



DATE: 30 November 2015

TO/DEST: Executive Director, Ottawa Police Services Board

FROM/EXP: Chief of Police, Ottawa Police Service

SUBJECT/OBJET: **FINANCIAL STATUS REPORT - THIRD 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.

### **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, reduced spending in key areas and savings in radio system user fee, court overtime, compensation costs and fleet maintenance. Offsetting pressures will absorb the surplus funds including increased overtime costs, a revenue shortfall from the Collision Reporting Centers (CRC), on-call costs and insurance claims. 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) Overtime

In the first nine months of the year there have been six homicides with some logging high overtime costs. The ongoing taxi strike has had an impact on overtime and the Emergency Services Unit has also been called out frequently to search for missing persons. Staffing pressures are also a factor in the projected deficit of \$1,600,000.

#### b) 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 \$900,000. Staff is in the process of finalizing an agreement with an industry leading client which will help to improve revenue for 2106.

#### 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) Insurance Claims & Settlements

OPS is self insured for claims up to \$3.0 million. Currently there are over 90 outstanding claims. As settlements occur they are approved, reported to the Board and paid. Although we do have a budget for these claims, the magnitude and timing of these claims may vary significantly from year to year and may have a net impact on operating costs. This year it is being projected that insurance claims will end the year with a pressure in the range of \$300,000.

#### e) Paid Duty & Other Revenue

Staff projects a net surplus of approximately \$1,100,000 from various revenue accounts.

<b>Table 1 - Ottawa Police Service 2015 Projected Year End – Significant Variances</b>	
<b>Pressures</b>	<b>(\$000)</b>
Overtime	(1,600)
Revenue CRC	(900)
On Call	(400)
Insurance Claims	(300)
<b>Total Pressures</b>	<b>(3,200)</b>
<b>Solutions</b>	
Paid Duty & Other Revenue	1,100
Radio System User Fees	700
Reduced Spending in Various Areas	500
Court Overtime	400
Compensation Costs	400
Vehicle Maintenance	100
<b>Total Solutions</b>	<b>3,200</b>
<b>Projected Surplus (Deficit)</b>	<b>0</b>

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 other revenue surpluses including fees earned from records clearance and background checks.

#### f) Radio System User Fees

The 2015 budget includes a provision for an increase in user fees under the new radio system, which now includes ever-greening of user equipment. The implementation date for the new system has been delayed, creating a \$700,000 savings.

#### g) Reduced Spending

Reduced spending is expected to produce savings for 2015 in the areas of telecommunications, safety supplies, equipment and print management. Some of these savings have been used to offset other pressures. The combination of these is projected to create a net \$500,000 surplus.

#### h) Court Overtime

For the past several years court overtime has been contributing to year end surpluses and this trend is continuing in 2015, in the amount of \$400,000.

#### i) Compensation Costs

Last year the OPS compensation area generated savings in compensation with a portion coming from the benefits claims for active and retired members. To date this trend has continued producing a savings of \$200,000 dollars. Retirement costs are also expected to provide a surplus in 2015 in the range of \$200,000. The budget for retirement costs was based upon an anticipated 33 sworn member retirements/resignations. To date, a total of 27 sworn members have retired or resigned. Retirement costs are impacted not only by the numbers retiring but also by sick leave bank payment obligations to former members of the Ottawa, Nepean and Gloucester Police Services as struck under their collective agreements.

#### j) Vehicle Maintenance

Vehicle maintenance activities have provided surpluses in past years and this trend continues in 2015, and is expected to contribute a surplus of \$100,000. This surplus is attributable to the Board-approved funding of the capital replacement plan, which continues to allow older vehicles to be replaced prior to incurring significant maintenance costs.

#### 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 were followed by the Ottawa Police Association filing for conciliation. The matter is now proceeding to arbitration in December. Negotiations with the Senior Officers' Association 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 3rd 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 July to September 2015. In total, \$2.2 million in purchase orders were issued under delegated authority in the Third Quarter. The breakdown of these purchase orders by category is shown in Table 2. The largest category (48% of the total) related to professional services. The other significant category is IT at 25% with the remaining 4 categories consuming 27% 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>
Professional Services	1,024,487	48
Consulting Services	217,103	10
Goods & Supplies	178,650	8
Fleet & Equipment	111,899	5
Facilities & Construction	90,706	4
Information & Technology	530,553	25
<b>Total</b>	<b>2,153,398</b>	<b>100%</b>

- 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. With this report \$1.9 million from various older projects will be returned to their source, the General Capital Reserve Fund, to aid in the 2016 funding of the new IM/IT Roadmap project and to support transformation projects.

CONSULTATION

Not applicable.

FINANCIAL STATEMENT

As outlined in this 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 third quarter.

In March 2016, staff will present to the Board the final quarterly report on the Service's financial position as of the 31 December 2015.

*(Original signed by)*

Charles Bordeleau  
Chief of Police

Attach. (3): Annex A: 3<sup>rd</sup> Quarter Financial Report – Summary by Directorate  
Annex B: Purchase Orders Issued Under Delegated Authority  
Annex C: Capital Budget Works in Progress

Responsible for report: Director General Debra Frazer