

Classification      **PUBLIC**

Meeting              **May 18, 2021**

Agenda Item        **Monitoring Report:  
Strategic and Financial Planning – 1<sup>st</sup>  
Semi-Annual Report 2021**



**Recommended Motion:**

THAT the Board find that all provisions of the Strategic and Financial Planning have been complied with.

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**Strategic and Financial Planning**

I hereby submit my monitoring report on your Executive Limitations, “Strategic and Financial Planning” according to the schedule set out. I certify that the information contained in this report is true.

Signed: \_\_\_\_\_

Date: \_\_\_\_\_

*May 5/21*

Chief of Police

**BROADEST POLICY PROVISION:**

*The Chief of Police shall not fail to produce an annual operational plan, derived from a multi-year plan that identifies strategies and actions for the accomplishment of the Board's stated Ends policies.*

*Financial planning for any fiscal year, or the remaining part of the year, will not deviate materially from Board's Ends policies and business plan, risk fiscal jeopardy, or fail to be derived from a multi-year financial plan.*

**Interpretation of the Chief of Police:**

The Board's Ends policies drive the multi-year Strategic Plan (which satisfies the requirements of the Police Services Act) which in turn drives the annual budget and the 10-year capital forecast required by the Region. Furthermore, business plans and annual budgets are subject to realistic revenue and cost projections in both the near and long term.

The 2020 Strategic Plan has been approved by the Board and published. The Strategic Plan is reported upon semi-annually under the Board's Strategic Plan update policy in March and September.

Annual financial planning is done with the input and participation of all operational levels, in order to meet Strategic Plan objectives and Board Ends, in accordance with specific Board policy.

**Data in Support:**

The supporting data is comprised of the multi-year Strategic Plan, 10-year capital forecast and the Annual Business Plan Budget.

The 2020 multi-year Strategic Plan has been published.

The Region is planning to approve budgets for 2022 before the end of 2021. It is expected that the Region will receive the 2022 operating and capital forecasts in June /July 2021, detailed draft 2022 annual operating budget in July/August 2021. It is expected that the Regional Budget Guideline for 2022 will be presented to the Finance and Administration Committee in June 2021 and Regional Council in June of 2021. Regional Council is expected to approve the budget in December 2021.

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

*Further, without limiting the generality of the foregoing by the enumeration, the Chief of police will not allow budgeting that:*

**Policy Provision #1**

*Establishes conditions and activities that will be unnecessarily difficult to maintain.*

**Interpretation of the Chief of Police:**

The policy prohibits me from undertaking or approving operating or financial activities, which would place the integrity of the service or Police Services Board in jeopardy. I will ensure any new operational or financial activities begun are within the financial limitations as set out within the approved budget for the upcoming year and are in furtherance of Board Ends and Limitations policies.

**Data Support:**

Current conditions and activities, which are required to maintain existing Board End compliance and service levels, result in an approximate ongoing annual increase in net expenditures of 3 to 4 %. The Board's Finance Committee received a presentation on this most recently in April 2021. This figure represents an estimate of expected economic increases in wages and benefits and estimated inflationary cost increases in non-salary expenditures, but does not include any provision for meeting increased demands for service as a result of population growth, which is estimated at 2 % or additional debt service and operating costs for capital projects. It also does not include any provision for addressing expense items for which the Board's approved budget is less than the actual spending level in prior years.



The largest of those expense items will be briefly addressed below.

#### Pandemic Related Costs

The impact of the COVID-19 Pandemic on expenses and revenues may be material. As detailed budget planning proceeds, the service will keep the Board informed so that they may be taken into account in assessing the 2022 budget needs.

#### Wage Rates

Recent wage settlements in the policing sector have been higher than the average in the past 8-year period and now that the Board has settled with the DRPA, the 2022 budget and subsequent years will reflect the new agreement.

#### Retirement Costs

The Service regularly reviews pension report information regarding member retirement eligibility. The continuing cost impact from rising numbers of member retirements, with respect to the related contractual financial entitlements, is expected to impact 2022 spending.

The Board's budget allocation for servicing these entitlements has been lower than actual spending and this has been reported to the Board and the Board's Finance Committee in budget reports, most recently September 14, 2020(see page 6 and 7) and October 21, 2020(see page 10 and 11).

Ongoing discussions with the Board and Region Finance on this issue have not resulted in an increased Board approved budget to accommodate these actual expenses, nor has the Region established reserves for the Board to access in order to fund these expenses.

#### WSIB Costs

The Board has also received regular reports addressing the fact that expenses for WSIB claims have regularly exceeded the Board's budget allocation since 2015, when the provincial legislation for operational stress injuries was changed to allow claims from emergency services personnel on the presumption that their injury was as a result of their work

#### Legal Costs

The Board is aware from prior year's budget reports and quarterly financial monitoring reports that Legal Fee spending is in excess of the Board's budget allocation for this expense item, and has been so for at least six years. The Board receives monthly in Camera reports on legal matters and the fees incurred related to those legal matters.

#### Capital Replacement & Buildings

The Board's budget allocation for major building repairs has been set at \$515k for a number of years and the actual funding need over a 10-year period is approximately \$15 million, which therefore requires about \$1.5 million per annum in budget funding. That estimate will likely need to be revised upward in order to comply with the initiatives described in the Regions Climate Change Mitigation Plan to upgrade insulation, building envelopes and convert heating systems from gas to electricity.

As a consequence of these considerations, new strategic investments under consideration for 2022 have been limited to certain high priority areas as directed by Command which will be proposed to the Board for consideration and support.

I have not undertaken or approved any activities which would result in a higher level of ongoing cost increases than that described above.

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

## **Policy Provision #2**

*Omits credible projection of expenses, separation of capital and operational items, and disclosure of planning assumptions.*

### **Interpretation of the Chief of Police:**

I must ensure that the Service diligently plans and clearly reports on expected future revenues and expenses in a format which meets the requirements of the Board and the Region of Durham.

### **Data Support:**

The 2021 Annual Business Plan Budget which included the 10 Year Facilities Capital Forecast document and the reports recommending approval of the budget, submitted to the Board in the fall of 2020 meet these requirements.

The key planning assumptions included:

- The number of authorized staff;
- The contractual wage increase estimated by the Board;
- Prior years expense experience presented in the budget reports and in the quarterly financial monitoring reports, showing which expenses exceeded the approved budget allocation and which expenses items were less than the budget allocation;
- Region of Durham provided estimates for employee benefit costs, which is a contract the Region administers on behalf of the Board;
- Region provided estimates for vehicle fuel prices, electricity prices, heating gas prices;
- Region provided estimates for the expenses of the space occupied by the Board at RHQ;
- Board approved fees and
- Provincial Grants discussed in the budget and reported on quarterly.

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

**Policy Provision # 3**

*Provides less for Board prerogatives during the year than is set forth in the Cost of Governance policy.*

**Interpretation of the Chief of Police:**

The DRPS will ensure that funds identified in the Board's annual governance budget are provided.

**Data Support:**

The 2021 Annual Business Plan Budget includes the Board's governance budget of \$606 thousand dollars.

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

**Policy Provision # 4**

*Provides for projection of revenues that exceed the Board's revenue projection.*

**Interpretation of the Chief of Police:**

The DRPS budget will be based upon realistic projections of revenue from Municipal, Provincial and Federal funding sources and user fees, as provided for by Board approved by-laws.

**Data Support:**

The Board approved the 2021 Annual Business Plan Budget, which totals \$221,158 million plus an additional \$2,033 million for the first year of a 3-year implementation of a new Body Worn Camera program, requested by Regional Council for a total operating budget of \$223,191 and is in compliance with the Region of Durham approval.

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

**Based on the above proof provided, I report overall compliance with the policy.**