

Classification **PUBLIC**

Meeting **November 14, 2016**

Agenda Item **Monitoring Report:
Financial Conditions and Activities 3rd
Quarter 2016 (ended September 30, 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 October 5, 2016, I report the following:

The financial statements for the 9 months ended September 30, 2016 show net spending of \$137.83 million (2015-\$125.79 million) representing 74% (2015-70%) of the annual operating budget of \$187.50 million (2015-\$180.51 million).

At this point, spending and revenue trends indicate that the net spending for 2016 will be within the approved budget and is likely to be from \$0.2 to \$0.4 million under budget due primarily to vacant positions and lower fuel prices, offset by higher legal and professional services costs, as well as higher member benefit costs.

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:

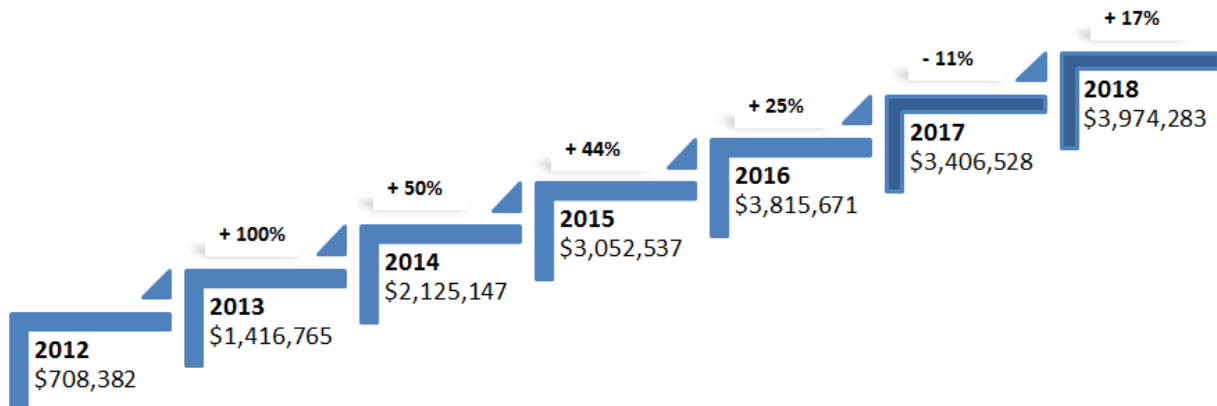
It is my interpretation of this policy that the service shall maintain a list of such programs and shall periodically evaluate funding opportunities and actively seek them out. Material funding sources shall be disclosed in the Annual Business Plan Budget which is approved by the Board. Funding awarded 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 has recently been 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, as previously reflected in the 2017 Draft Budget and is \$0.41 million less than the 2016 approved funding. 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.

DRAVIS Funding

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.

As a result, the 2016 budget did not include any funding under the DRAVIS program. In late May, the Ministry approved funding in the amount of \$252,697 for the period April 1 to December 31, 2016. This amount is equal to the approved funding for the same period in 2015.

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

The funding under the Safer and Vital Communities (SVC) Program and the Community Policing Partnerships (CPP) Program has both been approved for the current funding year 2016/2017 in the amount of \$1,750,000 and \$1,290,000 respectively.

Additionally, the following two grant applications were submitted in the 2nd quarter. On August 8th funding was approved for the Proceeds of Crime Grant “Durham Region Connect II” however the funding submission for “Operation East” was not approved.

| 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-16 | Not Approved | |

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

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 | | | DRPS 2016 Year-End Forecast Under / (Over) Spend | | |
| | Annual Budget (\$000's) | September 30/16 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 | \$120,208 | 73.9% | \$887 | 0.6% | Savings driven by position vacancies, offset by increased costs for benefit premiums, overtime (including Dravis) and acting pay |
| PERSONNEL RELATED | \$2,265 | \$1,516 | 66.9% | \$65 | 2.9% | Underspend expected in Education & Training and Car allowance / Mileage |
| COMMUNICATION | \$2,208 | \$1,580 | 71.6% | \$ | 0.0% | Break Even |
| SUPPLIES, FOOD, SERVICES | \$2,168 | \$1,472 | 67.9% | \$ | 0.0% | Break Even |
| FACILITIES COSTS | \$7,195 | \$4,758 | 66.1% | \$ | 0.0% | Break Even |
| COMPUTER MAINT / OPERATION | \$2,037 | \$1,616 | 79.3% | \$ | 0.0% | Break Even (Note: Spending trends higher in the first half of the year) |
| EQUIP MTCE & REPAIRS | \$829 | \$622 | 75.1% | (\$60) | (7.2%) | Estimated overspend of \$60K due to Air Support maintenance |
| VEHICLE OPERATIONS | \$4,064 | \$2,472 | 60.8% | \$400 | 9.8% | Underspend driven by lower average fuel cost |
| DEBT CHARGES | \$12,000 | \$9,020 | 75.2% | \$ | 0.0% | Break Even |
| PROFESSIONAL SERVICE | \$2,238 | \$2,023 | 90.4% | (\$865) | (38.7%) | Anticipated overspend of \$690k in Legal services and \$175k in Consulting costs |
| FINANCIAL EXPENSES | \$1,800 | \$1,351 | 75.1% | \$ | 0.0% | Break Even |
| CAPITAL | \$3,532 | \$3,483 | 98.6% | (\$450) | (12.7%) | Anticipated overspend of \$450k for approved capital variances |
| RESERVES | (\$65) | \$150 | -230.8% | (\$215) | 330.8% | Not anticipating the need to utilize the reserve due to expected net budget underspend |
| GROSS EXPENDITURES | \$202,926 | \$150,273 | 74.1% | (\$238) | -0.12% | |
| REVENUE & RECOVERY | (\$15,427) | (\$12,441) | 80.6% | \$582 | (3.8%) | Funding from DRAVIS, CRIA and POC, final PanAm billing (CBA settlement) and higher Pay Duty revenues |
| NET EXPENDITURES | \$187,499 | \$137,832 | 73.5% | \$345 | 0.18% | |

Note: Based on 3rd quarter results an underspend in the range of \$0.2 to \$0.4 million is anticipated.