claims volume and previous subsidies being exhausted.

e) Fuel Costs

The OPS's 2019 fuel budget is based on a retail pump price of \$0.9933/litre. After volume discounts and tax exemptions, the effective price becomes \$0.8545/litre.

Economic factors, including the new carbon tax, created a significant increase in the retail price across the province during 2019.

The average retail pump price for regular unleaded gasoline at Ottawa-area self-service filling stations for 2019 was \$1.15/litre.

As a result of the higher than anticipated retail pump price for this time period, there was a deficit in the fuel account of \$0.4 million for 2019.

Identified Solutions

f) Various Revenue & Recovery Accounts

Various revenue and recoveries along with additional grant funding created solutions in the amount of \$3.0 million. This includes \$1.8 million from provincial funding to cover policing costs due to the legalization of cannabis which wasn't budgeted for in 2019.

g) Reduced Expenditures

Savings of \$2.3 million were realized from various expenditure reductions including safety supplies and facilities and IT maintenance.

h) Claims

Insurance claims & settlements concluded the year under budget and contributed to OPS's surplus by an amount of \$0.6 million.

i) Compensation

The compensation area of the budget provided a small surplus of \$0.2 million in 2019. These savings are mainly a result of collective agreement changes in relation to the movement between constable ranks and improved management controls regarding vacant and temporary positions (ie. gapping).

Non - Departmental Tax Related Accounts

Police costs and revenues have been separated into a singular city-wide police tax rate for many years. The tax rate reflects the costs which are under the Board's control as well as those that are not, but are required for tax-related purposes. In 2019, a surplus of \$0.9 million was recorded in these tax-related accounts due to the police share of remissions and supplementary assessments. These tax-related accounts are budgeted and managed by City staff. The OPS and the Board have no control over this aspect of the police tax rate.

Net Position

The Police Service ended the year with a total surplus of \$3.3 million. This number results from combining the surplus from police operations of \$2.4 million with the surplus of \$0.9 million in the taxation accounts. The total surplus will be transferred to the City's Tax Stabilization Reserve.

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 provides the 4th Quarter Financial Report – Summary by Directorate.
- Document 2 provides a list of all contracts awarded under delegated authority by the Chief that exceed \$25,000 in the period of October to December 2019. In total, \$1.9 million in purchase orders were issued under delegated authority in the Fourth Quarter. The breakdown of these purchase orders, by category, is shown in Table 2. Expenditure definitions are included in Document 2 for reference.

Table 2		
Summary by Type		
Contracts Awarded Under Delegated Authority		
Type	Amount (\$)	Percentage (%)
Professional Services	519,511	28%
Fleet & Equipment	516,015	28%
Information & Technology	499,649	27%
Facilities & Construction	213,909	11%
Goods & Supplies	69,456	4%
Consulting Services	57,311	3%
Total	1,875,850	100%

- Document 3 provides a summary of the OPS capital budget works in progress and indicates those which will be closed, in accordance with Section 3.1.3.4 of the Financial Accountability Procedures Manual. It enables the Chief Administrative Officer to close capital projects by returning any remaining balance to the originating sources and fund any deficits
- Document 4 on Board Policy CR-8 – “The Acceptance of Donations, Gifts, Loans and Sponsorships”: Section 6 and 7 of the policy requires that the Chief report to the Board all donations, gifts, loans and sponsorships valued at over \$500 as part of the quarterly process and that all that are valued over \$50 be properly documented. This document lists those items for the 2019 year. In 2019, a total of \$90,572 was donated to the OPS, all in support of the OPS Gala.

FINANCIAL IMPLICATIONS

As outlined in the report.

SUPPORTING DOCUMENTATION

Document 1: 4th Quarter Financial Report – Summary by Directorate

Document 2: Purchase Orders Issued Under Delegated Authority

Document 3: Capital Budget Works in Progress

Document 4: 2019 Sponsorships and Donations

CONCLUSION

The OPS generated a surplus in police operations of \$2.4 million in 2019 primarily due to higher than expected revenues and reductions in operating expenses.

When the surplus of \$0.9 million in the taxation accounts is taken into account, there is a combined operating and taxation surplus of \$3.3 million for the police tax rate. The total surplus will be transferred the City's Tax Stabilization Reserve.