

REPORT TO THE POLICE SERVICES BOARD



Author Giles le Riche, Director Business Services May 8, 2017
Subject Monitoring Report – Financial Activities and Conditions 1st Quarter 2017 (ended March 31, 2017) Decision

RECOMMENDATION:

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

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 nine 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 April 7, 2017, I report the following:

The financial statements for the 3 months ended March 31, 2017 show net spending of \$57.39 million (2016-\$41.52 million) representing 30% (2016-22%) of the annual operating budget of \$193.12 million (2016-\$187.50 million).

Spending in the first quarter is higher than in prior years, due to the full annual repayment of the Clarington Phase 1 internal loan. Debt service payments for the year will remain equal to the budgeted level.

At this point, it is expected that the year end result will be close to the budgeted level. Wage savings from position vacancies are expected to be largely offset by higher benefit costs. However, there is potential for additional costs related to member retirements that could range from \$1 to \$2 million, the impact of which is being reviewed together with Region Finance.

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.

'Draft' Policy Provision #2

2. *“Authorize capital expenditures which would result in a capital variance of more than 5% of the approved capital budget, to a maximum of \$200,000, prior to advising the Board.”*

Interpretation of the Chief of Police:

It is my interpretation of this policy that I will inform the Board prior to authorizing capital expenditures, which on a cumulative basis would result in a capital variance of more than 5% of the approved capital budget, to a maximum of \$200,000.

Data Support:

The Director of Business Services reports that we have had not approved cumulative capital variances that exceed 5% of the approved capital budget, nor the maximum amount of \$200,000, during the reporting period. For the period ending March 31, 2017, capital variances totaling \$81k have been approved.

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

Policy Provision #3

3. *“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 #4

4. *“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 #5

5. *“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 #6

6. *“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 April 13, 2017 Regional Council approved a report for the amendment and extension of the lease agreement with Durham College in Oshawa. The lease term is for five years, expiring on January 20, 2022.

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

Policy Provision #7

7. *“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:

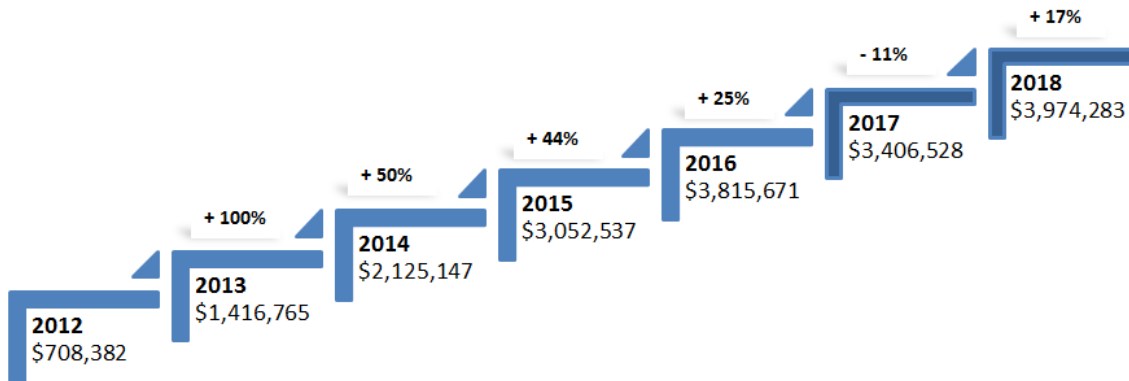
It is my interpretation of this policy that the service shall maintain a list of such programs and shall periodically evaluate funding opportunities and actively seek them out. Material funding sources shall be disclosed in the Annual Business Plan Budget which is approved by the Board. Funding awarded 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. The Service has informed the Ministry of their intent not to submit application(s) under the PEM grant program.

We anticipate 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 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.

In April, 2 grant applications were submitted under the Proceeds of Crime Front Line Policing grant program.

Granting Ministry	Grant Program Name	Funding Purpose	Amount Requested	Application Status	Approved Amount	Grant Expiry
Ministry of the Attorney General	Civil Remedies for Illicit Activities (Operation East - Education & Awareness of Sex Trafficking)	Overtime, Training	\$49,070	Approved	\$49,070	31-Mar-18
Ministry of the Attorney General	Civil Remedies for Illicit Activities (Organized Crime)	Specialized Equipment, Training	\$49,840	Approved	\$49,840	31-Mar-18
Ministry of Community Safety & Correctional Services	Proceeds of Crime - Response to Fentanyl Crisis - Harm Reduction and Prevention through Education and Enforcement	Training, Specialized Equipment, Computer Software	\$99,999	Pending		
Ministry of Community Safety & Correctional Services	Proceeds of Crime - Durham Connect Phase II - Data-driven Collaborative Community Safety and Well-being Planning in Durham Region	Training, Staffing	\$99,200	Pending		

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

Policy Provision #8

8. *“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 will be done as scheduled in the regular 4th quarter reporting.

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

Policy Provision #9

9. *“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						
2017 Financial Reports				2017 Year-End Forecast Under / (Over) Spend		
Expense Category	Annual Budget \$000's	Mar/17 Actual Expense \$000's	% Budget	Under (Over) Spend \$ 000's	Under (Over) Spend % Budget	Comments on Major Trends
PAYROLL EXPENSES & RESERVES	\$168,341	\$43,871	26.1%	\$159	0.1%	Wage savings from position vacancies (\$1.71m) are expected to be largely offset by higher benefit costs (\$1.54m) There is potential for additional costs related to member retirements, that could range from \$1 - \$2m, the impact of which is being reviewed together with Region Finance.
PERSONNEL RELATED	\$2,181	\$549	25.2%	\$	0.0%	Break Even
COMMUNICATION	\$2,166	\$395	18.2%	\$	0.0%	Break Even
SUPPLIES, FOOD, SERVICES	\$2,320	\$445	19.2%	\$	0.0%	Break Even
FACILITIES COSTS	\$7,425	\$1,715	23.1%	(\$100)	(1.4%)	Approved variance for Hydraulic Elevator (funded from Building Maintenance budget) & pending variance for Nextgen Shelter Replacement \$100k
COMPUTER MAINT / OPERATION	\$2,600	\$1,343	51.6%	\$54	2.1%	Savings from pending Nextgen variance to fund Shelter and Uninterrupted Power Supply Unit replacements. Note that the spending trend is always higher in first half of the year due to the timing of contract renewals
EQUIP MTCE & REPAIRS	\$1,043	\$74	7.1%	\$73	7.0%	Savings of \$125k resulted from renewed equipment maintenance contracts, offset by increased spend for pending Nextgen variance to replace Uninterrupted Power Supply Units \$52k
VEHICLE OPERATIONS	\$3,774	\$684	18.1%	\$100	2.7%	Anticipated fuel savings \$100k (average Q1 wholesale rate \$0.92/L vs. Budget \$1.11/L) - prices currently on an increasing trend
DEBT CHARGES	\$11,500	\$7,689	66.9%	\$	0.0%	Break Even (Q1 full annual repayment of Clarington Phase 1 internal loan)
PROFESSIONAL & CONSULTING	\$1,316	\$200	15.2%	\$	0.0%	Break Even
LEGAL SERVICES	\$1,009	\$153	15.1%	\$	0.0%	Break Even - Pending decision of Legal Services Model
FINANCIAL EXPENSES	\$1,845	\$461	25.0%	\$	0.0%	Break Even
CAPITAL	\$3,418	\$3,262	95.4%	(\$81)	(2.4%)	Approved variances for: IT related capital \$50k (funded from renewed equipment maintenance contract savings), Police Services Boardroom Conference System \$16k, \$15k misc. computers/laptops, workspace design
RESERVES	(\$241)	\$150	-62.1%	\$	0.0%	Full contribution booked and full draw from reserve anticipated
GROSS EXPENDITURES	\$208,696	\$60,990	29.2%	\$206	0.10%	
REVENUE & RECOVERY	(\$15,573)	(\$3,604)	23.1%	\$88	(0.6%)	Increased Nextgen Partner Revenues from pending variance for Shelter and Uninterrupted Power Supply (UPS) unit replacements
NET EXPENDITURES	\$193,124	\$57,386	29.7%	\$294	0.15%	

Durham Regional Police Service						
	2016 Financial Reports			DRPS Year-End Under / (Over) Spend		
	Annual Budget (\$000's)	Mar 31/16 Actual Expense (\$000's)	% of Budget Spent	Under (Over) Spend (\$ 000's)	Under (Over) spend as % of Budget	Comments on Trends
PAYROLL EXPENSES & RESERVES	\$162,657	\$32,947	20.3%	\$550	0.3%	Slight underspend expected due to savings from Q1 vacancies which will be likely offset by anticipated CBA settlements
PERSONNEL RELATED	\$2,265	\$449	19.8%	\$	0.0%	Break Even
COMMUNICATION	\$2,208	\$503	22.8%	\$	0.0%	Break Even
SUPPLIES, FOOD, SERVICES	\$2,168	\$402	18.5%	\$	0.0%	Break Even
FACILITIES COSTS	\$7,195	\$1,370	19.0%	\$	0.0%	Break Even
COMPUTER MAINT / OPERATION	\$2,037	\$992	48.7%	\$	0.0%	Break Even
EQUIP MTCE & REPAIRS	\$829	\$264	31.8%	(\$60)	(7.2%)	Anticipated overspend of \$60k due to Air Support maintenance costs
VEHICLE OPERATIONS	\$4,064	\$649	16.0%	\$	0.0%	Break Even
DEBT CHARGES	\$12,000	\$3,000	25.0%	\$	0.0%	Break Even
PROFESSIONAL SERVICE	\$2,238	\$489	21.8%	(\$225)	(10.1%)	Anticipated overspend in legal services costs of \$225k
FINANCIAL EXPENSES	\$1,800	\$447	24.8%	\$	0.0%	Break Even
CAPITAL	\$3,532	\$3,403	96.4%	\$	0.0%	Break Even
RESERVES	(\$65)	\$150	-230.8%	\$	0.0%	Break Even
GROSS EXPENDITURES	\$202,926	\$45,065	22.2%	\$265	0.13%	
REVENUE & RECOVERY	(\$15,427)	(\$3,544)	23.0%	\$	0.0%	Break Even
NET EXPENDITURES	\$187,499	\$41,521	22.1%	\$265	0.14%	

Note: Based on 1st quarter results and pending CBA settlements, a minor underspend is anticipated.