

**Report to / Rapport au:**

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

**25 April 2016 / 25 avril 2016**

**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: FIRST QUARTER 2016**

**OBJET: RAPPORT D'ÉTAPE FINANCIER DU PREMIER TRIMESTRE 2015**

**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. This report presents an initial projection of the Service's year-end financial position and outlines the significant variances that are known at this time. 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 identifying a small deficit position by year-end for 2016 in the amount of \$400,000. This is based on preliminary information with only 3 months of operating

experience but if this deficit situation continues, action will be taken to achieve a balanced budget.

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

As always, the year-end position is dependent on changes in the various pressures and solutions that have been identified in the first quarter of the year, as well as the impact of the horizon issues that are discussed below.

### Identified Pressures & Solutions

#### a) Overtime

In the first three months of the year there have been 6 homicides (and 19 shootings) with some logging high overtime costs. Staffing pressures are also a significant factor in the projected deficit of \$1,700,000.

The most significant drivers of overtime costs during Q1 came from the Information desk, Major crime and other investigative units.

#### b) Revenue – Collision Reporting Centers (CRC)

Sales of Collision reports are lower than the 55% of total collisions used in the revenue estimation.

The current plan is to deliver \$100,000 of new revenue which is a shortfall of \$600,000. This is an improvement over the 2015 year-end position of \$900,000.

#### c) Reduced Spending & Radio System User Fees

The 2016 budget included a provision for user fees under the new radio system. The implementation date for the new system has been delayed, creating a potential \$700,000 savings.

#### d) Compensation Costs & Benefits

<b>Pressures</b>	<b>(\$000)</b>
Overtime	(1,700)
Revenue-CRCS	(600)
<b>Total Pressures</b>	<b>(2,300)</b>
<b>Solutions</b>	
Reduced Spending in Various Areas	700
Compensation Costs & Benefits	600
Paid Duty & Other Revenue	250
Fuel	200
Court Overtime	150
<b>Total Solutions</b>	<b>1,900</b>
<b>Projected Surplus (Deficit)</b>	<b>(400)</b>

The OPS compensation area is projected to generate a surplus of \$600,000 dollars. The main area that is experiencing surpluses is in the benefits claims experience on retired as well as active employees.

e) 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. With this adjustment taken into consideration, a surplus of \$250,000 is still being projected. A significant amount of the paid duty surplus is due to City requests related to construction and work on the light rail project.

f) Fuel Costs

Staff is anticipating a surplus in the fuel account of \$200K for 2016 based mainly on a favourable price variance. We will be watching the trend in gasoline prices very closely over the balance of the year and will continue to further refine the projection for the fuel account for 2016.

The Ottawa Police Service's 2016 fuel budget was developed using a retail pump price of \$1.0816/litre. This pump price was reduced to an effective price of \$0.9217/litre, after accounting for tax exemptions and discounts through the fuel card program. The total fuel budget of \$2.271 million was based upon a consumption level of 2.46 million litres for 2016.

The average retail price for regular unleaded gasoline at Ottawa-area self-service filling stations is outlined in Table 2. For the first two months of the year, the average overall price was \$0.86

<b>Table 2</b>	
<b>Average Retail Price of Gasoline Per Litre – 2016</b>	
<b><u>Month</u></b>	<b><u>Average Retail Price</u></b>
January	\$0.869
February	\$0.851
March	Not Yet Available
<i>Source: Statistics Canada (<a href="http://www.statcan.gc.ca/pub/62-001-x/2016002/t047-eng.htm">http:// www.statcan.gc.ca/pub/62-001-x/2016002/t047-eng.htm</a>- Table 13)</i>	

g) Court Overtime

In the past several years, Court overtime has been contributing to year end surpluses and this trend is continuing in 2016. We are projecting Court overtime to be in a surplus of \$150,000 based on the actuals in the first few months.

Horizon Issues

A major event on the planning horizon is the North American Leaders Summit (NALS) meeting to be held in June in Ottawa. Prime Minister Justin Trudeau will host U.S. President Barack Obama and Mexican President Enrique Pena Nieto in Canada in June for this year's edition of the NALS. A dialogue will be initiated with the Federal Government concerning cost recovery relating to the OPS costs to support the NALS meeting once it is deemed a Prime Minister-led international event.

The 2015 collective agreement arbitration may also create pressures going forward which cannot yet be quantified. The initial arbitration meetings with the Ottawa Police Association (OPA) were held in December 2015 and a decision expected in Q2. Negotiations have yet to commence for 2016 with the OPA or with the Senior Officers' Association (SOA) for 2015 and 2016.

Staff will be monitoring these issues 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 1st 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 of January to March 2016. In total, \$1.95 million in purchase orders were issued under delegated authority in the First Quarter. The breakdown of these purchase orders by category is shown in Table 2. The largest category (45% of the total) related to Information & Technology purchases. The other significant category is Fleet & Equipment at 31% with the remaining 4 categories consuming 24% of all remaining contracts. Expenditure definitions are included in Annex B for reference.

<b>Table 2 Summary by Type Contracts Awarded Under Delegated Authority</b>		
<b>Type</b>	<b>Amount (\$)</b>	<b>Percentage (%)</b>
Information & Technology	877,108	45
Fleet & Equipment	607,597	31
Goods & Supplies	296,870	15
Professional Services	100,920	5
Consulting Services	68,383	4
Facilities & Construction	0	0

<b>Total</b>	<b>1,950,878</b>	<b>100%</b>
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- 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.

### **CONSULTATION**

Not applicable.

### **FINANCIAL IMPLICATIONS**

As outlined in the report.

### **SUPPORTING DOCUMENTATION**

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

Annex B: Purchase Orders Issued Under Delegated Authority

Annex C: Capital Budget Works in Progress

### **CONCLUSION**

The OPS is forecasting that it will have a small deficit by year-end for 2016 in the amount of \$400,000 based on operating results to the end of the first quarter. Action will be taken to achieve a balanced budget if these pressures continue.

In July, staff will present the Service's Second Quarter financial position as at 30 June 2016. 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. That report will also include the annual Asset Management Report as required by Policy CR-4 of the Ottawa Police Services Board Policy Manual.