



DATE: 27 April 2015

TO/DEST: Executive Director, Ottawa Police Services Board

FROM/EXP: Chief of Police, Ottawa Police Service

SUBJECT/OBJET: **ANNUAL FINANCIAL REPORT: 2014**

RECOMMENDATION

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

BACKGROUND

The 2014 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 2014. The results are subject to external audit.

DISCUSSION

The OPS ended the 2014 fiscal year with an operating surplus of \$731,900. This was offset by a \$970,900 deficit in the taxation account which is beyond the control of the Board. This allocation is the Police Tax Rate share of that deficit. As a result, the combined operating and taxation deficit was \$239,000 for 2014.

As highlighted in the third quarter report, 2014 has seen surpluses in various revenue and paid duty accounts, savings arising from efficiencies and reduced expenditures along with surpluses from vehicle maintenance, court time, facility costs and in the final quarter additional savings from reduced fuel costs and reduced benefits costs. These were partially offset by pressures from a shortfall in the revenue from the Collision Reporting Centers (CRC), overtime and on-call overtime costs, insurance claims/settlements and legal costs. Each of these significant variances are summarized in Table 1 and discussed in more detail below.

Identified Solutions & Pressures

a) Paid Duty & Other Revenue

Paid Duty revenue has provided surpluses in past years and has continued to do so into 2014 in the amount of \$890,000. In addition to this OPS had a surplus of \$350,000 from records clearance checks, and an additional \$20,000 in the other revenue and recovery accounts. A significant amount of the paid duty surplus is due to City requests related to construction.

b) Compensation & Benefits

The OPS compensation area generated a savings of \$750,000 dollars. There were several areas where positive variances occurred including a benefits claims savings of almost \$350,000 dollars.

c) Efficiencies & Reduced Expenditures

In 2014 staff was able to achieve additional efficiencies beyond those already planned, which resulted in cost savings in the areas of telecommunications and print management. These efficiencies, along with reduced spending in the areas of Business Continuity, IT projects, and specialized equipment, provided a surplus of \$590,000.

d) Facility Operating Costs

In past years, facility operating costs have provided surpluses and 2014 was no exception. The year ended with a net surplus of \$350,000 in the various facility budgets including the secondary charges to OPS from the City for Facility maintenance services.

e) Vehicle Maintenance

Vehicle maintenance activities have provided surpluses in past years and this trend continued in 2014, providing a surplus of \$280,000. This surplus is attributable to the Board-approved funding of the capital replacement plan, which

Table 1 - Ottawa Police Service 2014 Year End – Significant Variances	
Solutions	(\$000)
Paid Duty & Other Revenue	1,260
Compensation & Benefits	750
Efficiencies & Reduced Expenditures	600
Facilities – Operating Costs	350
Vehicle Maintenance	280
Fuel Costs	130
Court Time Costs	50
Total Solutions	3,420
Pressures	
CRC Revenue	(950)
Overtime Costs	(890)
On Call Costs	(320)
Insurance Claims	(290)
Legal Fees	(240)
Total Pressures	(2,690)
Surplus (Deficit)	730

continues to allow older vehicles to be replaced prior to incurring significant maintenance costs.

f) Fuel Costs

OPS ended the year with a \$132,800 surplus in the fuel accounts. It was comprised of a favourable volume variance of \$156,400 and a very small unfavourable price variance of \$23,600.

g) Revenue – Collision Reporting Centers (CRC)

The revenue estimate for this program was increased in 2014 to \$1.6 million from a budget of \$800,000 in 2013 based on full implementation of all aspects of the program. Although the revenue has grown and continues to grow, 2014 ended with a shortfall of \$950,000. As discussed previously, the main factor preventing the achievement of the OPS revenue goal is slower enrolment by insurance companies than expected.

h) Overtime, Court Overtime Costs and On-Call

Overtime ended the year with a deficit of \$890,000. As highlighted in the last quarterly report as a horizon issue, the War Memorial/Parliament Hill shooting in October created a significant pressure on the overtime budget, with costs for this occurrence being in the range of \$400,000. The Board has sent a letter to the Federal Government to request compensation for costs related to this event. Also the People's Social Forum demonstration that occurred in the third quarter of the year placed another significant pressure on the overtime budget. As well, staffing shortages contributed to the deficit although some of that pressure was offset through savings in compensation in areas such as the Communication Centre.

On-Call payments resulted in a year-end pressure of \$320,000, mainly as a result of a grievance settlement. Staff have been analyzing this issue and developing a go-forward strategy which will be implemented in Q2 2015.

Court overtime ended the year with a surplus of \$50,000.

i) Insurance Claims & Settlements & Legal Fees

The OPS is self insured for claims up to \$3.0 million. Currently there are over 90 claims outstanding. As settlements occur they are approved as required, reported to the Board and paid. Although we do have a budget for legal costs and claims, the magnitude and timing of these claims vary significantly from year to year. This year, the insurance claims account created a deficit of \$290,000 and legal costs ended the year with a pressure of \$240,000.

Non- Departmental Tax Related Accounts

Police costs and revenues have been separated into a singular city-wide 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 requested for tax-related functions. In 2014 a deficit of \$971,000 was recorded in these tax related accounts.

Net Position

The Police Service will end the year with a net deficit of \$239,000. This number results from netting the surplus from operations of \$731,900 against the deficit of \$970,900 in the taxation accounts. The net deficit will be funded from the City- Wide Reserve Fund. The Disposition report to the City's Finance and Economic Development Committee (FEDCO) on April 7, 2015 outlines these statements action.

"Police Services

The Police operations budget under the jurisdiction of the Ottawa Police Services Board ended the year with a surplus of \$0.732 million. This was offset by a deficit of \$0.971 million in the non departmental tax related accounts resulting in a \$0.239 million deficit on a Police business area basis. As per the City's past practice, the funding of any deficit or the retention of any surplus in the Police Services business area will either be funded from or contributed to the City Wide Reserve Fund."

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:

Table 2 Summary by Type Contracts Under Delegated Authority		
Type	Amount	Percentage
Professional Services	-	-
Consulting Services	\$142,428	9%
Goods & Supplies	\$258,608	16%
Fleet & Equipment	\$41,259	3%
Facilities & Construction	\$586,851	37%
Information & Technology	\$547,841	35%
Total	\$1,576,987	100%

- Annex A provides the 4th Quarter Financial Report – Summary by Directorate.

- Annex B, provides a list of all contracts awarded under delegated authority to the Chief that exceed \$25,000 and summarizes the transactions from October to December 2014. **The breakdown of these purchase orders by category is shown in Table 2. Contracts for facilities and information technology account for almost 3 quarters of the value of all purchase orders issued in Q4. Expenditure definitions are included in Annex B for reference.**

- Annex 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.

- Annex D on Board Policy CR-8 - "The Acceptance of Donations, Gifts, Loans and Sponsorships"; Sections 6 and 7 of the policy require 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 annex lists those items for the 2014 year. In 2014, a total of \$140,212 was donated to the OPS. The majority (\$139,167) was in support of the OPS Gala.

CONSULTATION

Not applicable.

FINANCIAL STATEMENT

There are no financial implications.

CONCLUSION

The OPS generated a surplus on operations of \$731,900 for 2014. It was primarily due to increased revenue and recoveries, along with the various efficiencies and reduced expenditures which more than offset the pressures for overtime costs, revenue shortfalls and insurance and legal settlements.

When the deficit of \$970,900 on the taxation accounts is taken into account there is a combined operating and taxation deficit of \$239,000 for the Police tax rate. As per the City's past practice, "the funding of any deficit or the retention of any surplus in the Police Services business area will either be funded from or contributed to the City Wide Reserve Fund."

At its meeting on 7 April 2015, the City's Finance and Economic Development Committee recommendation that the City's 2014 tax supported operating deficit (including the OPS surplus portion) be funded from City reserve funds was presented. This recommendation will be presented to Council on April 22, 2015 for approval.

(Original signed by)

Charles Bordeleau
Chief of Police

Responsible for report: Director General Debra Frazer

Attach. (4) Annex A: 4th Quarter Financial Report – Summary by Directorate
 Annex B: Purchase Orders Issued Under Delegated Authority
 Annex C: Capital Budget Works in Progress
 Annex D: Acceptance of Donations, Gifts, Loans and Sponsorships