

Report to / Rapport au:

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

23 September 2019 / 23 septembre 2019

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 – SECOND QUARTER 2019

OBJET: RAPPORT FINANCIER DU 2^E TRIMESTRE 2019

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 surplus of \$1.0 million at year end. Operating budget pressures are being identified for 2019, in the amount of \$2.1 million, coming mainly from overtime, vehicle maintenance and fuel costs. These pressures are being offset by projected solutions of \$3.1 million in reduced compensation, expenditures, claims and various revenue and recovery accounts.

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 dependent on 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) Overtime

Overtime costs are creating a pressure of \$1.0 million in 2019. The major events from the first quarter (Trail Road Dump search and the Westboro station bus crash) coupled with the flood in the second quarter accounted for the majority of this pressure. Various sections are also experiencing significant overtime pressures due to staffing shortages.

b) Vehicle Maintenance

In 2017, staff initiated a one-time deferral of the planned replacement of approximately 60 fleet vehicles. This action enabled the Service to transfer \$2.4 million from the Fleet Replacement Reserve to support the Operating Budget.

In 2018, a further transfer of \$0.6 million was approved to help finance the implementation of conducted energy weapons, resulting in a deferral of roughly of 15 vehicles. The deferral plan was managed by extending the service life of these assets through the rotation of low and high mileage vehicles. The deferral of replacement is causing vehicle maintenance costs to rise, creating the \$0.5 million pressure in 2019.

c) Fuel Costs

The OPS's 2019 fuel budget is based on a retail pump price of \$0.9933/litre. After volume discounts and tax exemptions, the effective price becomes \$0.8545/litre.

Fuel prices have jumped since the formulation of the 2019 Budget. Economic factors have created a significant increase in the retail price across the province.

Table 1 - Ottawa Police Service 2019 Projected Year End – Significant Variances	
Pressures	(\$000)
Overtime	(1,000)
Vehicle Maintenance	(500)
Fuel	(400)
WSIB	(200)
Total Pressures	(2,100)
Solutions	
Compensation	1,000
Reduced Expenditures	800
Revenue & Recoveries	800
Claims	500
Total Solutions	3,100
Projected Surplus (Deficit)	1,000

The average retail pump price for regular unleaded gasoline at Ottawa-area self-service filling stations, over the first 6 months of 2019, was \$1.13/litre creating this budget pressure for OPS.

Staff is forecasting a deficit in the fuel account of \$0.4 million for 2019 caused by fuel price increases. Gasoline prices will continue to be monitored very closely over the balance of the year to further refine the projected budget pressure.

d) WSIB

A pressure in relation to the Workplace Safety and Insurance Board (WSIB) costs has been identified in the amount of \$0.2 million. The increase in WSIB claims is mainly a result of new presumptive legislation allowing Operational Stress Injury (OSI) claims, along with an increase in the volume of claims and lost time. Also retroactive adjustments are being processed as individuals are moved from long term disability insurance (LTDI) to WSIB.

e) Compensation

The compensation area of the budget is currently projecting a surplus of \$1.0 million in 2019. These savings are mainly a result of improved management controls regarding vacant and temporary positions, including gapping.

f) Reduced Expenditures

Savings of \$0.8 million are expected from various expenditure reductions and lower than expected prices for contract awards.

g) Various Revenue & Recovery Accounts

Various revenue and recoveries along with additional grant funding are helping to offset some of our costs and are expected to provide solutions in the amount of \$0.8 million

h) Claims

As of the first half of the year, insurance claims & settlements are trending significantly under budget and if this continues will provide a surplus of approximately \$0.5 million.

Horizon Issues

Staff continue to monitor several issues including additional costs related to major projects like the new radio system as well as legal and indemnification costs.

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 which provides the 2nd 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 April to June 2019. In total, \$1.5 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. Expenditure definitions are included in Document 2 for reference.

Table 2 Summary by Type Contracts Awarded Under Delegated Authority		
Type	Amount (\$)	Percentage (%)
Fleet & Equipment	743,387	50%
Information & Technology	316,530	21%
Facilities & Construction	247,234	16%
Professional Services	142,289	9%
Consulting Services	52,203	3%
Goods & Supplies	0	0%
Total	1,501,642	100%

- Document 3 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 Chief Administration Officer to close capital projects by returning any remaining balance to the originating sources and fund any deficits

FINANCIAL IMPLICATIONS

As outlined in the report.

SUPPORTING DOCUMENTATION

Document 1: 2nd Quarter Financial Report – Summary by Directorate

Document 2: Purchase Orders Issued Under Delegated Authority

Document 3: Capital Budget Works in Progress

CONCLUSION

Based on current information, staff is forecasting a surplus of \$1.0 million for 2019. In November, staff will present the Service's third quarter financial position as at September 30, 2018. 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.