

REPORT TO THE POLICE SERVICES BOARD



Author Giles le Riche, Director Business Services
Subject Monitoring Report – Financial Activities and Conditions 3rd Quarter 2019

Date: November 19, 2019
Report Type: Information

RECOMMENDATION:

"THAT the Board find that all provisions of the Financial Conditions and Activities have been complied with".

Signed:


Chief of Police

Date: 07 Nov 19

BROADEST POLICY PROVISION:

"With respect to ongoing financial conditions and activities, the Chief of Police will not cause or allow development of fiscal jeopardy or material deviation of actual expenditures from the Board priorities established in the Ends policies."

Interpretation of the Chief of Police:

It is my interpretation of this policy that compliance with the nine following policy statements and the data there tendered fulfills the total requirement of this provision.

I therefore report **compliance** with this Executive Limitations Policy.

"Further, without limiting the scope of the foregoing by the enumeration, the Chief of Police will not:"

Policy Provision #1

1. *"Expend more funds than have been allocated by the Regional Municipality of Durham for the Fiscal Year."*

Interpretation of the Chief of Police:

It is my interpretation of this policy that it applies to the entire budget as a whole and that any material variance from budgeted spending is to be addressed in the succeeding period.

Further that any material variance that is likely to cause non-compliance with provision 1 should be reported to the Board at its next meeting.

Data Support:

Upon review of the spending summary produced by the Director of Business Services, which is based upon the financial statements provided by the Region on October 7, 2019, I report the following:

The financial statements for the 9 months ended September 30, 2019 show net spending of \$144.80 million (2018-\$148.49 million) representing 70% (2018-75%) of the annual operating budget of \$206.61 million (2018-\$198.92 million).

At this point, it is expected that the year end result will be close to the budgeted level. Wage savings from position vacancies are expected, but almost fully offset by higher spending for legal and consulting needs, additional capital requirements and the impact from reduced provincial funding.

The appendix contains a table which compares actual spending to budget spending by major category, including a brief explanation of the major trends.

Therefore, I report **compliance** with this provision.

Policy Provision #2

2. *"Authorize capital expenditures which would result in a capital variance of more than 5% of the approved capital budget, to a maximum of \$200,000, prior to advising the Board."*

Interpretation of the Chief of Police:

It is my interpretation of this policy that I will inform the Board prior to authorizing individual discretionary capital expenditures which had not been included in the approved capital budget, and which are larger than the lesser of a) 5% of the approved capital budget, and b) \$200,000.

Data Support:

The Director of Business Services reports that during the reporting period, we have approved the following two individual capital variances, that exceed either 5% of the approved capital budget, or the amount of \$200,000:

- Variance to support the purchase of a data storage device for E-Crimes \$317k
- Variance to support the replacement of Lawful Access equipment \$355k

For the period ending September 30, 2019, capital variances totaling approximately \$836k were approved.

I therefore report **compliance** with this provision.

Policy Provision #3

3. *"Fail to authorize the payment of payroll and other financial obligations in a timely manner."*

Interpretation of the Chief of Police:

It is my interpretation of this policy that the Durham Regional Police Service will process payments through the Region's systems and that payments will be made in such a manner as to ensure that members receive their payroll, and that suppliers receive payment in a timely manner.

Data Support:

The Director of Business Services reports that we have had no significant complaints with respect to payment of payroll or other payments during the reporting period.

I therefore report **compliance** with this provision.

Policy Provision #4

4. *"Negotiate, commit, approve or sign any collective agreements or addendums without explicit Board authorization. (This does not preclude the Chief or designate from participating in bargaining sessions in an advisory capacity as per section 120(4) of the Police Services Act.)"*

Interpretation of the Chief of Police:

It is my interpretation of this policy that the Chief of Police and designates have no authority whatsoever in this area without the explicit authorization and that the Chief or designate should request said authorization in writing.

Data Support:

There have been no negotiations, commitments, approvals or signatures of any collective agreements or addendums without explicit Board authorization. On July 17, 2019, a Memorandum of Agreement was finalized with respect to the Uniform and Civilian collective agreements with the Durham Regional Police Association. The new agreements are effective January 1, 2019 and expire on December 31, 2019. The Senior Officer's collective agreement remains expired.

I therefore report **compliance** with this policy.

Policy Provision #5

5. *"Approve or sign any agreements with other police services, service providers, or service recipients, which exceed annual transfers of \$1,000,000, without explicit Board authorization."*

Interpretation of the Chief of Police:

It is my interpretation of this policy that the Chief of Police has no authority regarding annual transfers in excess of \$1,000,000 in this area without explicit authorization and that the Chief should request said authorization in writing.

Data Support:

No such activity has taken place in the reporting period at all, and no authorizations have been received.

I therefore report **compliance** with this policy.

Policy Provision #6

6. *"Acquire, encumber or dispose of real property. (Property as defined in the Police Services Act section 132 exempted.)"*

Interpretation of the Chief of Police:

It is my interpretation of the policy that I am not authorized to deal with the purchase, sale or encumbrance of real property, meaning real estate, without express authorization from the Board. This, however, does not prevent my ability to lease premises as required pursuant to the budget and as coordinated with the Real Estate Division of the Regional Municipality of Durham. (The practice of the Regional Municipality of Durham is to submit all such real estate leases to Council for approval after approval by the Chief.)

Data Support:

There were no such acquisitions, encumbrances or dispositions undertaken during the reporting period. The Service is currently working with the Region's Real Estate team to find an appropriate leased facility for the Police Education and Innovation Centre, due to the request of Durham College for the Service to re-locate.

I therefore report **compliance** with this provision.

Policy Provision #7

7. *"Fail to maintain an inventory of federal and provincial grants and contribution programs relevant to public safety, and maximize opportunities to seek funding from such programs."*

Interpretation of the Chief of Police:

It is my interpretation of this policy that the service shall maintain a list of such programs and shall periodically evaluate funding opportunities and actively seek them out. Material funding sources shall be disclosed in the Annual Business Plan Budget which is approved by the Board. Funding awarded after budget approval will be disclosed in the next quarterly report.

Data Support:

The Director of Business Services maintains a list of such programs; coordinates with the management of the service to make grant applications and discloses all known material funding sources in the Annual Business Plan Budget approved by the Board.

The Court Security Prisoner Transportation Funding

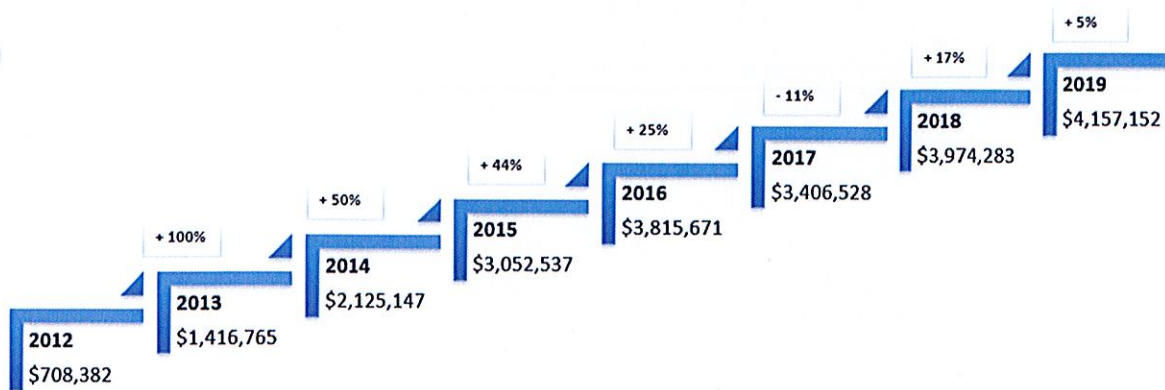
The funding provided under the Court Security Prisoner Transport program was approved for 2017 and 2018, although the amounts approved were lower than originally anticipated. The program is based on a maximum funded amount of \$125 million, which the program reached in 2018.

While the Ministry has confirmed the continuance of this initiative, it is clear that the allocation method used, combined with the fact that the program has reached the maximum funded level, leaves the funding amount subject to fluctuation due to factors beyond our control.

2019 Grant Funding:

On March 1st 2019, the Ministry informed the Service that the 2019 funding was approved in the amount of \$4.16 million. This is an increase of \$182k over the 2018 approved funding. The 2019 budgeted costs for police Court Security are \$5.47 million. No commitment has been received for the 2020 funding year.

A historical summary of the approved funded amounts is provided below.



Front Line Policing Grants

Grant History:

In 2016, the Ministry communicated that as part of the Strategy for a Safer Ontario, they would be moving towards an outcomes-based funding model to better support local initiatives that reduce crime and build safer and healthier communities. This new funding model would result in a consolidation of our existing provincial funding under the following programs: Community Policing Partnerships (CPP) Program, Safer Communities – 1,000 Officers Partnership Program and DRAVIS into a new single grant, the **Policing Effectiveness and Modernization (PEM) grant**.

The Ministry offered a transitional phase, whereby services could continue with existing grants or move immediately to the new PEM grant. This option was offered for the 2017/18 and 2018/19 funding years. Based on direction from the Board, the Service elected to apply under the current grant programs. Approved funding amounts were:

2017/2018 Funding Year:

- Community Policing Partnerships (CPP) program - \$1,290,000
- Safer Communities – 1,000 Officers Partnership Program - \$1,750,000
- DRAVIS - \$252,697

2018/2019 Funding Year:

- Community Policing Partnerships (CPP) program - \$1,290,000
- Safer Communities – 1,000 Officers Partnership Program - \$1,750,000
- DRAVIS - \$252,697

On April 18, 2019, the Ministry of the Solicitor General announced that effective 2019-2020, the following existing grants will be replaced by the new **Community Safety and Policing (CSP) grant**:

- Police Effectiveness and Modernization (PEM) grant;
- Community Policing Partnerships (CPP);
- Safer Communities – 1,000 Officer Partnership Program (1,000 Officers);
- Provincial Anti-Violence Intervention Strategy (PAVIS); and,
- Supporting Police Response to Sexual Violence and Harassment grant programs.

The CSP grant was described as outcomes-based to better align with local and provincial priorities, with a focus on effective and integrated service delivery, improved flexibility for local needs and priorities related to safety and well-being and to encourage inter-jurisdictional and multi-sectoral approaches.

There will be two funding streams: one focused on local priorities and one on provincial priorities. There is a formal application process to receive funding under both of the 2 streams, which will be done every 3 years.

2019/2020 Grant Funding:

- The Service's allocation under the **local priorities** stream has been recently been approved in the amount of \$2,469,523, per fiscal year of the current 3 year grant cycle. This represents an annual 25% decrease (approximately \$800k) when compared to prior grant funding.
- Annual province-wide funding of \$3.9 million available via a competitive application process between other Services, with the exception of Toronto and Ottawa, who received specific additional funding. Applications were submitted under the **provincial priorities** stream to support:
 1. The strategy to combat gun & gang activities
 2. The strategy to improve police support for victims of human trafficking

The Service has recently been informed that funding approval is forthcoming for the first application submitted, however there will not be any approved funding for the second application.

Additional project based funding:

- There is up to \$5.1 million in funding available province-wide through the Guns and Gang Specialized Investigations Fund (GGSIF), under Criminal Intelligence Service Ontario.
- The Province has recently announced additional funding of \$54 million over 3 years, beginning in 2020-21, to support Ontario's Guns, Gang and Violence Reduction Strategy (GGVSR). This funding will support police service initiatives in the areas of human trafficking and gun and gang violence. The Service will review this funding opportunity as more information becomes available.

Child and Youth Services Program Funding

The Service receives funding from the Minister of Child and Youth Services within the Ministry of Community and Social Services, to support the following initiatives:

- Extrajudicial Measures – Youth diversion program
- Youth in Policing – Summer employment program
- Youth in Policing – After school employment program

These program budgets are prepared annually and are normally approved in the late spring. In July, the Service received an update confirming that funding has been approved for the 2019-20 fiscal year, based on the prior year's funding allocation (\$435k – 2018/19). Final funded amounts have been confirmed and are consistent with the prior year's funding.

Other Grants

In the first quarter of 2019, the majority of the approved 2018/2019 approved grant funding has been fulfilled as these grants expired on March 31st.

There are two active approved 2019/2020 grants as follows:

- Proceeds of Crime grant \$80K
- Reduce Impaired Driving Everywhere (R.I.D.E) grant \$43k

It is anticipated that additional funding opportunities may soon become available under the Civil Remedies for Illicit Activities program. The Service will continue to pursue additional funding opportunities as they become available. All grant activity is summarized in the table below.

Granting Ministry	Grant Program Name	Funding Purpose	Total Amount Requested	Application Status	Approved Amount	Amount Pending Approval	Amount Not Approved	Grant Expiry
Ministry of Community Safety & Correctional Services	Proceeds of Crime - Front-Line Policing (FLP) 2018-2020 2 Year Grant	Vulnerable Persons Early Intervention Program (Overtime, Equipment, Program supplies)	\$200,000	Approved	\$160,000	\$0	\$40,000	31-Mar-2020
Ministry of Community Safety & Correctional Services	Reduce Impaired Driving Everywhere (R.I.D.E.) Grant 2018/19 - 2019/20 2 Year Grant	Enhancement to the R.I.D.E program (Officer Overtime cost)	\$139,680	Approved	\$87,260	\$0	\$52,420	31-Mar-2020

therefore report **compliance** with this policy.

Policy Provision #8

8. *"Fail to ensure that resources shared with another police service are reciprocated or otherwise compensated."*

Interpretation of the Chief of Police:

It is my interpretation of this policy that the service shall formally document major shared service arrangements, track time and resources rendered to and received from other police services and seek reimbursement in those cases where the services were not reciprocated if material in amount.

Data in Support:

The Service, through the Superintendent of Patrol Support, tracks services rendered to and received from other services pursuant to long term formal Shared Services Agreements. At the end of each year, a reconciliation of services exchanged is performed and billings may be processed for amounts owing. This will be done as scheduled in the regular 4th quarter reporting.

I therefore report **compliance** with this policy.

Policy Provision #9

9. *"Fail to comply with the spirit of the financial by-laws and policies of the Regional Municipality of Durham."*

Interpretation of the Chief of Police:

It is my interpretation of this policy that all purchases of goods and services shall be in compliance with the Durham Regional Police Service Financial Procedures Manual, which is in substantial compliance with Regional Processes, subject to limits being established by the Chief of Police in consultation with the Director of Business Services. It is my further interpretation that the practice of expending funds from operating accounts prior to final budget approval is acceptable in order to meet payroll and account payment obligations as per #2 above. Further that spending on Capital Budget items are subject to final Regional budget approval unless specifically dealt with by the Board for pre-approval.

Data Support:

The Financial Policy and Procedures Manual was first published and took effect in 2005. It is in substantial compliance with Regional Processes and therefore complies with the spirit of Regional Processes. An updated version has been implemented during 2018.

Financial transactions have been in compliance with the Financial Policy and Procedures Manual during the current reporting period.

I therefore report **compliance** with this provision.

Based on the above proof provided, I report overall compliance with the policy.

Durham Regional Police Service

2019 Financial Results				2019 Financial Forecast					Comments on Major Trends
Cost Category	Annual Budget \$000's	Sept YTD Actuals \$000's	% Budget	Annual Budget \$000's	3rd Quarter Annual Forecast	% Budget	Under (Over) Spend \$ 000's	Under (Over) Spend % Budget	
Payroll Expenses & Reserves	\$180,470	\$131,278	72.7%	\$180,470	\$179,341	99.4%	\$1,129	0.6%	Wage savings from position vacancies (\$2.3m) are expected, reduced by higher spending for benefit costs (\$1.2m). These figures include the impact of 53 anticipated member departures in 2019.
Personnel Related	\$2,576	\$1,918	74.5%	\$2,576	\$2,576	100.0%	\$0	0.0%	Break Even
Communication	\$1,899	\$1,245	65.5%	\$1,899	\$1,799	94.7%	\$100	5.3%	Savings expected in Telephone & Radio costs
Supplies, Food, Services	\$2,480	\$1,712	69.1%	\$2,480	\$2,517	101.5%	-\$37	(1.5%)	Anticipate a net overspend ~ \$37k (savings from office & auto supplies, offset by increased spend from program related funding)
Facilities	\$8,501	\$5,380	63.3%	\$8,501	\$8,401	98.8%	\$100	1.2%	Anticipated savings for utility costs & building maintenance
Computer Maintenance / Operations	\$2,759	\$2,103	76.2%	\$2,759	\$2,734	99.1%	\$25	0.9%	Underspend expected in software license costs
Equipment Maintenance / Repair	\$1,095	\$438	40.0%	\$1,095	\$945	86.3%	\$150	13.7%	Underspend due to lower flight hours than budgeted for Air One (fully offset by reserve draw)
Vehicle Operations	\$4,040	\$2,782	68.9%	\$4,040	\$3,773	93.4%	\$267	6.6%	Proceeds from insurance vehicle write offs (offset in capital) in addition to anticipated fuel savings
Debt Service	\$11,500	\$2,664	23.2%	\$11,500	\$11,500	100.0%	\$0	0.0%	Break Even (capital contribution scheduled for latter part of 2019)
Professional & Consulting	\$1,677	\$1,264	75.4%	\$1,677	\$2,207	131.6%	-\$530	(31.6%)	Overspend driven by consulting fees related to new hire, promotions, other HR initiatives and continuous improvement program support.
Legal Services	\$1,009	\$1,989	197.3%	\$1,009	\$2,534	251.2%	-\$1,525	(151.2%)	Overspend expected based on current current cases
Financial Expenses	\$1,956	\$1,472	75.3%	\$1,956	\$1,956	100.0%	\$0	0.0%	Break Even
Capital	\$4,035	\$3,975	98.5%	\$4,035	\$4,871	120.7%	-\$836	(20.7%)	Approved budget variances for: Intelligence equipment replacement, new E-Crimes server, a Roof Replacement (Victim Services) and vehicle write-off replacements (offset by recovery proceeds).
Reserves	-\$345	\$150	-43.4%	-\$345	-\$195	56.6%	-\$150	43.5%	Lower than budgeted due to underspend in Air One maintenance due to low flight hours
Gross Expenditures	\$223,651	\$158,369	70.8%	\$223,651	\$224,958	100.6%	-\$1,307	-0.58%	
Revenue & Recovery	-\$17,039	-\$13,570	79.6%	-\$17,039	-\$18,346	107.7%	\$1,307	(7.7%)	2019 impact from provincial funding changes is an increase of ~ \$0.5 million, in addition to increased fee revenues and ad-hoc program funding ~ \$0.8 million)
Net Expenditures	\$206,613	\$144,799	70.1%	\$206,613	\$206,613	100.0%	\$0	0.00%	

Durham Regional Police Service

2018 Financial Reports			2018 Financial Forecast						Comments on Major Trends
Expense Category	Annual Budget \$000's	Sep/18 Actual Expense \$000's	% Budget	Annual Budget \$000's	3rd Quarter Annual Forecast	% Budget	Under (Over) Spend \$ 000's	Under (Over) Spend % Budget	
PAYROLL EXPENSES & RESERVES	\$173,710	\$127,125	73.2%	\$173,710	\$172,179	99.1%	\$1,531	0.9%	Wage savings from position vacancies (\$4.18 m) are expected to be partly offset by higher benefit costs (\$2.65 m). These figures include the impact from 55 member departures in 2018.
PERSONNEL RELATED	\$2,333	\$1,869	80.1%	\$2,333	\$2,333	100.0%	\$	0.0%	Break Even
COMMUNICATION	\$2,098	\$1,388	66.2%	\$2,098	\$2,098	100.0%	\$	0.0%	Break Even
SUPPLIES, FOOD, SERVICES	\$2,451	\$1,715	70.0%	\$2,451	\$2,609	106.4%	(\$158)	(6.5%)	Anticipate a net overspend ~ \$158k (Savings from budget variances ~\$50k, offset by increased spend from approved grant funding ~\$208k)
FACILITIES COSTS	\$7,603	\$4,958	65.2%	\$7,603	\$7,642	100.5%	(\$39)	(0.5%)	Overspend driven by higher Building Maintenance and Janitorial costs (new supplier contract), partly offset by Utility and Property rental savings
COMPUTER MAINT / OPERATION	\$2,562	\$2,121	82.8%	\$2,562	\$2,562	100.0%	(\$)	0.0%	Break Even
EQUIP MTCE & REPAIRS	\$959	\$530	55.3%	\$959	\$959	100.0%	\$	0.0%	Break Even
VEHICLE OPERATIONS	\$3,932	\$2,821	71.8%	\$3,932	\$3,822	97.2%	\$110	2.8%	Lower spend driven by lower vehicle maintenance costs plus proceeds from vehicle write-offs (offset in capital), offset slightly by higher cost for licenses
DEBT CHARGES	\$11,500	\$10,638	92.5%	\$11,500	\$11,500	100.0%	\$	0.0%	Break Even
PROFESSIONAL & CONSULTING	\$1,542	\$1,148	74.4%	\$1,542	\$1,877	121.7%	(\$335)	(21.7%)	Overspend driven by consulting fees related to recruitment (assessments), leadership development and executive sponsored projects.
LEGAL SERVICES	\$1,009	\$1,336	132.5%	\$1,009	\$1,934	191.8%	(\$925)	(91.8%)	Overspend expected based on current legal services model and current cases
FINANCIAL EXPENSES	\$1,890	\$1,431	75.7%	\$1,890	\$1,890	100.0%	\$	0.0%	Break Even
CAPITAL	\$3,987	\$4,485	112.5%	\$3,987	\$5,006	125.6%	(\$1,020)	(25.6%)	Approved capital variances: \$451k Leasehold Improvements (Uxbridge location; Nextgen Tower; Lawful Access generator) \$264k IT related (E-crimes network storage device, grant funded, Body Worn Camera project), \$137k vehicle replacement (offset by insurance proceeds), \$158k Machinery & Equipment (grant funded, other operational)
RESERVES	(\$190)	\$150	-79.0%	(\$190)	(\$190)	100.0%	\$	0.0%	Full contribution booked and full draw from reserve anticipated
GROSS EXPENDITURES	\$215,386	\$161,716	75.1%	\$215,386	\$216,222	100.4%	(\$836)	-0.39%	
REVENUE & RECOVERY	(\$16,469)	(\$13,227)	80.3%	(\$16,469)	(\$17,305)	105.1%	\$836	(5.1%)	Approved grant funding: \$112K CRIA grants + \$89k POC grant + 2018 DRAVIS funding \$252k + \$50k CISO funding & higher anticipated pay duty revenues +\$334k
NET EXPENDITURES	\$198,917	\$148,489	74.6%	\$198,917	\$198,917	100.0%	\$	0.00%	