

Classification **PUBLIC**

Meeting **March 10, 2014**

Agenda Item **Monitoring Report:
Financial Condition and Activities 4th
Quarter 2013 (year ended December 31, 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 on February 11, 2014, I report the following:

The financial statements for the 12 months ended December 31, 2013 show net spending of \$171.219 million representing 99.5% of the annual operating budget of \$172.12 million. Those figures include the CBA increase which was included in the 2013 budget, adjusted for the actual CBA result, and year-end financial accruals and adjustments, which form part of year-end financial closure.

The unspent funds at year-end were \$0.9 million. The Commissioner of Finance for the Region of Durham will consider using part or all of these funds to accelerate the repayment of the internal loan which financed the NextGen user gear, pending final analysis of year end spending for the region.

In the third quarter report we anticipated an end of year underspend of \$0.3 million. Primary drivers of the difference were lesser than anticipated costs for retirements, increased costs for professional fees, and greater than anticipated revenues. Details are identified in the Appendix on pages 8 and 9 of this report.

Based on this data, the service’s net spending for 2013 ends within the approved budget.

The appendix contains a table which compares actual spending to budget spending by major category and provides brief explanations of significant trends. This report shows final results by account grouping.

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. This funding source does not recur in 2014.

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 2014 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. This was completed for 2013 and 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.

	Annual Budget	Actual Expense (12_months)	% of Budget Spent	Forecast Under (Over) Spend	Under (Over) spend as % of Budget	Comments on Trends
Expenses						
PAYROLL EXPENSES & RESERVES	\$152,444	\$152,067	99.8%	\$378	0.3%	The underspend of \$378K is primarily made up of an underspend in Retirement costs. In 2013 the budget for retirements was for 26 members at a cost of \$3.487 million. By year-end there were 22 retirements booked at a cost of \$3.035 million, leaving an underspend of \$450K. (The forecast in September had anticipated 29 retirements at a cost of \$4.2 million for an overspend of \$735K.). The net of other Payroll was (\$72K). Overtime ended the year on budget due to lower spend in the fourth quarter and was able to absorb the SINGH trial overtime costs of \$420K.
PERSONNEL RELATED	\$2,395	\$1,989	83.0%	\$406	17.0%	Underspend trend is primarily due to \$67K in Conferences, and \$125K in Education and Training that in September had been predicted at fully spent. Major investigations and transfers account for the main reasons. \$198K in Uniforms & Protective Clothing due to reduced replacements.
COMMUNICATION	\$2,500	\$2,583	103.3%	(\$83)	-3.3%	Overspend in the Telephone expense of (\$97K) due to Lawful Access projects recoverable from other services. Overspend in Radio of (\$51K) due primarily to additional devices. Offset by underspend in Printing & Reproduction \$47K, and subscriptions \$13K, and Postage \$6K.
SUPPLIES, FOOD, SERVICES	\$2,133	\$2,017	94.6%	\$115	5.4%	Underspend primarily due to reduced Office materials & Supplies of \$79K, ammunition savings in Tactical Support \$24K, underspend in Cleaning & Laundry \$21K, \$25K in Auto/Technical Supplies and \$7K in Food offset by overspend of (\$40K) in Program Materials and Supplies.
FACILITIES COSTS	\$5,109	\$5,241	102.6%	(\$132)	-2.6%	Overspend of (\$132K) primarily due to Building Grounds and Maintenance of (\$401K) for emergency electrical repairs at Central East and Central West divisions, painting and renovations, and front counter security glass; Property Rentals (\$31K) including unbudgeted NextGen tower leases and reduced parking lot costs, offset by underspends of \$113K in Hydro, \$37K in Natural Gas, and \$162K in Janitorial Services.
COMPUTER MAINT / OPERATION	\$1,430	\$1,428	99.8%	\$3	0.2%	On budget

	Annual Budget	Actual Expense (12_months)	% of Budget Spent	Forecast Under (Over) Spend	Under (Over) spend as % of Budget	Comments on Trends
EQUIP_MTCE_&_REPAIRS	\$752	\$559	74.3%	\$193	25.7%	Trending under budget due to underspend trend in Equipment Maintenance and Repairs for Air One \$84K, Radio equipment repair \$87K, and Equipment Rentals from Lawful Access \$30K
VEHICLE_OPERATIONS	\$3,906	\$3,206	82.1%	\$700	17.9%	Underspend of \$700K primarily based on gasoline cost below budget \$259K, Maintenance and repairs \$129K. and more competitive vehicle lease rates \$79K. New accounting policy in 2013 brings insurance pool recovery for 6 Vehicle write offs of \$225K into this section, offset by capital replacement costs below.
DEBT_CHARGES	\$8,291	\$8,431	101.7%	(\$140)	-1.7%	Slight overspend is due to issuance of Clarington Debt Financing that was accrued as 2013 year-end adjustment.
PROFESSIONAL_SERVICES	\$1,333	\$2,335	175.2%	(\$1,002)	-75.2%	Overspend primarily based on Legal expense in Administration (\$829K); KPMG/CIP (\$90); Victim Services and Lawful Access (\$56K); Facilities projects and Clarington Master Plan update (\$39K)
FINANCIAL_EXPENSES	\$1,704	\$1,721	101.0%	(\$17)	-1.0%	Overspend based on higher than expected credit an debit card activity resulting in higher Bank Charges
CAPITAL & RESERVES	\$2,698	\$3,135	116.2%	(\$437)	-16.2%	Capital overspend of (\$437K). Helicopter Reserve recovery has not been realized (\$210K) due to the net budget underspend (as in previous years). Capital cost of Vehicle accident write-off replacements are not budgeted - they are charged here (\$225K) and offset above.
GROSS EXPENDITURES	\$184,696	\$184,712	100.0%	(\$16)	0.0%	On budget
Revenue Accounts						
REVENUE & RECOVERY	(\$12,576)	(\$13,493)	107.3%	\$917	-7.3%	Additional revenue of \$917K comprised of \$240K in Pay Duty Revenue (Boots & Hearts and one time occurrences), recoveries from other services for Lawful Access projects \$156K, tower leases \$27K, Lawful Access Equipment Lease grant \$98K and CRIA \$27K, increased funding for Youth in Policing summer program \$88K, PADAN and other donations \$73K, unbudgeted Prisoner Escort Revenue including Singh trial of \$66K, other revenues of \$153K
NET EXPENDITURE	\$172,120	\$171,219	99.5%	\$901	0.52%	see Note on unspent Funds
NOTE:	The Commissioner of Finance for the Region of Durham will consider using part or all of these funds to accelerate the repayment of the internal loan which financed the NextGen user gear, pending final analysis of year end spending for the region.					