



REPORT TO THE POLICE SERVICES BOARD

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| Author | Giles le Riche, Director Business Services | Date: March 24, 2020 |
| Subject | Monitoring Report – Financial Activities and Conditions Year Ended 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: 01 APR 20

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 March 9, 2020, I report the following:

The financial statements for the 12 months ended December 31, 2019 show net spending of \$206.52 million (2018-\$198.86 million) representing 100% (2018-100%) of the annual operating budget of \$206.61 million (2018-\$198.92 million).

In the third quarter report, we anticipated that the Service's net spending for 2019 would fall within the approved budget. As anticipated, wage savings from position vacancies were fully offset by higher benefit costs, including the financial impact from 53 member departures. Higher spending for legal and consulting needs were offset by savings in other operational areas.

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 December 31, 2019, capital variances totaling approximately \$1 million 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 of the Board 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. All three collective agreements were effective January 1, 2015 and expired on December 31, 2018.

On July 17, 2019, the Uniform and Civilian collective agreements were finalized with the Durham Regional Police Association. On November 19, 2019, the Senior Officer's collective agreement was finalized with the Durham Regional Police Senior Officers' Association. The new agreements were effective January 1, 2019 and expired on December 31, 2019.

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:

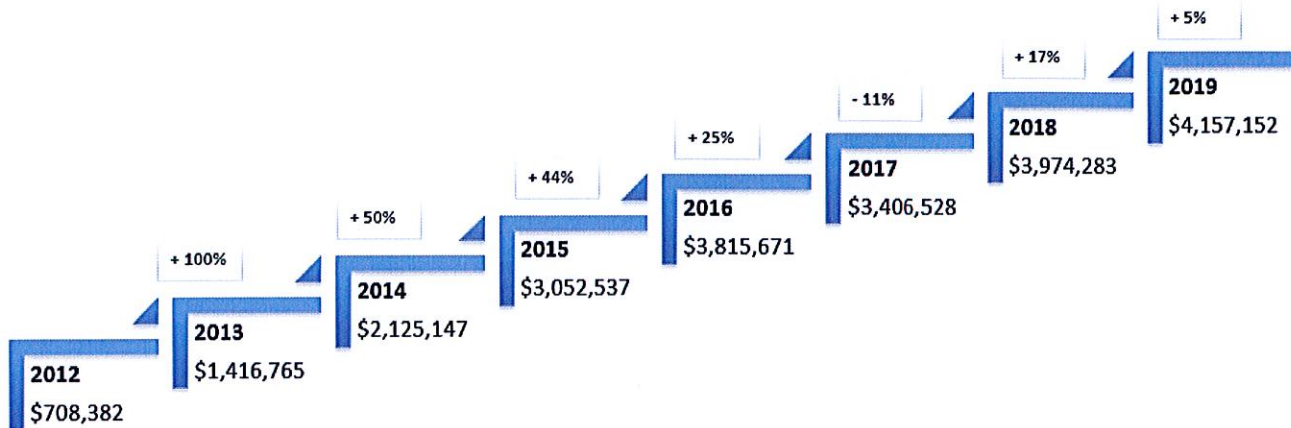
The Director of Business Services maintains a list of such programs; coordinates with the management of the service to make grant applications and discloses all known material funding sources in the Annual Business Plan Budget approved by the Board.

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. The 2019 and 2020 approved funding, represent levels more consistent the 2016 funding (2019-\$4,157,152 / 2020-\$4,065,641).

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.

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 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 received approval for the Guns & Gang application in the amount of \$696k per year for 3 years. The second application submitted (Human Trafficking) was not approved.

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 announced 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

There are two approved 2019/20 grants, that expire on March 31st. There are currently two outstanding grant applications, under the Proceeds of Crime (POC), Front-Line Policing (FLP) Grant program. This grant programs has been expanded from 2 years to 3 years. The amounts applied for are summarized in the chart 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 |
| Ministry of the Solicitor General Public Safety Division | Proceeds of Crime - Front-Line Policing (FLP) 2020-2023 3 Year Grant | Durham Region Youth Street Violence Strategy (Overtime, Consulting, Training, Supplies) | \$297,420 | Applied | | | | |
| Ministry of the Solicitor General Public Safety Division | Proceeds of Crime - Front-Line Policing (FLP) 2020-2023 3 Year Grant | Helping Alliances with Law Enforcement and Trafficking (HALT Project) (Victim Services Consultant, Supplies) | \$300,000 | Applied | | | | |

I 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, Policing Operations, 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 was completed and the review determined that there are no services for which billings should be issued for 2019.

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 Policy and 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 was implemented in 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 | | |
| Cost Category | Annual Budget \$000's | Dec YTD Actuals \$000's | % Budget | Under (Over) Spend \$ 000's | Under (Over) Spend % Budget | Comments on Major Trends |
| Payroll Expenses & Reserves | \$180,470 | \$180,830 | 100.2% | -\$360 | -0.2% | Higher spending for benefit costs (\$2.4m) is almost offset by wage savings from position vacancies (\$2m). Increased benefit costs include the financial impact of 53 member departures in 2019. |
| Personnel Related | \$2,576 | \$2,608 | 101.3% | -\$32 | (1.3%) | Higher training & conference costs, partly offset by savings from Uniforms & Protective Clothing |
| Communication | \$1,899 | \$1,793 | 94.4% | \$106 | 5.6% | Savings from Radio & Telephone costs |
| Supplies, Food, Services | \$2,480 | \$2,458 | 99.1% | \$21 | 0.9% | Net savings from supplies (office, auto, program materials). |
| Facilities | \$8,501 | \$8,106 | 95.3% | \$396 | 4.7% | Savings driven by lower utility and building maintenance costs |
| Computer Maintenance / Operations | \$2,759 | \$2,743 | 99.4% | \$16 | 0.6% | Small underspend for hardware/software maintenance costs |
| Equipment Maintenance / Repair | \$1,095 | \$652 | 59.5% | \$444 | 40.5% | Underspend for Air One maintenance (low flight hours) and Nextgen equipment/battery replacements |
| Vehicle Operations | \$4,040 | \$3,650 | 90.3% | \$390 | 9.7% | Proceeds from insurance vehicle write offs (offset in capital), in addition to fuel savings and lower vehicle rental costs |
| Debt Service | \$11,500 | \$11,499 | 100.0% | \$1 | 0.0% | Break Even |
| Professional & Consulting | \$1,677 | \$1,977 | 117.9% | -\$300 | (17.9%) | Overspend driven by consulting fees related to new hire, promotions, other HR initiatives and continuous improvement program support. |
| Legal Services | \$1,009 | \$2,546 | 252.5% | -\$1,538 | (152.5%) | Overspend driven by current case load, partly offset by new legal support model |
| Financial Expenses | \$1,956 | \$1,973 | 100.9% | -\$17 | (0.9%) | Higher spend for bank charges, driven by increased point of sale transactions |
| Capital | \$4,035 | \$4,948 | 122.6% | -\$913 | (22.6%) | Approved budget variances for: Intelligence equipment replacement, new E-Crimes server, 12 Harris Radios, a Roof Replacement (Victim Services), vehicle write-off replacements (offset by recovery proceeds) and other computer related capital. |
| Reserves | -\$345 | -\$37 | 10.7% | -\$308 | 89.4% | Lower than budgeted due to underspend in Air One maintenance due to low flight hours |
| Gross Expenditures | \$223,651 | \$225,747 | 100.9% | -\$2,096 | -0.94% | |
| Revenue & Recovery | -\$17,039 | -\$19,230 | 112.9% | \$2,191 | (12.9%) | Higher funding than budgeted ~ \$1.3 million (Court Security, one-time grants), in addition to increased fee revenues and ad-hoc program funding ~ \$0.9 million |
| Net Expenditures | \$206,613 | \$206,518 | 100.0% | \$95 | 0.05% | |

Durham Regional Police Service

| 2018 Financial Reports | | | | 2018 Year-End Forecast Under / (Over) Spend | | |
|-----------------------------|-----------------------|-------------------------------|---------------|--|-----------------------------|--|
| Expense Category | Annual Budget \$000's | Dec/18 Actual Expense \$000's | % Budget | Under (Over) Spend \$ 000's | Under (Over) Spend % Budget | Comments on Major Trends |
| PAYROLL EXPENSES & RESERVES | \$173,710 | \$173,111 | 99.7% | \$599 | 0.3% | Wage savings from position vacancies (\$2.99 m) were mostly offset by higher benefit costs (\$2.39 m). These figures include the impact from 57 member departures in 2018. |
| PERSONNEL RELATED | \$2,333 | \$2,506 | 107.4% | (\$173) | (7.4%) | Higher spending for Education & Training, partly offset by committed savings in other operational areas. |
| COMMUNICATION | \$2,098 | \$1,951 | 93.0% | \$148 | 7.0% | Savings from negotiated mobile and telephone contracts, in addition to smaller savings from postage, advertising, and community relations spending. |
| SUPPLIES, FOOD, SERVICES | \$2,451 | \$2,435 | 99.4% | \$16 | 0.7% | Includes spending for Ministry fully-funded grant programs; additional spending for Ammunition, almost fully offset by savings from Office Supplies. |
| FACILITIES COSTS | \$7,800 | \$7,503 | 96.2% | \$296 | 3.8% | Savings from lower hydro costs, reduced property rental costs(Uxbridge community police center) and lower Regional share costs |
| COMPUTER MAINT / OPERATION | \$2,562 | \$2,633 | 102.8% | (\$71) | (2.8%) | Additional spend required for smartphone and system related licenses |
| EQUIP MTCE & REPAIRS | \$959 | \$689 | 71.8% | \$270 | 28.2% | Underspend driven by areas of Nextgen \$100k, \$83k Helicopter, and balance related to budget variance savings commitments |
| VEHICLE OPERATIONS | \$3,932 | \$3,558 | 90.5% | \$375 | 9.5% | Savings from lower vehicle maintenance costs plus proceeds from vehicle write-offs (offset in capital) and fuel savings |
| DEBT CHARGES | \$11,500 | \$11,502 | 100.0% | (\$2) | (0.0%) | Break Even |
| PROFESSIONAL & CONSULTING | \$1,542 | \$1,828 | 118.5% | (\$285) | (18.5%) | Overspend driven by consulting fees related to recruitment (assessments), leadership development and executive sponsored projects. |
| LEGAL SERVICES | \$1,009 | \$2,040 | 202.3% | (\$1,032) | (102.3%) | Overspend driven by current legal services model and current cases |
| FINANCIAL EXPENSES | \$1,890 | \$1,911 | 101.1% | (\$20) | (1.1%) | Higher bank fees due to higher volume of transactions (Pay Duty and Records revenue activities) |
| CAPITAL | \$3,790 | \$4,948 | 130.6% | (\$1,158) | (30.6%) | Approved capital variances: \$469k Leasehold Improvements (Uxbridge location; Nextgen Tower; Lawful Access generator) \$257k IT related (E-crimes network storage device, grant funded, Body Worn Camera project), \$279k vehicle replacement (offset by insurance proceeds), \$153k Machinery & Equipment (grant funded, other operational) |
| RESERVES | (\$190) | (\$107) | 56.5% | (\$83) | 43.5% | Full contribution booked and partial draw from reserve recorded |
| GROSS EXPENDITURES | \$215,386 | \$216,507 | 100.5% | (\$1,121) | -0.52% | |
| REVENUE & RECOVERY | (\$16,469) | (\$17,642) | 107.1% | \$1,173 | (7.1%) | Approved grant/project funding \$768k & higher pay duty revenues \$188k (offset by operational costs), plus higher vehicle auction proceeds \$190k and Police Record Check revenues \$130k; slightly offset by lower NextGen partner revenues \$103k (due to lower spending) |
| NET EXPENDITURES | \$198,917 | \$198,865 | 100.0% | \$52 | 0.03% | |