

Classification **PUBLIC**

Meeting **November 12, 2013**

Agenda Item **Monitoring Report:
Financial Condition and Activities 3rd
Quarter 2013 (nine months ended September
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 October 2, 2013, I report the following:

The financial statements for the 9 months ended September 30, 2013 show net spending of \$119.66 million representing 70% 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, and adjusted for the actual CBA result.

The net spending to the end of the third quarter is historically less than 75 % of budget due to the fact that certain payroll expenses such as overtime payments, statutory holiday pay, service pay and retirement cost accruals occur primarily in the last quarter of the year. Payroll timing indicates that approx. 73% of full time wages would be spent to September reports, but current full time wages do not yet show the statutory holiday and service pay.

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 current projections indicate net costs of just under \$400 thousand.

The appendix contains a table which compares actual spending to budgeted spending by major category and provides brief explanations of significant trends. This report shows a projected underspend of approximately \$300 thousand, based on current projections. Identified and committed 2014 confirmed retirement costs are still \$1.1 million below the projected amount included in the forecast, and could lead to a combined underspend of \$1.4 million if projected retirements are not realized.

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 #8

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.

Financial Statement for period ended Sept 30, 2013

Provided by Region Oct 2, 2013 - All dollars in Thousands

	Annual Budget	Actual Expense (9_months)	% of Budget Spent	Forecast Under (Over) Spend	Under (Over) spend as % of Budget	Comments on Trends
Expenses						
PAYROLL EXPENSES & RESERVES	\$152,444	\$105,553	69.2%	(\$646)	-0.4%	The overspend trend of (\$646K) is primarily made up of an underspend trend in Full time of \$1.02Million due to gapping and new CBA settlement, offset by (\$1.006Million) overspend estimate in Overtime including PILOT trial. An overspend estimate of (\$795) for the accrual in 2013 of lump sum sick pay and benefits for 2014 retirees who give written notice in 2013 that they will retire in 2014 and a underspend of \$332K in Benefits.
PERSONNEL RELATED	\$2,395	\$1,451	60.6%	\$89	3.7%	Underspend trend is primarily due to \$30K in Conferences, and \$31K in Education and Training. Also small underspend trend in Car Allowance. All estimates are based on yr-end forecast provided by PEIC.
COMMUNICATION	\$2,500	\$1,745	69.8%	(\$9)	-0.4%	Trending to overspend in the Telephone expense due to Lawful Access projects. Also trending to overspend in Radio. Offset by underspend trends in Postage, Printing & Reproduction, and Papers/Magazines/subscriptions.
SUPPLIES, FOOD, SERVICES	\$2,133	\$1,301	61.0%	\$143	6.7%	Trending to underspend primarily due to improved ammunition purchasing process \$25K and some underspend in Cleaning & Laundry \$15K, Office materials & Supplies underspend of \$65K, \$28K in Auto/Technical Supplies and \$10K in Food
FACILITIES COSTS	\$5,109	\$3,763	73.7%	(\$75)	-1.5%	Overspend trend (\$75K) due to (\$139K) unbudgeted NEXTGEN tower leases; (\$223K) from Building Grounds and Maintenance due to electrical repairs and paint/carpet replacements. This overspend is offset by underspend trends of \$110K Hydro, \$40K Natural Gas, and \$136K in Janitorial Services.
COMPUTER MAINT / OPERATION	\$1,430	\$1,235	86.3%	\$16	1%	Software Licences is trending to an underspend of \$20K and slight overspend trend of (\$4K) in Software Upgrades
EQUIP_MTCE_&_REPAIRS	\$752	\$392	52.1%	\$49	6.5%	Trending under budget due to underspend trend in Equipment Maintenance and Repairs, and Equipment Rentals
VEHICLE_OPERATIONS	\$3,906	\$2,306	59.0%	\$254	6.5%	Trending underspend primarily based on gasoline cost below budget \$112K and more competitive vehicle lease rates \$92K.

DEBT_CHARGES	\$8,291	\$4,294	51.8%	\$2,600	31.4%	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	\$1,274	95.6%	(\$477)	-35.8%	Forecasting overspend primarily based on Legal expense estimated (\$477K).
FINANCIAL_EXPENSES	\$1,704	\$1,009	59.2%	(\$15)	-0.9%	Forecasted overspend based on conservative budget for Bank Charges
CAPITAL & RESERVES	\$2,698	\$5,499	203.8%	(\$2,372)	-87.9%	Capital is trending to overspend by (\$2.372M) comprised of \$100K underspend for Building Repairs actually charged to the Building Maintenance Account, \$170K for favorable price variances. Slightly offset by overspend trends of (\$14K) Computer Hardware, and (\$28K) Contribution to Reserves, and a large overspend of (\$2.6Million) Contribution to Capital (This amount is offset by the \$2.6Million underspend in Debt Charges). (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	\$129,822	70.3%	(\$444)	-0.2%	
Revenue Accounts						
REVENUE & RECOVERY	(\$12,576)	(\$10,159)	80.8%	\$754	-6.0%	Trending to additional revenue of \$754K comprised of assumed recovery of \$117K from unbudgeted 45.6 % recovery of Next Gen tower leases, Lawful Access Equipment Lease grant of \$98K, unbudgeted Prisoner Escort Revenue from PILOT of \$47K, recoveries from project Wannipitsee of \$215K, miscellaneous revenue of \$44K, \$28K unbudgeted revenue from NSD fees, \$30K False Alarm Fees, \$212K in Pay Duty Revenue (one time occurrences), . Under budget revenues expected in Accident Reports (\$37K).
NET EXPENDITURES	\$172,120	\$119,663	69.5%	\$310	0.18%	