

Report to / Rapport au:

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

21 March 2016 / 21 mars 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 – 2015 ANNUAL REPORT

OBJET: RAPPORT FINANCIER ANNUEL DE 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 2015 Fourth Quarter Financial Report presents the year-end financial position of the Ottawa Police Service (OPS) and outlines the operational issues that affected the Service's finances in 2015. The results are subject to external audit.

DISCUSSION

The OPS ended the 2015 fiscal year with a surplus on police operations of \$71,000. This was offset by a \$2.263 million deficit in the taxation accounts which is beyond the control of the Board. As a result, the police tax rate was in a deficit position of \$2.192 million for 2015.

As highlighted in the third quarter report, 2015 has seen surpluses in various revenue and paid duty accounts, compensation, radio system user fees, court overtime, operating costs for police facilities and a range of efficiencies and reduced expenditures. These surpluses were

partially offset by pressures from overtime costs, a revenue shortfall from the Collision Reporting Centers (CRC), on-call costs, insurance claims/settlements and legal costs. The result of all these variances was a net surplus on police operations of \$71,000. Each of these significant variances is summarized in Table 1 and discussed in more detail below.

Identified Pressures & Solutions

a) Overtime

Overtime ended the year with a deficit of \$2.1 million after factoring in adjustments in the leave liabilities. Utilization of the Emergency Services Unit, the taxi strike at the airport and several homicides had significant impacts on the overtime budget, but the overriding pressure was due to staff shortages.

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 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 2016.

c) Insurance Claims & Settlements & Legal Fees

The 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, the insurance claims account created a deficit of \$700,000 and legal costs ended the year with a pressure of \$200,000.

d) 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 created a pressure of \$450,000 for 2015. The adjustment arising from the grievance created one-time costs which will not repeat in 2016 and it is expected that the adjusted budget base will be sufficient for 2016 expenditures.

Table 1 - Ottawa Police Service 2015 Year End – Significant Variances	
Pressures	(\$000)
Overtime	(2,100)
Revenue CRC	(900)
Insurance Claims & Legal Fees	(900)
On Call	(450)
Revenue Shortfalls	(350)
Total Pressures	(4,700)
Solutions	
Paid Duty & Other Revenue	1,100
Compensation Costs	1,150
Compensation – Benefits & WSIB	500
Reduced Spending in Various Areas	780
Court Overtime	650
Facilities – Operating Costs	350
Revenue – Records Clearance	200
Fuel Costs	40
Total Solutions	4,770
Projected Surplus (Deficit)	70

e) Paid Duty & Other Revenue

Paid Duty revenue has provided surpluses in past years and has continued to do so into 2015 in the amount of \$1,100,000. A significant amount of the paid duty surplus is due to City requests related to construction and to the contract with the Department of National Defence for the War Memorial in 2015. The budget for this revenue has been adjusted upwards by \$820,000 in the 2016 budget.

f) Compensation Costs

The OPS compensation area generated a savings of \$1,650,000 dollars. There were several areas where positive variances occurred including savings due to reduced retirement costs (\$1,150,000), benefits claims experience on retired as well as active members (\$350,000) and a surplus in WSIB costs (\$150,000).

g) Reduced Spending & Radio System User Fees

The 2015 budget included a provision for an increase in user fees under the new radio system. The implementation date for the new system has been delayed, creating a \$700,000 savings. There was also reduced spending of \$80,000 in various other supplies and equipment accounts. Some savings have been used to offset other pressures, but the combination of these variances created a net \$780,000 surplus.

h) Court Overtime

The past several years Court overtime has been contributing to year end surpluses and this trend continued in 2015. Also, in 2015 the budget for court overtime was increased based on the provision in the 2013-2014 collective agreement that spelled out the new minimum payment requirements for officers attending court in the morning. The costs anticipated based on that change may have been slightly less than expected, which would have also contributed to the surplus. Court overtime ended the year with a surplus of \$650,000 after factoring in adjustments in the leave liabilities.

i) Facility Operating Costs

In past years, facility operating costs have provided surpluses and 2015 is no exception. The year ended with a net surplus of \$350,000 in the various facility budgets including the secondary charges to OPS from the City for facility maintenance services.

j) Revenue – Records Clearance

OPS had a surplus of \$200,000 from records clearance checks, reflecting the increased use of these reports by employers and other agencies.

Non - Departmental Tax Related Accounts

Police costs and revenues have been separated into a singular city-wide tax rate for many years. The tax rate reflects the costs which are under the Board's control as well as those that are not, but are requested for tax-related functions. In 2015 a deficit of \$2.263 million was recorded in these tax related accounts. These tax related accounts are budgeted and managed by City staff. The OPS and the Board has no control over this aspect of the Police Tax Rate.

Net Position

The Police Service will end the year with a net deficit of \$2.192 million. This number results from netting the surplus from police operations of \$71,000 against the deficit of \$2.263 million in the taxation accounts. The net deficit will be funded from the City- Wide Reserve Fund.

This information was conveyed in the Disposition report to the City's Finance and Economic Development Committee on March 1, 2016.

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 4th 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 October to December 2015. In total, \$2.1 million in purchase orders were issued under delegated authority in the Fourth Quarter. The breakdown of these purchase orders by category is shown in Table 2. The largest category (35% of the total) related to Information & Technology purchases. The other significant category is Fleet & Equipment at 25% with the remaining 4 categories consuming 40% of all remaining contracts. Expenditure definitions are included in Annex B for reference.

Table 2 Summary by Type Contracts Awarded Under Delegated Authority		
Type	Amount (\$)	Percentage (%)
Information & Technology	740,366	35
Fleet & Equipment	516,849	25
Consulting Services	303,652	15
Professional Services	249,207	12
Goods & Supplies	175,857	8
Facilities & Construction	99,837	5

Total	2,085,767	100%
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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.
- Annex D on Board Policy CR-8 - "The Acceptance of Donations, Gifts, Loans and Sponsorships"; Section 6 and 7 of the policy require that the Chief report to the Board all donations, gifts, loans and sponsorships valued at over \$500 as part of the quarterly process and that all that are valued over \$50 be properly documented. This annex lists those items for the 2015 year. In 2015, a total of \$88,335 was donated to the OPS, all in support of the OPS Gala.

CONSULTATION

Not applicable.

FINANCIAL IMPLICATIONS

As outlined in the report.

SUPPORTING DOCUMENTATION

Annex A: 4th Quarter Financial Report – Summary by Directorate
 Annex B: Purchase Orders Issued Under Delegated Authority
 Annex C: Capital Budget Works in Progress
 Annex D: Acceptance of Donations, Gifts, Loans and Sponsorships

CONCLUSION

The OPS generated a surplus on police operations of \$71,000 for 2015. It was primarily due to increased revenue and recoveries, various efficiencies and reduced expenditures which more than offset the pressures of overtime costs, revenue shortfalls and insurance and legal settlements.

When the deficit of \$2.263 million on the taxation accounts is taken into account there is a combined operating and taxation deficit of \$2.192 million for the Police tax rate. As per the City's past practice, "the funding of any deficit or the retention of any surplus in the Police Services business area will either be funded from or contributed to the City Wide Reserve Fund."