

**Report to / Rapport au:**

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

**23 November 2020 / 23 novembre 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 Administrative Officer / agent administratif principal**

***LetourneauJ@ottawapolice.ca***

**SUBJECT: FINANCIAL STATUS REPORT – THIRD QUARTER 2020**

**OBJET: RAPPORT D'ÉTAPE FINANCIER DU TROISIEME TRIMESTRE 2020**

**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. .

**DISCUSSION**

The Covid19 pandemic has created unprecedented financial pressure on the OPS in 2020 and potentially beyond. The pandemic continues to be very fluid with financial data points continuing to emerge as operations continue to stabilize in the new current work environment. The Board was engaged early and continues to be provided regular monthly financial updates

through the Finance and Audit Committee and quarterly financial reports on the impact of the pandemic.

These significant financial pressures have been met with equally significant management interventions to ensure OPS remains fiscally responsible during the pandemic.

These management interventions include the following:

- No travel order
- Discretionary spending freeze
- Employee transfer and temporary assignment freeze
- Enhanced overtime reporting and controls to limit usage
- Annual leave utilization strategy

Based on current information, staff are forecasting total operating budget pressures for 2020, in the amount of \$13.5 million, which is currently being projected to be entirely offset by solutions of \$13.5 million leaving the OPS in a balanced budget position in 2020. OPS management continues to work extremely hard to find additional budget solutions to continue to deliver on the Board's strategic initiatives.

Each of the significant variances is summarized in Table 1 and discussed in more detail below. The year-end position for OPS operations is still very fluid due to the rapidly changing environment and the potential of a second wave of the virus.

### Identified Pressures & Solutions

#### a) Total Revenue Pressures

The main driver of OPS's operational pressure is the result of a variety of revenue shortfalls. These revenue shortfalls are expected to total \$7.0 million in 2020.

The revenue deficit is comprised of the following revenue categories: user fees, which include paid duties, background checks and false alarm fees (\$4.8 million), grant revenue (\$1.0 million), red light camera revenue (\$0.5 million) and airport revenue (\$0.7 million).

<b>Table 1 - Ottawa Police Service 2020 Projected Year End – Significant Variances</b>	
<b>Pressures</b>	<b>(\$000)</b>
Total Revenue Pressures	(7,000)
COVID19 Expenditures	(5,100)
Non COVID19 Expenditures	(1,400)
<b>Total Pressures</b>	<b>(13,500)</b>
<b>Solutions</b>	
Discretionary	9,500
Non-Discretionary	4,000
<b>Total Solutions</b>	<b>13,500</b>
<b>Projected Surplus (Deficit)</b>	<b>-</b>

#### b) COVID 19 Expenditure Pressures

OPS are also experiencing significant expenditure pressures due to the pandemic totalling \$5.1 million. This deficit includes \$2.5 million for the additional personal protective equipment and decontamination steps being taken to protect our members and the public. The remaining \$2.6 million is attributed to higher unused leave banks and increased overtime related specifically to the pandemic.

#### c) Non COVID 19 Expenditure Pressures

There are currently three operational pressures that aren't related to the pandemic and are resulting in pressures of \$1.4 million. The first item is WSIB, in which OPS is forecasting a \$0.7 million shortfall by year end related to WSIB costs. The second item is fleet maintenance and that item is expected to result in a year end pressure of \$0.4 million. The third item relate to OPS's priorities around the Neighbourhood Resource Team's, Sexual Harassment Project and standing up the Respect, Values and Inclusion Directorate. These priorities are requiring a \$0.3 million investment in 2020.

#### d) Discretionary Solutions

The pandemic required considerable management intervention in order to remain fiscally responsible. Those interventions are forecasted to result in \$9.5 million in discretionary solutions. The spending freeze is expected to save \$5.1 million in services, supplies and equipment related costs. The no travel order is expected to save another \$1.7 million with the variety of other management interventions resulting in the remaining \$2.7 million of solutions.

#### e) Non-Discretionary Solutions

Non-discretionary solutions total \$4.0 million in savings. The main expenditure savings that OPS's experiencing is related to non Covid19 overtime. The impacts related to the pandemic such as the virtual Canada Day celebration, court and front desk closures are contributing to an anticipated \$2.4 million in overtime savings. The remaining \$1.6 million in savings is arising from a reduction in benefits due to benefit provider clinics being closed, lower than expected fuel prices and some facilities related savings.

#### Horizon Issues

The Covid19 pandemic remains a very fluid situation that will continue to be monitored from an operational and financial perspective, especially in regards to the second wave. Indemnification costs are also a horizon issue that may pose a pressure in 2020.

#### Special Circumstances Procurement

The urgent need to onboard an independent third party to provide the intake, investigation and resolution of workplace sexual harassment was critical and therefore, it wasn't done in accordance with regular procurement practices. The Financial Accountability Procedures (FAP) Manual allows for the procurement in such a manner when special circumstances exist, in the opinion of the Chief of Police, as per section 3.2.4.8 of the FAP Manual. OPS procured \$0.2 million of services using the special circumstances clause identified above.

#### 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 3rd 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 July to September 2020. In total, \$1.0 million in purchase orders were issued under delegated authority in the Third Quarter. That figure includes \$0.2 million that was procured using the special circumstances clause 3.2.4.8 of the FAP Manual. The breakdown of these purchase orders, by category, is shown in Table 2. Expenditure definitions are included in Document 2 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	733,464	72%
Professional Services	280,742	28%
Fleet & Equipment	0	0%
Goods & Supplies	0	0%
Facilities & Construction	0	0%
Consulting Services	0	0%
<b>Total</b>	<b>1,014,207</b>	<b>100%</b>

- Document 3 provides a summary of the OPS capital budget works in progress and indicates those which will be closed or projects where funding will be

returned to source. It enables the Chief Administrative Officer to close capital projects and or return funds to the originating sources and fund any deficits.

### **FINANCIAL IMPLICATIONS**

As outlined in the report.

### **SUPPORTING DOCUMENTATION**

Document 1: 3rd Quarter Financial Report – Summary by Directorate

Document 2: Purchase Orders Issued Under Delegated Authority

Document 3: Capital Budget Works in Progress

### **CONCLUSION**

The pandemic is projected to cause significant financial pressure of \$13.5 million for OPS in 2020. This does represent a slight improvement from the second quarter report, and coupled with the management interventions introduced to date, OPS are projected to mitigate the entire financial pressure that is forecasted through the \$13.5 million in solutions identified.

The risks and assumptions in our forecast are continuously being revisited for accuracy and validity. The loosening or tightening of management interventions will continue to evolve with the pandemic to ensure a balanced budget.

In February, staff will present the Service's Fourth Quarter financial position as at 31 December 2020.