

REPORT TO THE POLICE SERVICES BOARD



| | | |
|---------|---|--------------------------|
| Author | Giles le Riche, Director Business Services | Date: March 6, 2018 |
| Subject | Monitoring Report – Financial Activities and Conditions 4th Quarter 2017 (year ended Dec. 31, 2017) | Report Type: Information |

RECOMMENDATION:

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

Signed: _____ Date: _____
 Chief of Police

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 February 22, 2018, I report the following:

The financial statements for the 12 months ended December 31, 2017 show net spending of \$193.08 million (2016-\$187.47 million) representing 100% (2016-100%) of the annual operating budget of \$193.12 million (2016-\$187.50 million).

In the third quarter report, we anticipated that the service's net spending for 2017 would fall within the approved budget. As anticipated, wage savings from position vacancies were almost completely offset by higher benefit costs, including a total of 77 member departures. Higher spending for legal and consulting needs were offset by savings in other operational spending areas. The appendix contains tables that compare actual spending to budget spending by major category, including a brief explanation of the major trends for both 2017 and 2016.

Therefore, I report **compliance** with this provision.

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 individual discretionary capital expenditures which had not been included in the approved capital budget, and which are larger than the lesser of a) 5% of the approved capital budget, and b) \$200,000.

Data Support:

The Director of Business Services reports that we have not approved any individual capital variances that exceed either 5% of the approved capital budget, or the amount of \$200,000, during the reporting period. For the period ending December 31, 2017, capital variances totaling \$512k 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.

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:

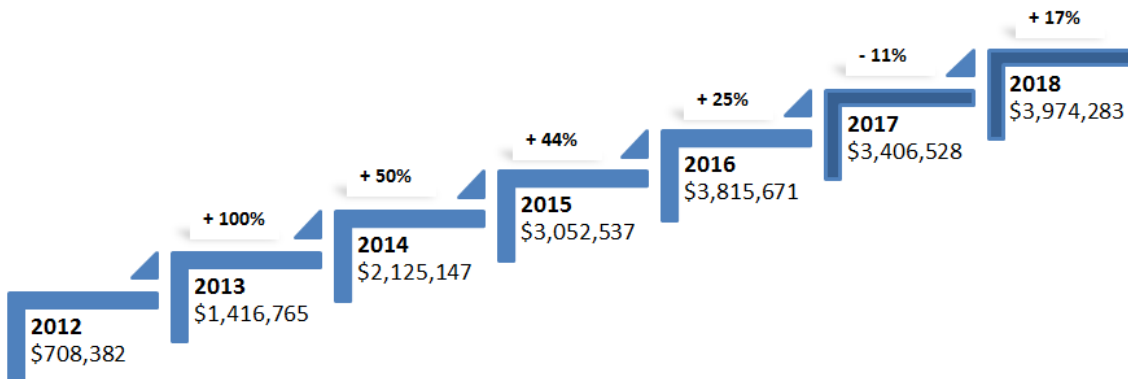
It is my interpretation of this policy that the service shall maintain a list of such programs and shall periodically evaluate funding opportunities and actively seek them out. Material funding sources shall be disclosed in the Annual Business Plan Budget which is approved by the Board. Funding awarded 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 was \$1.17 million less than originally expected and was \$0.41 million less than the 2016 approved funding. The 2017 approved budget included the funded amount of \$3.41 million. The 2017 budgeted costs for police Court Security were \$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 2018 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 2018 funding year. The Service has informed the Ministry of their intent not to submit application(s) under the PEM grant program.

In May, the Ministry approved the following amounts for the 2017/2018 funding period:

- 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.

In late 2017, Regional Council approved the execution of a Services Agreement with the Ontario Lottery and Gaming Corporation, including the provision of Regional services to the Great Blue Heron Casino, for an initial term of January 1, 2018 to March 31, 2023. Additionally, there is the option to extend for a subsequent five-year term. The Service will enter into a Memorandum of Understanding with the Region in order to share the service agreement payments, in a manner similar to payments received to date for the provision of police services to the Great Blue Heron Casino.

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. The Service decided to apply these amounts to the 2017/2018 funding year, based on the option provided by the Ministry due to the timing of the final approvals.

During 2017, several other grant applications have been submitted, 2 of which were approved in April (Proceeds of Crime, RIDE grant). Two grant applications (Proceeds of Crime, Civil Remedies for Illicit Activities) were not approved.

All grant activity is summarized in the table below.

| 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 (1) | \$49,070 | 31-Mar-18 |
| Ministry of the Attorney General | Civil Remedies for Illicit Activities (Organized Crime) | Specialized Equipment, Training | \$49,840 | Approved (1) | \$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 | Not Approved | \$0 | |
| Ministry of Community Safety & Correctional Services | Proceeds of Crime - Durham Connect Phase III - Data-driven Collaborative Community Safety and Well-being Planning in Durham Region | Training, Staffing | \$99,200 | Approved | \$84,320 | 31-Mar-18 |
| Ministry of Community Safety & Correctional Services | RIDE Grant (Reducing Impaired Driving Everywhere) - 2017/2018 | Enhancement to the R.I.D.E program (Officer Overtime cost) | \$108,578 | Approved | \$44,113 | 17-Mar-18 |
| Ministry of the Attorney General | Civil Remedies for Illicit Activities (Digital Crime Intelligence) | Specialized Equipment, Training | \$90,050 | Approved | \$90,050 | 31-Mar-18 |
| Ministry of the Attorney General | Civil Remedies for Illicit Activities (Capital for Forensic Identification & E-Crimes Units) | Capital (High capacity Storage Area Network) | \$99,288 | Not Approved | \$0 | |

*(1) Civil Remedies for Illicit Activities - 2016/2017 Grant programs: Late grant approval - Ministry gave option to use funds in 2017/2018.

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 was completed and the review determined that there are no services for which billings should be issued for 2017.

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. 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. An updated version has been developed and will be implemented during 2018.

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 | Dec/17 Actual Expense \$000's | % Budget | Under (Over) Spend \$ 000's | Under (Over) Spend % Budget | Comments on Major Trends |
| PAYROLL EXPENSES & RESERVES | \$168,341 | \$168,049 | 99.8% | \$292 | 0.2% | Wage savings from position vacancies (\$4.0m) were almost fully offset by higher benefit costs (\$3.7m). These figures include the impact from 77 member departures in 2017. |
| PERSONNEL RELATED | \$2,181 | \$2,374 | 108.8% | (\$193) | (8.9%) | Higher spend for uniforms/protective clothing driven by larger # of new recruits and promotions to replace retired/resigned members. |
| COMMUNICATION | \$2,166 | \$2,096 | 96.7% | \$70 | 3.3% | Savings from renegotiated telephone contracts, in addition to smaller savings from postage and community relations spending . |
| SUPPLIES, FOOD, SERVICES | \$2,320 | \$2,423 | 104.4% | (\$102) | (4.4%) | Increased spending related to Ministry funded grant programs and major investigations, fully offset in revenues & recoveries |
| FACILITIES COSTS | \$7,425 | \$7,149 | 96.3% | \$276 | 3.7% | Savings due to a combination of lower usage and favorable rates for hydro & gas, slightly offset by higher water rates. |
| COMPUTER MAINT / OPERATION | \$2,600 | \$2,571 | 98.9% | \$29 | 1.1% | Nextgen savings (used for UPS Site Replacements - capital) and small underspend for software licenses. |
| EQUIP MTCE & REPAIRS | \$1,043 | \$832 | 79.8% | \$211 | 20.2% | Savings from renewed telecom equipment maintenance contracts \$125k and Nextgen underspend \$86k. |
| VEHICLE OPERATIONS | \$3,774 | \$3,216 | 85.2% | \$558 | 14.8% | Fuel savings, combined with insurance recovery for written off vehicles (offset by vehicle replacement cost recorded as capital budget variances), slightly offset by increased spend for vehicle maintenance. |
| DEBT CHARGES | \$11,500 | \$11,504 | 100.0% | (\$4) | (0.0%) | Break Even |
| PROFESSIONAL & CONSULTING | \$1,316 | \$1,738 | 132.0% | (\$421) | (32.0%) | Overspend driven by consulting fees related to recruitment (assessments), leadership development, facilities support and executive sponsored projects. |
| LEGAL SERVICES | \$1,009 | \$2,276 | 225.6% | (\$1,267) | (125.6%) | Overspend due to current legal cases/proceedings. |
| FINANCIAL EXPENSES | \$1,845 | \$1,847 | 100.1% | (\$2) | (0.1%) | Break Even |
| CAPITAL | \$3,418 | \$3,930 | 115.0% | (\$512) | (15.0%) | Approved variances for: Nextgen \$238k (Shelter & 6 UPS Site replacements), Fleet write off vehicle replacements \$147k, IT related capital \$50k (funded from renewed equipment maintenance contract savings), Pistol replacement \$26k, Police Services Boardroom Conference System \$16k, \$35k misc. |
| RESERVES | (\$241) | (\$241) | 100.0% | \$ | 0.0% | Full contribution and full draw from reserve recorded |
| GROSS EXPENDITURES | \$208,696 | \$209,762 | 100.5% | (\$1,066) | -0.51% | |
| REVENUE & RECOVERY | (\$15,573) | (\$16,683) | 107.1% | \$1,110 | (7.1%) | Grant & Project funding \$650k (offset by operational costs), higher vehicle auction proceeds \$103k, higher pay duty revenues \$463k and other revenues \$126k, offset by lower Criminal Info Request revenues \$233k |
| NET EXPENDITURES | \$193,124 | \$193,079 | 100.0% | \$44 | 0.02% | |

| Durham Regional Police Service | | | | | | |
|--------------------------------|---|---|----------|---------------------------------------|-----------------------------------|---|
| | 2016 Financial Reports as provided by Region (Feb 14/17) | | | 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 Stratetgic 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% | |