

Report to / Rapport au:

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

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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 2020

OBJET: RAPPORT D'ÉTAPE FINANCIER DU PREMIER 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. The accuracy of this projection improves with each quarter, as the OPS' expense and revenue patterns become more certain.

DISCUSSION

The Covid19 pandemic has created unprecedented financial pressure on the OPS in 2020 and potentially beyond. The pandemic is still a very fluid situation with financial data points just starting to emerge now as operations are commencing 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 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 is forecasting total operating budget pressures for 2020, in the amount of \$14.5 million, which is almost entirely offset by solutions of \$13.8 million leaving the OPS in a deficit position of \$0.7 million. OPS management continues to work extremely hard to find additional budget solutions. As per the discussion with the Finance and Audit Committee on May 12 2020 management is fully committed to delivering a balanced budget by year end.

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 will continue to fluctuate as additional data becomes available.

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 \$8.5 million in 2020.

The revenue deficit is comprised of the following revenue categories: paid duties (\$4.1 million), background clearance (\$2.2 million), grant revenue (\$1.0 million), red light camera revenue (\$0.7 million) and airport revenue (\$0.6 million).

b) COVID 19 Expenditure Pressures

OPS are also experiencing significant expenditure pressures due to the pandemic totalling \$6.0 million. This deficit includes \$2.8 million for the additional personal protective equipment and decontamination steps being taken to protect our members and the public.

Table 1 - Ottawa Police Service 2020 Projected Year End – Significant Variances	
Pressures	(\$000)
Total Revenue Pressures	(8,500)
COVID19 Expenditure Pressures	(6,000)
Total Pressures	(14,500)
Solutions	
Discretionary	10,100
Non-Discretionary	3,700
Total Solutions	13,800
Projected Surplus (Deficit)	(700)

The remaining \$3.2 million is attributed to higher unused leave banks and increased overtime related specifically to the pandemic.

c) Discretionary Solutions

The pandemic required considerable management intervention in order to remain fiscally responsible. Those interventions are forecasted to result in \$10.1 million in discretionary solutions. The spending freeze is expected to save \$4.8 million in services, supplies and equipment related costs. The temporary ceasing of paid duties is anticipated to result in \$2.7 million of overtime costs being avoided. The no travel order is expected to save another \$1.7 million with the variety of other management interventions resulting in the remaining \$0.9 million of solutions.

d) Non-Discretionary Solutions

The non-discretionary solutions resulting from the pandemic are totalling \$3.7 million in savings. The main expenditure savings that OPS's experiencing is related to non Covid19 overtime. There is a noticeable reduction in calls for service, a virtual Canada Day celebration, court and front desk closures all contributing to an anticipated \$2.7 million in overtime savings. The remaining \$1.0 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. There are several financial risks related to the pandemic that aren't currently in our forecast that could come to fruition that are being monitored regularly. Indemnification costs are also a horizon issue that may pose a pressure in 2020 when court operations resume.

Special Circumstances Procurement

The declared state of emergency stemming from the pandemic resulted in OPS having to procure several personal protective equipment, cleaning supplies and other time sensitive items related to the pandemic not 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. In consultation with the City Procurement team OPS procured \$0.8 million of goods and services using the special circumstances clause identified above. The detailed list of the items bought in this manner can be found in a separate table included in Document 2.

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 1st 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 January to March 2020. In total, \$4.5 million in purchase orders were issued under delegated authority in the First Quarter. That figure includes \$0.8 million that was procured using the special circumstances clause 3.2.4.8 of the FAP Manual due to the declared state of emergency. The breakdown of these purchase orders, by category, is shown in Table 3. Expenditure definitions are included in Document 2 for reference.

Table 3 Summary by Type Contracts Awarded Under Delegated Authority		
Type	Amount (\$)	Percentage (%)
Fleet & Equipment	2,687,262	60%
Goods & Supplies	966,023	21%
Information & Technology	684,091	15%
Professional Services	141,103	3%
Facilities & Construction	55,226	1%
Consulting Services	0	0%
Total	4,533,705	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 Director General 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](#): 1st 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 \$14.5 million for OPS in 2020. The management interventions introduced to date have in large part mitigated the entire financial pressure that is forecasted. Based on current information, the OPS is forecasting a deficit position at year-end of \$0.7 million due to the \$13.8 million in solutions identified. However management is committed to delivering a balanced budget by year end.

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 July, staff will present the Service's Second Quarter financial position as at 30 June 2020.