

**Report to / Rapport au:**

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

**28 March 2022 / 28 mars 2022**

**Submitted by / Soumis par:**

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**SUBJECT: FINANCIAL STATUS REPORT – FOURTH QUARTER 2021**

**OBJET: RAPPORT D'ÉTAPE FINANCIER DU QUATRIÈME 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**

Each quarterly financial report summarizes the current financial position of the Ottawa Police Service (OPS). The Fourth Quarter Financial Status Report presents the year-end financial position of the OPS and outlines the operational issues that affected finances in 2021. The results are subject to an external audit by the City of Ottawa. Throughout the year, staff leveraged financial measures to manage costs as much as possible without impacting the OPS' commitment to providing effective and adequate policing, with a focus on community safety and well-being (CSWB), duty of care, and rebuilding public trust within the city of Ottawa. The management interventions that were implemented to manage costs in 2021 are one-time in nature and don't represent a permanent funding solution.

## DISCUSSION

Typically, the OPS manages operational risks and pressures internally year-over-year through management interventions and revenue offsets. Historically, the OPS has managed \$8.3M in pressures on average over the last five years. In comparison, in 2021, the OPS managed an unprecedented \$21.2M in risks and pressures.

Year two of the Covid19 pandemic resulted in significant cost pressures, while revenue continued to decline. Additionally, the job evaluation review - part of the OPS' ongoing agreement with the OPA to jointly evaluate job classifications - resulted in significant retroactive payouts. As well, non-discretionary operational pressures related to WSIB, work undertaken to respond to sexual harassment in the OPS, legal claim settlements, overtime, OPA contract settlement, and fuel and fleet maintenance required an aggressive management strategy.

The OPS implemented internal interventions to mitigate pressures as follows: discretionary spending freeze; enhanced overtime reporting and controls to limit usage; Annual Leave Utilization Strategy requiring fewer year-end payouts; a delay in the hiring of sworn officers; and the use of its capital reserve.

The following table outlines the key pressures and solutions/offsets with corresponding notes.

<b>Table 1: 2021 Year End – Significant Variances</b>		
	<b>Key Pressures</b>	<b>(\$000)</b>
a)	Non-Discretionary Operational Pressures	(7,500)
b)	Revenue Pressures	(5,500)
c)	Job Evaluation Settlement	(5,200)
d)	Covid 19	(3,000)
	<b>Total Pressures</b>	<b>(21,200)</b>
	<b>Key Solutions/Offsets</b>	<b>(\$000)</b>

e)	Management Interventions	9,600
f)	Provincial Funding	6,400
g)	General Reserve Fund	5,200
	<b>Total Solutions</b>	<b>21,200</b>

## **PRESSURES**

### **a) \$7.5M Non-Discretionary Operational Pressures**

- \$2.1M WSIB;
- \$1.3M work underway to respond to Sexual Harassment in the OPS;
- \$1.2M legal claims and settlements;
- \$1.2M in overtime;
- \$1M OPA contract settlement; and
- \$700,000 fleet, fuel and maintenance.

### **b) \$5.5M Revenue Shortfall**

The OPS experienced a shortfall in anticipated revenues from pre-pandemic times resulting in additional operational pressures. Revenue shortfalls are mainly attributable to federal, provincial, and municipal pandemic restrictions on the Ottawa community as follows:

- \$1.8M in grants;
- \$1.5M red light camera revenue;
- \$1.1M decrease in background clearances;
- \$600,000 airport revenue; and
- \$500,000 decreases in responding to false alarms.

### **c) \$5.2M Job Evaluation Settlement Payout**

During the fourth quarter, the job evaluation settlement for two of the largest civilian position groups was finalized and resulted in a pay adjustment for over 180 positions. The settlement was the result of a job evaluation exercise, as part of the Service's ongoing agreement with the OPA, to jointly evaluate jobs ensuring that they are correctly classified in the appropriate pay grade based on responsibilities, required skillset, and effort and working conditions.

### **d) \$3M COVID 19 Expenditure Pressures**

The OPS experienced significant pressures due to the ongoing pandemic. This deficit included \$1.2M for additional PPE and for decontamination steps implemented to protect members and the public. Another \$800,000 is attributed to staffing costs and increased overtime related specifically to the pandemic. The final \$1M relates to costs incurred for the

inter-provincial checkpoints performed by the OPS because of the provincial Stay at Home Order, and for assistance provided at some vaccination clinics.

## **SOLUTIONS/OFFSETS**

### **e) \$9.6M Management Interventions**

Considerable management interventions were implemented to manage from within the OPS budget resulting in \$9.6M in solutions/offsets:

- \$7.0M from discretionary spending freeze in services, supplies, and equipment-related costs;
- \$1.2M from a no travel order; and
- \$1.4M from a delay in hiring of the growth-related positions.

### **f) \$6.4M Provincial Funding**

The City allocated \$5.2M to the OPS from the Provincial Safe Restart funding for incremental costs and revenue shortfalls related to the pandemic. The OPS also had an agreement with the Solicitor General of Ontario and was reimbursed \$800,000 for incremental costs for inter-provincial border enforcement due to the Stay at Home Order. Additionally, the OPS received \$200,000 to cover the policing costs associated with Ottawa Public Health's rollout of the vaccination clinics. Finally, the OPS received \$200,000 one-time revenue from the Province from the taxes collected on the sale of cannabis.

### **g) \$5.2M OPS General Reserve Fund**

In keeping with financial policies, the OPS worked with the City of Ottawa to address this pressure using a different funding source, i.e. converting pay-as-you-go funding in the South Facility to tax-supported debt. This will allow the OPS to use \$5.2M from its reserves to offset the pressure associated with job evaluation settlement.

## **2021 Fleet Purchases Made Under Chief's Delegated Authority**

In 2021, the Ottawa Police Services Board (Board) delegated the authority to the Chief to approve the purchasing related to the lifecycle management of the OPS fleet of vehicles.

The following list itemizes those purchases that were approved through that delegated authority:

1. Purchase Order 45098116: \$1.3M for 30 marked Ford Interceptor Utility Vehicles (Regular and Hybrid);

2. Purchase Order 45097017: \$1.2M for 28 marked Ford Interceptor and Ford Explorer Utility Vehicles (Regular and Hybrid); and
3. Purchase Order 45088675: \$700,000 for the parts and labor fit-up of 59 marked vehicles.

### **2022 Efficiencies Update**

The 2022 OPS budget included \$5.05M in permanent budget base reductions proposed by the OPS, as well as an additional \$2M brought forward by the Board, for a total of \$7.05M, including eliminating 20 full-time equivalent positions. An update on the progress of this effort is included as Document 4.

### **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 Fourth 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 October to December 2021. In total, \$1.1M 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. 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>
Information & Technology	\$508,667	47%
Goods & Supplies	\$352,067	33%
Facilities & Construction	\$136,500	13%

Professional Services	\$77,297	7%
Consulting Services	-	0%
Fleet & Equipment	-	0%
<b>Total</b>	<b>\$1,074,532</b>	<b>100%</b>

Document 3 provides a summary of the OPS' capital budget works in progress and indicates those accounts 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 funding any deficits.

### **FINANCIAL IMPLICATIONS**

As outlined in the report.

### **SUPPORTING DOCUMENTATION**

Document 1: 4th Quarter Financial Report – Summary by Directorate

Document 2: Purchase Orders Issued Under Delegated Authority

Document 3: Capital Budget Works in Progress

Document 4: 2022 Efficiencies Update

Document 5: Board Policy CR-8 – “The Acceptance of Donations, Gifts, Loans and Sponsorships”: Section 6 and 7 of the policy requires 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 valued over \$50 be properly documented. This document isn't being produced this year as the OPS did not hold their annual gala and didn't receive any donations to report.

### **CONCLUSION**

For 2021, the OPS managed a significant overall pressure. Even with management interventions taken to address pressures, at year-end the OPS operating budget was in a deficit position of \$8.09M:

- \$5.24M for the job evaluation settlement to be funded from the OPS' general capital reserve fund;

- \$2.85M for the police taxation related accounts that are beyond the control of the Board and will be funded from the City's tax stabilization fund. (Tax-related accounts are managed by the City and deficits are funded from the City's tax stabilization fund. Non-departmental taxation related accounts are budgeted and managed by City staff and are beyond the control of the Board.)