

REPORT TO THE POLICE SERVICES BOARD



Author	Giles le Riche, Director Business Services	Date: September 11, 2018
Subject	Monitoring Report – Financial Activities and Conditions 2nd Quarter 2018	Report Type: Information

RECOMMENDATION:

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

Signed: _____ Date: _____
Chief of Police

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 July 5, 2018, I report the following:

The financial statements for the 6 months ended June 30, 2018 show net spending of \$94.09 million (2017-\$100.8 million) representing 47% (2017-52%) of the annual operating budget of \$198.92 million (2017-\$193.12 million).

At this point, it is expected that the year end result will be at the budgeted level. Wage savings from position vacancies are expected to be fully offset by higher benefit costs, and higher spending for legal and consulting services and capital asset needs. Included in the increased benefit costs are costs related to 53 member departures.

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 we have not approved any individual capital variances that exceed either 5% of the approved capital budget, or the amount of \$200,000, without first advising the Board, in the first half of the year. For the period ending June 30, 2018, capital variances totaling approximately \$543,000 have been approved.

The Chief would like to inform the Board that he has recently approved a capital variance in the amount of \$257,000 to provide emergency back-up power for the Lawful Access Centre. This equipment is scheduled to be purchased in the third quarter and is included in the forecast for 2018 Year End, shown on page 10 of this report.

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. The three bargaining groups' collective agreements expired on December 31, 2014. On April 25, 2016 an Arbitration Award was finalized with respect to the Uniform and Civilian collective agreements with the Durham Regional Police Association. On September 9, 2016, a Memorandum of Understanding was signed with respect to the Senior Officer's collective agreement. All new agreements were effective January 1, 2015 and expire December 31, 2018.

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.

On August 1st, the Service will begin a 5-year lease in Uxbridge that will serve as the new location for the Community Police Centre. The prior location was vacated in June, based on information from the Town of Uxbridge, that the building was scheduled for demolition due to a road rehabilitation project. This new lease agreement includes a 3 month 'rent-free' period to allow for construction of the space. The Service has the option to extend the lease upon expiry in 2023, for an additional 3, 5-year terms.

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:

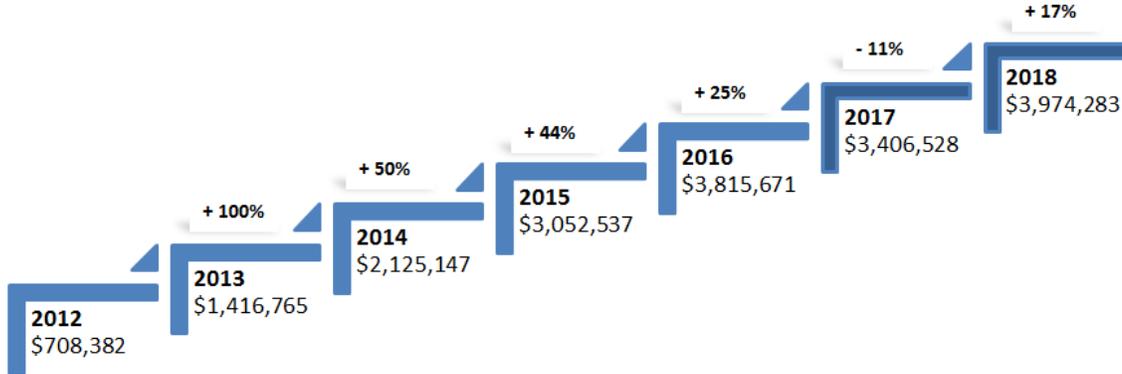
It is my interpretation of this policy that the service shall maintain a list of such programs and shall periodically evaluate funding opportunities and actively seek them out. Material funding sources shall be disclosed in the Annual Business Plan Budget which is approved by the Board. Funding awarded 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. The amounts approved were lower than originally anticipated. A summary of the approved amounts is provided below.



The 2017 approved funding was \$1.17 million less than originally expected and was \$0.41 million less than the 2016 approved funding. The 2018 approved budget included the funded amount of \$3.97 million. The 2018 budgeted costs for police Court Security were \$5.25 million.

While the Ministry has confirmed the continuance of this initiative, it is clear that the allocation method used leaves the funding amount subject to fluctuation due to factors beyond our control.

Policing Effectiveness and Modernization (PEM) Grant

In 2015, 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 will 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.

The Ministry had provided Police Services with an option for the 2018 funding year – apply under the new PEM grant or continue with the existing programs. Based on direction from the Board, the Service will continue to follow the existing funding programs for the 2018 funding year. The Service informed the Ministry of their intent not to submit application(s) under the PEM grant program.

In May 2017, the Ministry approved the following amounts for the 2017/2018 funding period:

- Community Policing Partnerships (CPP) program - \$1,290,000

- Safer Communities – 1,000 Officers Partnership Program - \$1,750,000
- DRAVIS - \$252,697

In October 2017, the Board notified the Ministry that the Service would continue with the existing grant programs for the 2018/2019 funding period. These agreements were fully executed in June and provide a consistent level of funding for the 2018/2019 period.

In August, a representative from the Ministry of Community Safety and Correctional Services sent a communication to another Service that indicated that the Ministry's grant programs, including the Court Security and Prisoner Transport Program, are on hold, while the government completes its expenditure review.

Great Blue Heron Charity Casino Ontario Lottery and Gaming Commission (OLG)

In March, the Service entered into a Memorandum of Understanding with the Region in order to share the service agreement payments, which the Region receives from the Ontario Lottery and Gaming Commission, in a manner similar to payments received to date for the provision of police services to the Great Blue Heron Casino. The 2018 payment amount will be \$588,500.

Other Grants

In the first half of 2018, the Service has submitted applications for several grant programs. Under the Ontario's Strategy to End Human Trafficking grant program, the Service has been approved for an amount of \$34,800. Additional approval under the Proceeds of Crime Front Line Policing program was received in the amount of \$160,000 (2 year grant total).

Due to the recent changes in Provincial government, the status of several other grant submissions remains outstanding. The Service continues to follow-up on these applications.

All grant activity is summarized in the table below.

Granting Ministry	Grant Program Name	Funding Purpose	Total Amount Requested	Application Status	Approved Amount	Grant Expiry
Ministry of Community Safety & Correctional Services (OPP)	Ontario's Strategy to End Human Trafficking	Officer Wage & Benefits	N/A	Approved	\$34,800	31-Mar-2018
Ministry of Community Safety & Correctional Services	Proceeds of Crime - Front-Line Policing (FLP) 2018-2020 2 Year Grant	Response to Fentanyl Crisis - Harm Reduction & Prevention (Training, Equipment, Overtime, Part-time)	\$198,406	Not Approved	\$0	31-Mar-2020
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	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	Pending Approval	N/A	31-Mar-2020
Ministry of Community Safety & Correctional Services	Supporting Police Response to Sexual Violence and Harassment Grant (2018/19 -2019/20) 2 Year Grant	Training, Equipment, Program Delivery	\$117,000	Pending Approval	N/A	31-Mar-2020
Public Safety Canada	National Crime Prevention Strategy (2019-2022) 3 Year Grant	Youth Development through Harm Reduction, Education, Sports, Prevention & Enforcement (Salaries, Training, Tehnical Services/Software, Equipment)	\$1,590,700	Pending Approval	N/A	31-Mar-2022

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 West District, 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 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 Procedures Manual was published in the 1st quarter of 2005 and the procedures and controls took effect in the new budget year on January 1, 2005. The Regional Finance department has been provided with a copy of this document. It is in substantial compliance with Regional Processes and therefore complies with the spirit of Regional Processes. An updated version has been developed and will be implemented during 2018.

Financial transactions have been in compliance with the Financial 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						
2018 Financial Reports				2018 Year-End Forecast Under / (Over) Spend		
Expense Category	Annual Budget \$000's	Jun/18 Actual Expense \$000's	% Budget	Under (Over) Spend \$ 000's	Under (Over) Spend % Budget	Comments on Major Trends
PAYROLL EXPENSES & RESERVES	\$173,710	\$83,058	47.8%	\$1,391	0.8%	Wage savings from position vacancies (\$3.18 m) are expected to be partly offset by higher benefit costs (\$1.79 m). These figures include the impact from 53 member departures in 2018 (50 declared + 3 anticipated) and Regional support for post retirement benefit costs.
PERSONNEL RELATED	\$2,333	\$1,152	49.4%	\$	0.0%	Break Even
COMMUNICATION	\$2,098	\$944	45.0%	\$	0.0%	Break Even
SUPPLIES, FOOD, SERVICES	\$2,451	\$1,232	50.3%	(\$118)	(4.8%)	Anticipate a net overspend ~ \$118k (Savings from budget variances ~\$50k, offset by increased spend from approved grant funding ~\$168k)
FACILITIES COSTS	\$7,603	\$3,268	43.0%	(\$159)	(2.1%)	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	\$1,921	75.0%	\$	0.0%	Break Even (Note that spending trend is always higher in the first half of the year due to timing of contract renewals)
EQUIP MTCE & REPAIRS	\$959	\$398	41.5%	\$	0.0%	Break Even
VEHICLE OPERATIONS	\$3,932	\$1,767	44.9%	\$40	1.0%	Vehicle recovery write-off proceeds \$40k (offset in capital)
DEBT CHARGES	\$11,500	\$1,783	15.5%	\$	0.0%	Break Even (higher repayment scheduled for latter part of 2018)
PROFESSIONAL & CONSULTING	\$1,542	\$858	55.6%	(\$238)	(15.4%)	Overspend driven by consulting fees related to recruitment (assessments), leadership development and executive sponsored projects.
LEGAL SERVICES	\$1,009	\$1,199	118.9%	(\$925)	(91.7%)	Overspend expected based on current legal services model and current cases
FINANCIAL EXPENSES	\$1,890	\$951	50.3%	\$	0.0%	Break Even
CAPITAL	\$3,987	\$3,889	97.6%	(\$796)	(20.0%)	Approved variances for IT related capital \$656k (i.e. Lawful Access generator/air cond. Unit; Ecrimes network storage device, Body Worn Camera project, Grant funded capital) and vehicle write-offs & replacements \$140k (offset by recovery proceeds)
RESERVES	(\$190)	\$150	-79.0%	\$	0.0%	Full contribution booked and full draw from reserve anticipated
GROSS EXPENDITURES	\$215,386	\$102,570	47.6%	(\$804)	-0.37%	
REVENUE & RECOVERY	(\$16,469)	(\$8,480)	51.5%	\$804	(4.9%)	Approved grant funding: \$112K CRIA grants + \$56k POC grant + 2018 DRAVIS funding \$252k + \$50k CISO funding & higher anticipated pay duty revenues
NET EXPENDITURES	\$198,917	\$94,090	47.3%	(\$)	0.00%	

Durham Regional Police Service						
2017 Financial Reports				2017 Year-End Forecast Under / (Over) Spend		
Expense Category	Annual Budget \$000's	Jun/17 Actual Expense \$000's	% Budget	Under (Over) Spend \$ 000's	Under (Over) Spend % Budget	Comments on Major Trends
PAYROLL EXPENSES & RESERVES	\$168,341	\$84,736	50.3%	\$488	0.3%	Wage savings from position vacancies (\$2.52m) are expected to be largely offset by higher benefit costs (\$2.03m). There is potential for additional costs related to member retirements, the impact of which is being reviewed together with Region Finance.
PERSONNEL RELATED	\$2,181	\$1,096	50.2%	(\$185)	(8.5%)	Higher spend for uniforms/protective clothing driven by larger # of new recruits and promotions to replace retired/resigned members.
COMMUNICATION	\$2,166	\$951	43.9%	\$	0.0%	Break Even
SUPPLIES, FOOD, SERVICES	\$2,320	\$1,137	49.0%	\$	0.0%	Break Even
FACILITIES COSTS	\$7,425	\$3,214	43.3%	\$300	4.1%	Anticipated savings due to a combination of lower usage and favorable rates for hydro & gas, slightly offset by higher water rates.
COMPUTER MAINT / OPERATION	\$2,600	\$1,930	74.2%	(\$53)	(2.0%)	Anticipated overspend for IT related licenses and maintenance (\$107k), partially offset by savings from Nextgen \$54k. (Note: The spending trend is always higher in first half of the year due to the timing of contract renewals)
EQUIP MTCE & REPAIRS	\$1,043	\$279	26.7%	\$211	20.2%	Savings from renewed telecom equipment maintenance contracts \$125k and Nextgen underspend \$86k.
VEHICLE OPERATIONS	\$3,774	\$1,763	46.7%	\$608	16.1%	Anticipated fuel savings, combined with insurance recovery for written off vehicles (offset by vehicle replacement cost recorded as capital budget variances).
DEBT CHARGES	\$11,500	\$8,575	74.6%	\$	0.0%	Break Even (Full annual repayment of Clarington Phase 1 internal loan in Q1).
PROFESSIONAL & CONSULTING	\$1,316	\$752	57.1%	(\$410)	(31.1%)	Overspend driven by consulting fees related to recruitment (assessments), leadership development, facilities support and executive sponsored projects.
LEGAL SERVICES	\$1,009	\$336	33.3%	(\$625)	(62.0%)	Overspend is expected due to current legal cases/proceedings. (Note: Low spend year to date is due to delayed vendor invoicing)
FINANCIAL EXPENSES	\$1,845	\$918	49.8%	\$	0.0%	Break Even
CAPITAL	\$3,418	\$3,322	97.2%	(\$465)	(13.6%)	Approved variances for: Nextgen \$238k (Shelter & 6 UPS Site replacements), Fleet write off vehicle replacements \$115k, IT related capital \$50k (funded from renewed equipment maintenance contract savings), Pistol replacement \$26k, Police Services Boardroom Conference System \$16k, \$20k misc. computers/laptops, workspace design
RESERVES	(\$241)	\$150	-62.1%	\$	0.0%	Full contribution booked and full draw from reserve anticipated
GROSS EXPENDITURES	\$208,696	\$109,157	52.3%	(\$130)	-0.06%	
REVENUE & RECOVERY	(\$15,573)	(\$7,965)	51.1%	\$130	(0.8%)	Increased Nextgen partner revenues from approved variance for Shelter and Uninterrupted Power Supply (UPS) unit replacements (\$88k) plus recoveries from training provided to other services
NET EXPENDITURES	\$193,124	\$101,193	52.4%	\$	0.00%	