

Classification **PUBLIC**

Meeting **March 9, 2017**

Agenda Item **Monitoring Report:
Financial Conditions and Activities 4th
Quarter 2016 (year ended Dec. 31, 2016)**



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 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 February 14, 2017, I report the following:

The financial statements for the 12 months ended December 31, 2016 show net spending of \$187.47 million (2015-\$180.37 million) representing 100% (2015-100%) of the annual operating budget of \$187.50 million (2015-\$180.51 million).

In the third quarter report, we anticipated that the service’s net spending for 2016 would fall within the approved budget and that spending would likely result at \$0.2 to \$0.4 million under budget due to vacant positions, offset by higher spend for legal and professional services and member benefit costs.

In the fourth quarter, replacement capital expenditures which could not be accommodated within the Final 2017 budget guideline were approved, resulting in a near break-even year end position of \$36k. In addition, there were higher Payroll related costs than originally anticipated in the third quarter forecast, which were offset by higher savings in vehicle operations and higher revenues.

The appendix contains a table which compares actual spending to budget 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. 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 #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:

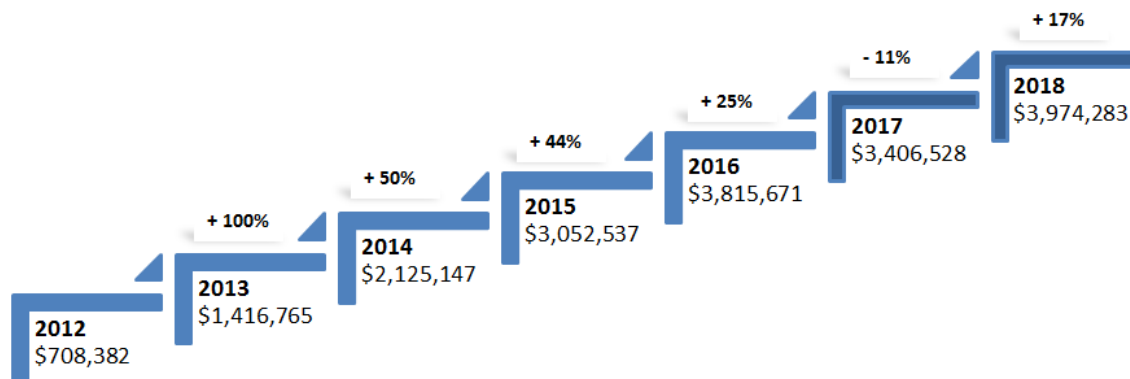
It is my interpretation of this policy that the service shall maintain a list of such programs and shall periodically evaluate funding opportunities and actively seek them out. Material funding sources shall be disclosed in the Annual Business Plan Budget which is approved by the Board. Funding awarded 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.

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 is \$1.17 million less than originally expected and is \$0.41 million less than the 2016 approved funding. The 2017 approved budget includes the funded amount of \$3.41 million. The 2017 budgeted costs for police Court Security are \$5.38 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.

Recently, the Ministry has provided Police Services with an option for the 2017 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 2017 funding year. In 2018, the Service will need to submit application(s) under the PEM grant program.

This will result in funding for the period of April 2017 through March 2018, in the following amounts:

- Community Policing Partnerships (CPP) program - \$1,290,000
- Safer Communities – 1,000 Officers Partnership Program - \$1,750,000
- DRAVIS - \$252,697

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.

On November 1st, the Service received a letter from the OLG regarding our funding arrangement. They have confirmed that they will continue to pay for police services under the terms of this arrangement until September of 2017. At this time, they would like to negotiate a new agreement whereby funding is determined on an ‘actual cost basis’ for the services being provided.

Other Grants

In the 2nd quarter of 2016, 2 grant applications were submitted under the Proceeds of Crime grant program, of which only one was approved. In the last quarter of 2016, 2 grant applications were submitted under the Civil Remedies for Illicit Activities grant program. In February 2017, both of these grant applications were approved for the full amount requested.

Granting Ministry	Grant Program Name	Funding Purpose	Amount Requested	Grant Term Expiry Date	Approved /Not Approved	Approved Amount \$
Ministry of Community Safety & Correctional Services	Proceeds of Crime - Durham Region Connect Phase II (Situation Table)	Training, Consulting and Equipment	\$99,950	31-Mar-17	Approved	\$99,850
Ministry of Community Safety & Correctional Services	Proceeds of Crime - Operation East (Human Trafficking)	Overtime, Training	\$100,000	31-Mar-17	Not Approved	
Ministry of the Attorney General	Civil Remedies for Illicit Activities (Operation East - Education & Awareness of Sex Trafficking)	Overtime, Training	\$49,070	31-Mar-18	Approved	\$49,070
Ministry of the Attorney General	Civil Remedies for Illicit Activities (Organized Crime)	Specialized Equipment, Training	\$49,840	31-Mar-18	Approved	\$49,840

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

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 may be processed for amounts owing. This was completed and the review has determined there are no services for which billings should be issued for 2016.

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

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 May 2013 and will be reviewed in 2017. 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

	2016 Financial Reports <i>as provided by Region (Feb 14/17)</i>			2016 Year-End Under / (Over) Spend		
	Annual Budget \$000's	December 31/16 Actual Expense \$000's	% Budget	Under (Over) Spend \$ 000's	Under (Over) Spend % Budget	Comments on Major Trends
PAYROLL EXPENSES & RESERVES	\$162,657	\$163,236	100.4%	(\$579)	-0.4%	Wage savings from position vacancies (\$1.376m) were largely offset by higher benefit costs (\$1.284m). The remaining overspend is due to higher than budgeted pay duty wages (\$425k) and DRAVIS overtime (\$244k), both of which are offset by higher than budgeted revenues below.
PERSONNEL RELATED	\$2,265	\$2,206	97.4%	\$59	2.6%	Underspend in Car allowance / Mileage
COMMUNICATION	\$2,208	\$2,113	95.7%	\$94	4.3%	Lower spend for Telephone, Postage & Printing
SUPPLIES, FOOD, SERVICES	\$2,168	\$2,115	97.6%	\$52	2.4%	Lower spend for Office Supplies
FACILITIES COSTS	\$7,195	\$6,780	94.2%	\$421	5.9%	Lower spend due to \$400k facilities projects classified as Capital
COMPUTER MAINT / OPERATION	\$2,037	\$2,112	103.7%	(\$81)	(4.0%)	Increased spend due primarily to: Upgraded server level support (to Mission Critical), Mobile PD App, MS Office licenses (budgeted as capital)
EQUIP MTCE & REPAIRS	\$829	\$766	92.4%	\$63	7.6%	Lower than normal equipment breakage
VEHICLE OPERATIONS	\$4,064	\$3,214	79.1%	\$850	20.9%	Underspend driven by lower fuel costs \$565k and other vehicle maintenance & related costs \$285k
DEBT CHARGES	\$12,000	\$12,008	100.1%	(\$8)	(0.1%)	
PROFESSIONAL SERVICE	\$2,238	\$3,292	147.1%	(\$1,054)	(47.1%)	Overspend for legal services \$800k (\$664k Service & \$136k PSB) and consulting costs \$250k (Diversity Strategic Plan, member coaching/leadership)
FINANCIAL EXPENSES	\$1,800	\$1,807	100.4%	(\$8)	(0.4%)	
CAPITAL	\$3,532	\$4,506	127.6%	(\$975)	(27.6%)	Overspend from approved capital variances for: Facility Related projects classified as capital \$400k, Tasers \$200k, Intelligence Equipment \$250k, Computer related \$125k
RESERVES	(\$65)	(\$65)	100.0%	\$	0.0%	Fully utilized reserve
GROSS EXPENDITURES	\$202,926	\$204,091	100.6%	(\$1,165)	-0.57%	
REVENUE & RECOVERY	(\$15,427)	(\$16,623)	107.8%	\$1,196	(7.8%)	Higher Pay Duty Revenues (\$684k, thereof \$425k payroll related), DRAVIS funding \$244k, unbudgeted funding for Proceeds of Crime and CRIA programs \$115k and other revenues \$153k
NET EXPENDITURES	\$187,499	\$187,469	100.0%	\$31	0.02%	

Durham Regional Police Service

	Financial Reports provided by Region Feb 10/15 <i>*excludes PanAm Games</i>			DRPS Year-End Under / (Over) Spend			PanAm Games
	Annual Budget (\$000's)	Dec 31/15 Actual Expense (\$000's)	% of Budget Spent	Under (Over) Spend (\$ 000's)	Under (Over) spend as % of Budget	Comments on Trends	Dec 31/15 Actual Expense (\$000's)
PAYROLL EXPENSES & RESERVES	\$157,619	\$156,799	99.5%	\$819	0.5%	Underspend due to vacant positions maintained, offset by CBA wage provisions	\$2,477
PERSONNEL RELATED	\$2,257	\$2,241	99.3%	\$16	0.7%	Break even	\$23
COMMUNICATION	\$2,230	\$2,047	91.8%	\$183	8.2%	Underspend resulting mainly from Radio & Telephone, offset by a slight overspend in Advertising	\$2
SUPPLIES, FOOD, SERVICES	\$2,140	\$2,160	101.0%	(\$21)	(1.0%)	Break even	\$49
FACILITIES COSTS	\$6,383	\$5,804	90.9%	\$580	9.1%	Underspend due to lower Utility & Building maintenance related costs resulting from the delayed occupancy of the Clarington Police Complex	
COMPUTER MAINT / OPERATION	\$1,736	\$1,652	95.2%	\$83	4.8%	Underspend due to lower software maintenance costs	
EQUIP MTCE & REPAIRS	\$1,390	\$1,262	90.8%	\$128	9.2%	Underspend driven by lower radio repair costs	\$2
VEHICLE OPERATIONS	\$3,971	\$3,162	79.6%	\$809	20.4%	Underspend driven by lower actual fuel costs	\$64
DEBT CHARGES	\$11,105	\$11,114	100.1%	(\$9)	(0.1%)	Break even	
PROFESSIONAL SERVICE	\$2,222	\$3,341	150.4%	(\$1,119)	(50.4%)	Overspend due mainly to increased Legal Fees \$950k in addition to increased consulting costs for Vulnerable Persons \$74k, IT \$60k and Facilities \$35k	
FINANCIAL EXPENSES	\$1,748	\$1,763	100.8%	(\$15)	(0.8%)	Break even	
CAPITAL	\$3,234	\$4,316	133.4%	(\$1,081)	(33.4%)	Overspend from approved capital variances for a(n): 15 marked vehicle replacements, 1 replacement Explosives Disposal Unit, 1 Server (E-Crimes), Access Control System (North Div), Coplogic Reporting system and computers	\$112
RESERVES	(\$657)	\$150	-22.8%	(\$807)	122.8%	No draw required from the Helicopter Reserve	
GROSS EXPENDITURES	\$195,377	\$195,810	100.2%	(\$433)	-0.22%		\$2,730
REVENUE & RECOVERY	(\$14,872)	(\$15,449)	103.9%	\$578	(3.9%)	Increased revenues from Pay Duty and CIR's	(\$2,730)
NET EXPENDITURES	\$180,505	\$180,361	99.9%	\$144	0.08%		\$