

Classification **PUBLIC**

Meeting **September 9, 2013**

Agenda Item **Monitoring Report:
Financial Condition and Activities 2nd
Quarter 2013(six months ended June 30,
2013)**



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, which is based upon the financial statements provided by the Region dated July 4, 2013, I report the following:

The financial statements for the 6 months ended June 30, 2013 show net spending of \$84.27 million representing 49% of the annual operating budget of \$172.12 million. Those figures include an accrual of the Board’s estimate of the CBA increase which was included in the 2013 budget.

The first half net spending is historically less than 50 % of budget due to the fact that certain payroll expenses such as overtime payments, statutory pay and retirement cost accruals occur primarily in the last quarter of the year.

At this point spending and revenue trends indicate that the service’s net spending for 2013 will be within the approved budget. The Service is doing its utmost to manage the security costs for the Singh trial. This ultimately remains unbudgeted and unknown.

The appendix contains a table which compares actual spending to budgeted spending by major category and provides brief explanations of significant trends.

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.

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.

Update on the Police Officer Recruitment Fund (PORF)

This 5 year funding arrangement from the Federal Government paid through the Province expired in the first quarter of 2013 with total revenue of \$122,500 as budgeted for 2013.

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 2013 budgeted total costs for police Court Security are \$5.39 million.

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 in 2013.

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 2013. 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.

Appendix

Durham Regional Police Service							
Financial Statement for period ended June 30, 2013							
Provided by Region July 4, 2013 - All dollars in Thousands							
	Annual Budget	Actual Expense (6_months)	% of Budget Spent	Forecast Under (Over) Spend	Under (Over) spend as % of Budget	Comments on Trends	
Expenses							
PAYROLL EXPENSES & RESERVES	\$152,444	\$71,981	47.2%	(\$144)	-0.1%	Underspend trend in Full time of \$915K due to gapping, offset by (\$787K) overspend estimate in Overtime including PILOT trial. Retiree costs are forecast to be overspent by (\$735) including the accrual in 2013 of lump sum sick pay and benefits estimated at \$3.45 million for 29 2014 retirees expected to give written notice in 2013 that they will retire in 2014. Benefit underspend of \$332K and PT underspend trend of \$142K estimated. The forecast assumes that the CBA settlement will be at the budgeted rate.	
PERSONNEL RELATED	\$2,395	\$845	35.3%	\$78	3.3%	Underspend trend is primarily due to lesser expense on Uniforms & Equipment \$59K, and trend to underspend \$19K in Car Allowance. Expected break-even on Conferences, Memberships and the Education & Training accounts.	
COMMUNICATION	\$2,500	\$1,108	44.3%	\$45	1.8%	Trending to overspend in the Telephone expense due to Lawful Access projects. Offset by underspend trends in Postage, Printing & Reproduction, and Papers/Magazines/subscriptions.	
SUPPLIES, FOOD, SERVICES	\$2,133	\$888	41.6%	\$110	5.2%	Trending to underspend primarily due to improved ammunition purchasing process \$28K and some underspend in Cleaning & Laundry \$20K, Office materials & Supplies underspend of \$44K, Auto supplies \$14K.	
FACILITIES COSTS	\$5,109	\$2,606	51.0%	(\$163)	-3.2%	Overspend trend (\$163K) due to (\$250K) unbudgeted NEXTGEN tower licences; (\$223K) from Building Grounds and Maintenance due to electrical repairs and paint/carpet replacements. This overspend is offset by underspend trends of \$142K Hydro, \$32K Natural Gas, and \$136K in Janitorial Services.	
COMPUTER MAINT / OPERATION	\$1,545	\$1,028	66.6%	(\$53)	-3%	Lawful Access equipment lease variance of (\$98K) offset by Software License under spend of \$47K.	
EQUIP_MTCCE_&_REPAIRS	\$752	\$278	37.0%	\$55	7.3%	Trending under budget	

VEHICLE_OPERATIONS	\$3,906	\$1,554	39.8%	\$246	6.3%	Trending underspend primarily based on gasoline cost below budget \$108K to June 30 and more competitive vehicle lease rates \$92K, Vehicle Maintenance \$25K and Insurance repairs \$20K.
DEBT_CHARGES	\$8,291	\$5,465	65.9%	\$0	0.0%	On budget. \$2.62M set aside for the Clarington budgeted debt service has been booked by Region for Clarington Phase 1 FFE's.
PROFESSIONAL_SERVICE	\$1,333	\$804	60.3%	(\$636)	-47.7%	Forecasting overspend based on Legal expense estimated (\$636K).
FINANCIAL_EXPENSES	\$1,704	\$855	50.2%	(\$6)	-0.4%	
CAPITAL & RESERVES	\$2,683	\$2,848	106.1%	\$226	8.4%	Capital is trending to underspend by \$226k comprised of \$100K for Building Repairs actually charged to the Building Maintenance Account, \$170K for favorable price variances. Slightly offset by overspend trends of (\$15K) Computer Hardware, and (\$28K) Contribution to Reserves (Note on% spent at June 30 - the Region's 2013 practice is to fully book Capital spending per the budget amount and adjust to actual spending before year-end.) Helicopter Reserve entries will also be booked at year-end.
GROSS EXPENDITURES	\$184,696	\$90,259	48.9%	(\$243)	-0.1%	
Revenue Accounts						
REVENUE & RECOVERY	(\$12,576)	(\$5,994)	47.7%	\$325	-2.6%	Trending to additional revenue of \$325K comprised of assumed recovery of \$125K from unbudgeted 50 % recovery of Next Gen tower licences, Lawful Access Equipment Lease grant of \$98K, unbudgeted Prisoner Escort Revenue from PILOT of \$28, recoveries from project Wannipitsee of \$215K, miscellaneous revenue of \$27K, \$28K unbudgeted revenue from NSD fees. Under budget revenues expected in Criminal Information Requests (\$129K) and Auction Proceeds(\$68).
NET EXPENDITURES	\$172,120	\$84,266	49.0%	\$82	0.05%	