

Report to / Rapport au:

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

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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 – THIRD QUARTER 2016

OBJET: RAPPORT D'ÉTAPE FINANCIER DU TROISIÈME TRIMESTRE 2016

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 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. The accuracy of this projection improves with each quarter as the OPS' expense and revenue patterns become more certain.

DISCUSSION

Based on current information staff is forecasting a balanced financial position for 2016.

The information to date includes projected surpluses from compensation costs, radio system user fees, fuel costs, court time, paid duty and other revenue which are being offset by pressures from overtime, claims, vehicle maintenance and revenue from the Collision Reporting Centers (CRC). Each of these significant variances is summarized in Table 1 and discussed in more detail below.

As expected the year-end position is still dependent on any changes in the various pressures and solutions that have been identified to date, as well as the impact of the horizon issues that are discussed below.

Identified Pressures & Solutions

a) Compensation Costs

The OPS compensation area is projected to generate a one-time surplus of \$2,000,000 as a result of the arbitrated 2015 contract settlement for the sworn and civilian members of the Ottawa Police Association (OPA). This is a onetime savings arising from the phased-in salary increase for 2015 awarded by Arbitrator Marcotte in June (1.25% on 01 January 2015 and 1.78% on 01 August 2015). The full impact of the award is 3.1%, which is very close to the provision that had been carried into 2016 budget for the OPA 2015 settlement. As a result there is no budget pressure – or savings - going forward into 2017.

Table 1 - Ottawa Police Service 2016 Projected Year End – Significant Variances	
Solutions	(\$000)
Compensation Costs – One-Time	2,000
Radio System User Fees & Other	750
Benefits & Retirement Costs	600
Paid Duty & Other Revenue	250
Facilities – Operating Costs	230
Fuel	200
Court Overtime	170
Records Clearance Revenue	100
Total Solutions	4,300
Pressures	
Overtime	(2,400)
Revenue-CRCs	(900)
Insurance Claims & Settlements	(800)
Vehicle Maintenance	(200)
Total Pressures	(4,300)
Projected Surplus (Deficit)	0

b) Radio System User Fees & Other Reduced Spending

The 2016 budget included a provision for user fees under the new radio system. The implementation date for the new system has been significantly delayed, creating a potential \$650,000 savings. There is also a projected reduced spending of approximately \$100,000 in various other supplies and equipment accounts.

c) Benefits & Retirement Costs

The benefit area of the budget is expected to produce a surplus of \$600,000 as a result of a favourable claims trend and due to savings in the retirement accounts.

d) Paid Duty & Other Revenue

Paid Duty revenue has provided surpluses in past years and the budget for 2016 was adjusted upwards by \$820,000 accordingly. Even with this adjustment taken into consideration, a surplus of \$250,000 is still being projected. City requests related to construction and the light rail project account for the high level of requests.

e) Facility Operating Costs

In past years, facility operating costs have provided surpluses and the same trend is projected for 2016. These charges flow to OPS from the City as a recovery for facility maintenance services.

f) Fuel Costs

Staff is anticipating a surplus in the fuel account of \$200,000 for 2016 based mainly on a favourable price variance. The average price to date through the fuel contract supplier is roughly \$0.115 per litre lower than budgeted.

g) Court Overtime

For the past several years court overtime has been contributing to year end surpluses and this trend is continuing in 2016. Court overtime is expected to be in a surplus position of \$170,000.

h) Records Clearance Revenue

The licensing requirements for UBER drivers has increased the demand for background checks and generated an additional \$100,000 of revenue.

i) Overtime

The Service is experiencing significant overtime pressure. It is currently estimated to be \$2,400,000 overspent at year-end. The estimate has grown by \$250,000 since the second quarter as a result of the Hell's Angels Canada Run which added \$250,000 in overtime costs.

The pressures are coming from a number of sources. In the first eight months of the year there have been 14 homicides with some logging high overtime costs. This number compares unfavourably to the average annual number of 8 to 10 on which the budget is based. The number of shootings in the City is currently at 54 and is causing considerable pressure on the investigative unit's overtime budget. Staffing pressures are also a factor in the projected deficit of \$2,400,000.

Not surprisingly the sections with the most significant overtime costs during the first 3 quarters of the year are: Major Crime, Special Projects, the Tactical Unit, Guns and Gangs and the Emergency Services Unit.

j) Revenue – Collision Reporting Centers (CRC)

Sales of collision reports continue to be lower than expected. The CRC model was developed assuming that reports from 55% of collisions would be sold. To date the actual figure has been closer to 15%. Staff are starting work with the insurance companies to

explore the reason for the low sales figure. Staff are estimating that there will be a \$900,000 revenue shortfall in this area of the budget.

k) Insurance Claims & Settlements

Staff is expecting a pressure of \$800,000 in this area. OPS is self-insured for claims up to \$3.0 million. Currently there are over 90 outstanding claims. As settlements occur they are approved by the Board and paid. Although there is a reasonable claims, the magnitude can vary significantly from year to year.

l) Vehicle Maintenance

Vehicle maintenance activities have provided surpluses in past years but this result will not occur in 2016. After the 2016 budget was closed, the City implemented a 5.9% increase in the hourly rate for vehicle maintenance. It was increased from \$85 per hour to \$90, creating a projected shortfall of \$200,000 for OPS.

Efficiencies

A new feature in this quarterly report is an update on the 2016 efficiency target. Financial benefits from the transformation projects that are underway, along with new revenue, are the primary contributors to the target.

Based on the financial results to date OPS is on track to achieve the \$2 million efficiency target. There are two key elements in the efficiency plan this year: 1) revenue from the Paid Duty Program which has been increased by \$800,000 in 2016, in accordance with previous years actuals and the forecast of activity for 2016; and 2) \$700,000 of reduced compensation payments (primarily overpayment of salary and benefit continuance for members moving to long term disability) arising from the back-office transformation project through which the OPS payroll function has been transferred to the City. A complete list of the efficiency initiatives to date for 2016 is outlined in Document D.

The 2016 \$2.0 million efficiency target is the continuation of several years of significant bottom line savings. Over the past 4 years OPS has achieved in excess of \$9.1 million of annual savings as a result of budget reductions and new revenue opportunities. A summary of the efficiencies for this period is provided in Document D.

Horizon Issues

On June 29, 2016 the North American Leadership Summit (NALS) was held in Ottawa. It was deemed a Prime Minister-led international event. Accordingly staff has been involved in discussions with the Federal Government regarding cost recovery for OPS activities to support the NALS meeting. We expect to recover 100% of the direct cost of the event.

Bargaining will soon commence for the 2016 sworn and civilian collective agreement. Staff will be monitoring this process and will provide an update in the next quarterly report.

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 A, which provides the 3rd Quarter Financial Report – Summary by Directorate.
- Document B, provides a list of all contracts awarded under delegated authority by the Chief that exceed \$25,000 in the period of July to September 2016. In total, \$1.6 million in purchase orders were issued under delegated authority in the Third Quarter. The breakdown of these purchase orders by category is shown in Table 3. The categories of Fleet and Equipment, and Information and Technology each consumed approximately one third of the total purchase value with the other 4 categories consuming the remainder. Expenditure definitions are included in Document B for reference.

Table 3 Summary by Type Contracts Awarded Under Delegated Authority		
Type	Amount (\$)	Percentage (%)
Fleet & Equipment	533,890	33%
Information & Technology	484,706	31%
Goods & Supplies	226,510	14%
Professional Services	222,794	14%
Consulting Services	80,837	5%
Facilities & Construction	47,437	3%
Total	1,596,174	100%

- Document C 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 Director General to close capital projects by returning any remaining balance to the originating sources and fund any deficits.

CONSULTATION

Not applicable.

FINANCIAL IMPLICATIONS

As outlined in the report.

SUPPORTING DOCUMENTATION

Document A: 1st Quarter Financial Report – Summary by Directorate

Document B: Purchase Orders Issued Under Delegated Authority

Document C: Capital Budget Works in Progress

Document D: Efficiencies achieved this quarter

CONCLUSION

The OPS is forecasting that it will achieve a break-even financial position at year-end based on operating results to the end of the third quarter.

In March 2017, staff will present to the Board the final quarterly report on the Service's financial position as of 31 December 2016.