

**Report to / Rapport au:**

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

**22 November 2021 / 22 novembre 2021**

**Submitted by / Soumis par:**

**Chief of Police, Ottawa Police Service / Chef de police, Service de police d'Ottawa**

**Contact Person / Personne ressource:**

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**SUBJECT: FINANCIAL STATUS REPORT: THIRD QUARTER 2021**

**OBJET: RAPPORT D'ÉTAPE FINANCIER DU TROISIEME TRIMESTRE 2021**

**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**

This quarterly financial report summarizes the current financial position of the Ottawa Police Service (OPS) and the significant variances that are known at this time. It also outlines the operational issues affecting the OPS' finances and presents the projected year-end financial position for the organization. The continued uncertainty of the COVID 19 pandemic remains fluid, with assumptions likely to change depending on Provincial and local public health orders. Significant impacts to the budgeted revenue are directly influenced by the ongoing pandemic, as well as the additional cost of personal protective equipment (PPE), cleaning costs, and other applicable directives related to Public Health orders. Staff continue to conduct thorough reviews to ensure financial mitigation measures are leveraged, where feasible, without impacting the Service's commitment to providing effective and adequate policing with a focus on Community Safety and Wellbeing, Duty of Care and Public Trust to

the City of Ottawa. The accuracy of these projections improves with each quarter, as the OPS' expense and revenue patterns become more certain.

## **DISCUSSION**

The Covid19 pandemic continues to place financial pressures on the OPS in the third quarter of 2021. The OPS is operating under the assumption that incremental pandemic costs will be covered by the upper levels of government, similarly to 2020. If funding is not provided by either the provincial or federal government, it will directly impact the OPS' ability to absorb those costs in alignment with the 2021 budget. The OPS continue to be diligent with its spending in 2021 to ensure financial mitigation measures are leveraged, where feasible, and to the extent that is controllable by the Service.

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

Management interventions include the following:

- A no travel order
- Spending 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 2021 in the amount of \$14.1 million, which will be entirely offset by developed solutions of \$14.1 million, leaving the OPS in a balanced position in 2021.

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 in flux due to the changing pandemic environment and will continue to evolve as additional data becomes available throughout the year.

## Identified Pressures & Solutions

### a) Total Revenue Pressures

The main driver of the OPS' operational pressures is the result of a variety of revenue shortfalls. These revenue shortfalls are expected to total \$5.3 million in 2021.

The revenue deficit is comprised of the following revenue categories: red light camera revenue (\$1.7 million), background clearance (\$1.2 million), grant revenue (\$1.1 million), airport revenue (\$0.8 million) and false alarms (\$0.5 million).

### b) Non COVID19 Expenditures

There are five operational obligations,

unrelated to the pandemic, that are forecasting pressures of \$5.3 million. These pressures are as follows:

- Legal claims and settlements - \$1.3 million
- Sexual Harassment Project - \$1.1 million. This is a key priority in establishing an overall strategy and process framework for all forms of harassment within OPS.
- OPA contract settlement \$1.0 million
- WSIB - \$0.8 million
- Fleet fuel and maintenance - \$0.8 million
- Overtime - \$0.3 million

### c) COVID 19 Expenditure Pressures

The OPS is also experiencing significant expenditure pressures due to the ongoing pandemic, totalling \$3.5 million. This deficit includes \$1.6 million for the additional PPE and decontamination steps implemented to protect our members and the public. Another \$0.9 million is attributed to staffing costs and increased overtime related specifically to the pandemic. The final \$1 million relates to costs incurred for the inter-provincial checkpoints being performed by the OPS because of the provincial Stay at Home Order and the vaccination clinics.

| <b>Pressures</b>                   | <b>(\$000)</b>  |
|------------------------------------|-----------------|
| Total Revenue Pressures            | (5,300)         |
| Non COVID Expenditure Pressures    | (5,300)         |
| COVID19 Expenditure Pressures      | (3,500)         |
| <b>Total Pressures</b>             | <b>(14,100)</b> |
| <b>Solutions</b>                   |                 |
| Management Interventions           | 10,400          |
| COVID19 & Other Revenue            | 3,700           |
| <b>Total Solutions</b>             | <b>14,100</b>   |
| <b>Projected Surplus (Deficit)</b> | <b>-</b>        |

#### d) Management Interventions

The pandemic required considerable management intervention in order to remain fiscally responsible. Those interventions are forecasted to result in \$10.4 million in solutions. The spending freeze is expected to save \$7.9 million in services, supplies and equipment-related costs. The no travel order is expected to save another \$1.1 million with the delay in hiring of the growth-related positions resulting in the remaining \$1.4 million of solutions.

#### e) Covid19 and Other Revenue

The OPS is anticipating that the Provincial government will provide additional funding to the City of Ottawa to help municipalities cover the additional costs they incurred in relation to pandemic. The portion of the Safe Restart funding that the OPS is expecting to receive is \$2.5 million. The OPS has an agreement with the Solicitor General of Ontario that we will be reimbursed an estimated \$1 million for incremental costs related to the inter-provincial border enforcement due to the Stay at Home Order and the vaccination clinics. Finally, the OPS received some additional one time revenue from the Province from the excise taxes collected on the sale of cannabis and that totalled \$0.2 million for a total revenue solution amount of \$3.7 million.

### **Horizon Issues**

The Covid19 pandemic remains a very fluid situation that will continue to be monitored from an operational and financial perspective. The OPS continue to monitor the post COVID related impacts that are expected as the restrictions are lifted and as the Provincial and local Public Health orders are implemented. There will be impacts as a result of the recovery that include;

- Increase in calls for service to pre pandemic levels;
- Resumption of Operational Training requirements that have been delayed due to the Pandemic;
- Increase in demands for service to pre pandemic levels;

On top of demands from the ongoing pandemic, there are several additional horizon issues that are being closely monitored for potential impacts to the financial situation of the OPS in 2021:

- Contract negotiations have recently settled for the OPA and the costing calculations are being finalized with our benefit providers. The negotiations are still underway for the SOA collective agreements. These collective agreements could create a pressure once settled and will be monitored while ongoing.
- We recently resolved the Job Evaluation process that will meet our pay equity obligations and that process will recommence in Q4 and is anticipated to create financial pressures from groups currently in the job evaluation queue.
- Impact from insurance liability claims and settlements due to the uncertainty of the amount and timing of when claims will be processed.

### **Quarterly Reporting Requirements**

Section 2(e) of the Board's Policy BC-2 on Monitoring Requirements requires that 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 2021. In total, \$2.4 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. Expenditure definitions are included in Document 2 for reference.

| <b>Table 2</b>                                     |                    |                       |
|--|--------------------|-----------------------|
| <b>Summary by Type</b>                             |                    |                       |
| <b>Contracts Awarded Under Delegated Authority</b> |                    |                       |
| <b>Type</b>  | <b>Amount (\$)</b> | <b>Percentage (%)</b> |
| Fleet & Equipment                                  | \$1,324,465        | 56%                   |
| Information & Technology                           | \$631,443          | 26%                   |
| Professional Services                              | \$167,812          | 7%                    |
| Facilities & Construction                          | \$107,895          | 5%                    |
| Consulting Services                                | \$89,549           | 4%                    |
| Goods & Supplies                                   | \$47,202           | 2%                    |
| <b>Total</b>                                       | <b>\$2,368,365</b> | <b>100%</b>           |

- 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 Financial 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**

The continued impacts of the COVID 19 pandemic, and challenges outlined in this report, were projected to cause significant financial pressure of \$14.1 million for the OPS in 2021. Management interventions that have carried over from 2020 have assisted in mitigating these forecasted financial pressures. Based on current information, the OPS is forecasting a balanced position at year-end with the assumption of grant funding from the Province covering off the incremental pandemic-related costs the OPS has, and will incur, in 2021. There continues to be significant risk in achieving a balanced budget given the impacts outlined in this report and mainly due to non-controllable costs related to the pandemic, horizon issues related to Collective bargaining, legal indemnification costs, and other outstanding labour relation grievances.

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 of 31 December 2021.