



DATE: 27 July 2015

TO/DEST: Executive Director, Ottawa Police Services Board

FROM/EXP: Chief of Police, Ottawa Police Service

SUBJECT/OBJET: **FINANCIAL STATUS REPORT: SECOND QUARTER 2015**

RECOMMENDATION

That the Ottawa Police Services Board receive this report for 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.

Starting in 2013, the annual report required under Board Policy CR-4: Asset Management, is to be included with the second quarter report in the following year. It is submitted as part of this report and features a more in-depth view of the building and building improvement category of assets.

DISCUSSION

Based on current information staff is forecasting a balanced financial position for 2015.

The information to date includes a projected surplus in paid duty and other revenue, court overtime, fleet maintenance and benefit costs which is being offset by a projected shortfall in the revenue from the Collision Reporting Centers (CRC), overtime and on-call costs. 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) Revenue – Collision Reporting Centers (CRC)

Enrolment of more insurance company clients in the Automatic Payment Plan (APP) has been slower than anticipated creating a potential deficit of \$750,000.

b) Overtime

In the first four months of the year there have been two homicides requiring a high level of overtime. The Emergency Services Unit has also been used frequently. Staffing pressures are also a factor in the projected deficit of \$700,000 in overtime costs.

c) On Call

As a result of a grievance settlement with the Ottawa Police Association (OPA) regarding the on-call provision in the collective agreement, the number of sections eligible to be placed on call in 2015 has been expanded. All informal arrangements have ceased. This change occurred after the budget was finalized and is creating a pressure of approximately \$400,000 for 2015.

d) Paid Duty & Other Revenue

Staff projects a net surplus of approximately \$1,100,000 from various revenue accounts. The largest portion of this amount (\$800,000) is expected to come from paid duty activities. The OPS has historically experienced a surplus in the paid duty revenue, largely due to City requests related to construction and more recently to the contract with the Department of National Defence for the War Memorial. We are also projecting surpluses in other areas including revenue from false alarms, records clearance and secondments.

e) Court Overtime

For the past several years court overtime has been contributing to year end surpluses and this trend is continuing in 2015.

f) Radio System User Fees

The 2015 budget includes a provision for an increase in user fees under the new radio system, given the ever greening approach to user equipment which it now includes. The implementation date for the new system has been delayed, creating a \$400,000 savings.

Pressures	(\$000)
Revenue CRC	(750)
Overtime	(700)
On Call	(400)
Total Pressures	(1,850)
Solutions	
Paid Duty & Other Revenue	1,100
Court Overtime	400
Radio System User Fees	350
Total Solutions	1,850
Projected Surplus (Deficit)	0

Horizon Issues

The 2015 collective agreement arbitration is the main issue on the horizon that may create pressures going forward which cannot yet be quantified. The initial meetings were held in March to begin negotiations which was followed by the OPA filing for conciliation. The matter is now proceeding to arbitration which will begin at the end of July. Negotiations with the Senior Officers' Association (SOA) have yet to commence.

Staff will be monitoring this issue 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:

- Annex A, which provides the 2nd Quarter Financial Report – Summary by Directorate
- Annex B, provides a list of all contracts awarded under delegated authority by the Chief that exceed \$25,000 in the period April to June 2015. In total, \$1.1 million in purchase orders were issued under delegated authority in the Second Quarter. The breakdown of these purchase orders by category is shown in Table 2. The largest category (50% of the total) related to bulk purchases of goods & supplies. The next largest category encompasses professional and consulting services, totalling 30%. The remaining 20% of contracts were used to procure Fleet and IT equipment needs. Expenditure definitions are included in Annex B for reference.

Type	Amount (\$)	Percentage (%)
Professional Services	252,359	24
Consulting Services	61,260	6
Goods & Supplies	533,035	50
Fleet & Equipment	126,691	12
Facilities & Construction	0	0
Information & Technology	88,004	8
Total	1,061,349	100%

- 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.

Annual Reporting Requirements: Asset Management

Policy CR-4 of the Ottawa Police Services Board Policy Manual requires that on a yearly basis the Chief shall:

1. *Provide a report to the Board listing the assets assigned to the 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 Annex D, entitled “Summary of Assets Assigned to Ottawa Police Service”. It provides an overview of the assets assigned to the OPS and the associated net book value for the five year period 2010 to 2014. The assets are divided into five categories and have a total net book value of \$70 million at December 31, 2014. The largest category of asset is “Buildings and Improvements” which accounts for almost \$50 million of the total.

The total value of assets assigned to the OPS was generally at a level of \$60 million from 2010 to 2013 but has increased by \$9.1 million in the latest reporting year. This increase is mainly due to activity within the Facilities portfolio. A new generator at Elgin was installed and costs finalized during 2014 which increased the Police Equipment category by \$3.4 million. Additional facility work at Elgin and the cost finalization of the Huntmar construction project increased the asset values in the Land and Building categories by \$6.0 million.

The second requirement in this area is to report on one category of assets on a rotational basis. This year the category is the most significant one, ‘Buildings and Building Improvements’. Annex E provides a summary of the value of buildings and building Improvements assigned to OPS including: the net book value, average expected useful life for accounting purposes, annual maintenance costs and disposal options.

The net book value of these assets is just under \$50 million at December 31, 2014. The annual operating budget includes a provision of just over \$4 million to maintain these facilities including the costs of: City maintenance and supervisory staff, utilities, janitorial services, contracts for snow removal and lawn care and a provision for life cycle repairs.

The Board has a comprehensive 17 year strategic plan for the development, re-fitting and disposal of its building portfolio. The Facility Strategic Plan (FSP) was presented to and approved by the Board in June 2013. In order to be affordable within the current fiscal environment, the Workplace Innovation Project (WIP) was initiated to find savings of 25% within the FSP. This work is being completed and will be presented to the Board this fall.

CONSULTATION

Not applicable.

FINANCIAL STATEMENT

As outlined in the report.

CONCLUSION

The OPS is forecasting that it will achieve a 2015 break-even financial position based on operating results to the end of the second quarter.

In October, staff will present the Service's third quarter financial position as at 30 September 2015. It will provide an update on the above-noted issues and identify new pressures or solutions that have emerged. The year-end forecast will be adjusted accordingly.

(Original signed by)

Charles Bordeleau
Chief of Police

Attach (5): Annex A: 2nd Quarter Financial Report – Summary by Directorate
Annex B: Purchase Orders Issued Under Delegated Authority
Annex C: Capital Budget Works in Progress
Annex D: Summary of Assets Assigned to Ottawa Police Service
Annex E: Summary of Buildings and Buildings Improvements Assigned to Ottawa Police Service

Responsible for report: Director General Debra Frazer