

Classification **PUBLIC**

Meeting **November 5, 2012**

Agenda Item **Monitoring Report:
Financial Condition and Activities 3rd
Quarter 2012(nine months ended September
30, 2012)**



Recommended Motion:

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

Financial Conditions and Activities

I hereby submit my monitoring report on your Executive Limitations Policy “Financial Conditions and Activities” according to the schedule set out. I certify that the information contained in this report is true.

Signed: _____
Chief of Police

Date: _____

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 seven 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 be reported to the Board at its next meeting.

Data Support:

Upon review of the spending summary produced by the Director of Business Services, I report the following:

Spending recorded to date as at September 30, 2012 was \$113.59 million which represents 71% of the annual budget of \$160.606 million. It is normal for the 3rd quarter spending to be less than a full 75 % due to the fact that certain payroll expenses including statutory holiday pay and overtime are not fully paid out until the fourth quarter per the Collective Bargaining Agreement and the fact that certain capital spending including year-end funding of projects may not take place until the 4th quarter.

The current forecast for the year end results is for a small under spend of \$0.25 to \$0.5 million based on the spending trends of the first 9 months of the year, approved spending variances and proposed, but as yet unapproved, funding in the amount of \$1.1 million for garage repairs and maintenance for Central East Division scheduled for 2013.

In December I will submit a report recommending the funding contribution for the Central East Division garage.

The Appendix contains a table which shows the annual budget, 9 months year to date spending (dollars and percentage) as at September 30 2012 and a forecast of year end spending by major category compared to the annual budget. Each major expense category has written comments describing the main components of the spending trend and forecast.

Based on those results I expect that the annual spending will be within the approved budget allocation of \$160.606 million.

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

Policy Provision #2

2. *“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 #3

3. *“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.

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

Policy Provision #4

4. *“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 #5

5. *“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 December 31, 2011 the lease with Durham College for the premises in which the Police Learning Centre is located expired. We intend to continue month to month at \$25,000 per month while lease negotiations are active. We expect the negotiations to be concluded in the 3rd quarter of 2012.

We intend to renew for 5 years.

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

Policy Provision #6

6. 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.

During the year to date the police service was successful in raising funds from the following grants. These are grants have to be applied for in response to a specific call for applications and apply to a specific project and time period. They do not recur automatically in following years:

1) Proceeds of Crime CISO Grant Fund, Ministry of the Attorney General of Ontario:

Amount: \$427,948.48

Term: All funds to be spent by September 30, 2013 (we expect to spend it all in 2012)

Purpose: To fund 2 years of maintenance costs (2 years at \$98,081.74 each) and a capital replacement (\$231,785) of certain lawful access telephone monitoring equipment.

Unit: Lawful Access (part of the Intelligence Branch)

This grant was awarded after the budget was approved. It will be recorded as additional spending offset by additional grant revenue in 2012 with a net budget impact of NIL.

Update on the Police Officer Recruitment Fund (PORF)

This 5 year funding arrangement from the Federal Government paid through the Province expires in the first quarter of 2013.

The federal government has indicated in writing that it does not intend to renew the funding.

This funding provides \$490,000 in revenue per annum based on 7 officers at \$70,000 each.

Therefore in 2013 the funding will be only \$122,500 which will cause a year over year reduction from 2012 of \$367,500.

Update on a New Funding Source: The Court Security Prisoner Transportation Funding

The funding which has been committed by the province has been confirmed as follows:

2012: \$0.7 million

2013: \$1.416 million

2014: \$2.125 million

The agreement covers only 2012, 2013, and 2014. Prior to the expiry of the agreement, the province has undertaken to review the funding mechanism with affected stakeholders to review current funding needs.

The Province also reiterated its commitment to phasing in the program equally over seven years which for Durham would mean that annual increases in funding at the rate of \$0.7 million per annum would reach a maximum of approximately \$5 million by 2018. For comparison, the 2012 budgeted total costs for police Court Security are \$5.071 million. This new funding source may offset the impact of increasing debt service costs in the police budget in future years.

Update on Funding from Great Blue Heron Charity Casino Ontario Lottery and Gaming Commission (OLG)

This funding arrangement has been in place since 2000. The funding formula is intended to fully fund one patrol officer per platoon (5 officers in total to cover shifts) and a vehicle in the North Division. The first 5 year term provided funding of \$436,000 per annum and the second 5 year term provided \$579,617 per annum.

The second 5 year term expired April 2010 and since then we have continued to invoice at that rate and OLG has continued to pay.

Policy Provision #7

7. 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 are processed for amounts owing. There have been no such billings so far in 2012.

Policy Provision #9

8. *“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. It was most recently revised in march 2011. 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.

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

Financial Conditions to September 30, 2012

All dollars in Thousands

Expenses	Annual Budget	Expense to date (9 Months)	% Spent to date	Forecast		Comments on Trends
				Under (Over) Spend	% of Budget	
PAYROLL EXPENSES & RESERVES	\$146,969 *	\$103,769	71	\$1,642	1.1%	CBA implications, offset by higher Health Care Spending Account(\$600) plus savings from vacancies, unpaid positions due to LTD and leaves, lower stat pay claims and other(\$1,042).
PERSONNEL RELATED	\$2,478	\$1,416	57	\$310	12.5%	Savings in Education and Training (\$225); Conferences (\$45K); Uniforms (\$40).
COMMUNICATION	\$2,472	\$1,816	73	\$30	1.2%	Savings in Printing(\$54), Advertising(\$10) and Community Relations(\$15) offset by Radio and Telephone Usage overspending(\$49).
SUPPLIES, FOOD, SERVICES	\$1,992	\$1,382	69	(\$82)	-4.1%	Higher costs in Cleaning Tickets use(\$54), Ammunition(\$40) and Technical Supplies(\$22) offset by lower Office Supplies(\$34)
FACILITIES COSTS	\$4,859	\$3,140	65	\$215	4.4%	Lower utilities costs(\$95), rent(\$80) and janitorial(\$39).
COMPUTER MAINT AND OPERATIO	\$1,160	\$1,113	96	(\$196)	-16.9%	Cost of lawful access equipment funded by grant post budget approval.
EQUIP MTCE & REPAIRS	\$837	\$435	52	\$22	2.6%	Lower than budget repair costs in Communications Unit.
VEHICLE OPERATIONS	\$3,874	\$2,563	66	\$154	4.0%	Savings due to competitive leased vehicle prices(\$95), vehicle repairs(\$29), fuel usage(\$30).
DEBT CHARGES	\$1,063	\$885	83	(\$115)	-10.8%	Budgeted debt cost corrected by Region Finance.
PROFESSIONAL SERVICE	\$927	\$1,363	147	(\$930)	-100.4%	Legal costs for major litigation and discipline cases.
FINANCIAL EXPENSES	\$1,609	\$1,342	83	(\$21)	-1.3%	Bank charges for electronic payment fees. Budget corrected for 2013
CAPITAL & RESERVES	\$3,262	\$3,706	114	(\$978)	-30.0%	Variances for capital purchases(\$970), unspent major building repairs(\$300), approved post budget contribution to capital project(\$308)
PROPOSED CAPITAL PROJECT FUNDING			N/A	(\$1,100)	N/A	Repairs and coating to underground parking at Central East Division floors, walls, pillars and ceiling. In order to allocate this funding in 2012 the Board will need to approve it as will the Region.
GROSS EXPENDITURES	\$171,501 *	\$122,932	72	(\$1,049)	-0.6%	
Revenues						
REVENUE & RECOVERY	(\$10,896) *	(\$9,342)	86	\$1,295	-11.9%	Post budget grants revenue CISO for Lawful Access Equipment (\$428); CRIA(\$26); Proceeds of Crime (\$97); post budget provincial courts revenue (\$308K); Fees & recoveries from other services and projects (\$271); 650 Rossland/DASSL decision(\$109) (maint cost recovery & Accident Reports); Prisoner Transport(\$9).
Net Expenses	\$160,606	\$113,590	71	\$246	0.2%	

*** NOTE:**

Restated to reflect 9-1-1 and NSD wages and recoveries (\$2,199.7K) by Region Finance. DRAVIS Overtime and the offsetting revenue \$479.7K is restated because it has now become permanent funding.

In prior years these had been classified as costs and recoveries within the Personnel Expense category and not as revenues. This presentation will carry on in 2013 and future years.