



REPORT TO THE POLICE SERVICES BOARD

Author: Teresa Fetter, Director Business Services

Date: 15-Nov-2022

Type of Report: Public

Title: Financial Activities and Conditions – 3rd Quarter Ended 2022

RECOMMENDATION

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

EXECUTIVE SUMMARY

“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.

Furthermore, that any material variance that is likely to cause non-compliance with Policy 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 11, 2022, I report the following:

The financial statements for the nine (9) months ended September 30, 2022 show net spending of \$156.67 million (2021 - \$158.63 million) representing 67% (2021 - 47%) of the annual operating budget of \$233.72 million (2021 - \$223.19 million).

Based on the nine (9) months of actual spending and an estimate for the remaining three (3) months' activity, it is expected that the year end result will be close to the budgeted level.

In July, the Service experienced a significant fire at its leased Courtice Court facility. The damage was extensive and the Service has been working with its Regional partners to assess the related financial impacts, the majority of which are expected in the next fiscal year.

Recruitment challenges and member departures will result in underspend for payroll related costs, which will fully offset higher spending for overtime, and benefit costs for workers injured on duty. Additional overtime was incurred to support the Ottawa Police Service that is fully offset through recoveries.

Several non-personnel spending categories will be underspent, either to purposefully offset other spending needs, or as a result of activities diverted toward dealing with the Courtice Court fire.

Appendix A, beginning on page 11, provides additional financial information in the form of two summary tables. Each table compares the actual spending to the approved budget by major cost category, including a brief explanation of the major trends and forecast rationale. The first table represents the current year and the second table contains results from the same time period of the prior year.

I therefore report **compliance** with this policy 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 during the reporting period, there were no individual capital variances approved, that exceed either 5% of the approved capital budget, or the amount of \$200,000.

For the period ended September 30, 2022, net capital variances totaling approximately \$306.1k were approved, related to purchases due to written off fleet vehicles supported by insurance recoveries, vehicle components (upfitting), and operational equipment.

The Director of Business Services reports that in the upcoming reporting period (October to December 2022), the Service will have approved additional capital variances totaling approximately \$4.7 million to support the replacement of large operational vehicles destroyed in the July 2022 Courtice Court fire, and to place orders for 2023 fleet replacement vehicles, in line with manufacturing ordering timelines.

Three large operational vehicles destroyed in the Courtice Court fire require replacement and the Service is not expecting full insurance recovery to support these purchases. Budget variances totaling \$2.1 million will support these replacements.

Annual fleet vehicle replacements are initiated each fall, to align with the manufacturers ordering timelines. Manufacturer timelines and total vehicle availability have been challenging in recent years, requiring the Service to place full orders for the next year within even tighter timelines. To support this process, the Region has agreed to allow the Service to place orders for its 2023 replacement needs (56 vehicles; \$2.6 million), leveraging 2022 surplus funds. This one-time variance will effectively align the timing of vehicle orders with budget funding, reducing the risk of missing the manufacturer's order deadlines, and eliminating the need for the annual pre-budget capital approval process.

I therefore report **compliance** with this policy 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 policy 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 of the Board 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.

On March 23, 2021, the Uniform and Civilian collective agreements were finalized with the Durham Regional Police Association. These agreements are effective January 1, 2020 and expire on December 31, 2024.

On March 22, 2022, the Senior Officers collective agreement was finalized with the Durham Regional Police Senior Officer’s Association. This agreement is effective January 1, 2022 and expires on December 31, 2024.

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

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:

The Director of Business Services reports that in the upcoming period (October to December 2022), the Service has issued a purchase order to Stellantis NV in the amount of \$1.5 million for the purchase of 28 fleet vehicles. The purchase order was reviewed and approved by Police Services Board Chair Drew.

This purchase is part of the 2023 fleet vehicle replacement purchases, previously discussed under Policy Provision #2.

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

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:

The Service is working with the Region's Real Estate team to secure locations to replace the building lost in the Courtice Court fire.

In September, the Service secured property with Great Lakes Property Management for an impound lot located at 1621 Simcoe Street South in Oshawa. The three-year (3) lease term, began on September 16, 2022 and will end on September 30, 2025, with a single extension option for one (1) additional year.

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

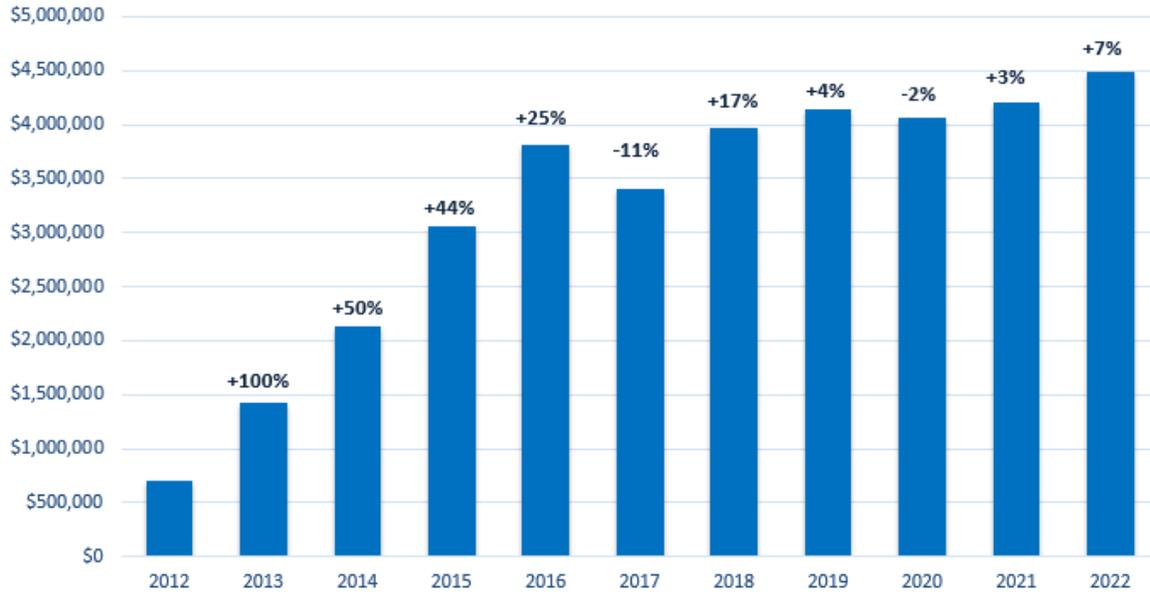
The Director of Business Services maintains a list of such programs; coordinates with the management of the service to make grant applications and discloses all known material funding sources in the Annual Business Plan Budget approved by the Board.

The Court Security Prisoner Transportation Funding

The program is based on a maximum funded amount of \$125 million for the Province in total, which the program reached in 2018. The Service has received approved 2022 funding in the amount of \$4,484,050 which represents a 7% increase over 2021 approved funding.

A historical summary of the approved funded amounts is provided below.

Court Security & Prisoner Transport Funding



Community Safety and Policing (formerly Front Line Policing) Grants

This grant is described as outcomes-based to better align with local and provincial priorities, with a focus on effective and integrated service delivery, improved flexibility for local needs and priorities related to safety and well-being and to encourage inter-jurisdictional and multi-sectoral approaches. There are two funding streams with focus on local priorities and provincial priorities. There is a formal application process every three years for funding under both streams.

Approved Grant Funding (01Apr2022 to 31Mar2025):

Local Priorities Stream: The Service’s allocation under the **local priorities** stream has been approved for a total amount of \$9.3 million over the 3-year cycle (\$3.1m per year).

- **Project SALUS:** As part of the Region’s Community Safety and Well-Being plan, this project will focus on providing support to vulnerable populations and toward targeting high-impact crimes (intimate partner violence, gang recruitment, and firearms offences).

Provincial Priorities Stream: The Service has received approval for the Project Upstream application, submitted under the **provincial priorities** stream, for a total amount of \$1.1 million over the 3-year cycle (~ \$0.4 million per year).

- **Project UPSTREAM:** Supporting the of the Region’s Community Safety and Well-Being plan, this project will focus on collaboration among community human services partners to support a reduction in the number of ‘acutely elevated risk’

situations that officers are required to manage. Total funding application is for \$1.3 million over the 3-year cycle.

Approved Grant Funding - Comparison	2022 - 2025	2019 - 2022	Funding Incr. / (Decr.)
Local Priorities	\$9,253,952	\$7,408,569	\$1,845,383
Provincial Priorities	\$1,139,040	\$2,088,142	-\$949,102
Total Funding (3 Yr Cycle)	\$10,392,992	\$9,496,710	\$896,281

Child and Youth Services Program Funding

The Service receives funding from the Minister of Child and Youth Services within the Ministry of Community and Social Services, to support the following initiatives:

- Extrajudicial Measures – Youth diversion program
- Youth in Policing – Summer employment program
- Youth in Policing – After school employment program

These program budgets are prepared annually and are normally approved in the late spring. In July 2020, the Service received \$435,489 of funding for the 2020-21 fiscal year, based on the prior year's funding allocation (\$435k – 2019/20).

Due to COVID-19, in March 2021, the Ministry extended this funding package to the 2021-22 fiscal year. The final request submitted for 2021-22 was \$490,914. The Service's 2022-23 allotment is budgeted for \$544,459.

Other Grants

The Service has been successful to receive several grants offering multi-year funding. A summary of the current multi-year grants is provided below.

Granting Ministry	Grant Program Name	Funding Purpose	Total Amount Requested	Application Status	Application Year	Approved Amount	Grant Expiry
Ministry of the Solicitor General Public Safety Division	Proceeds of Crime - Front-Line Policing (FLP) 2020-2023 (3 Year Grant)	Helping Alliances with Law Enforcement and Trafficking (HALT Project) (Victim Services Consultant, Supplies)	\$ 300,000	Approved	2020	\$ 300,000	31-Mar-2023
Ministry of the Solicitor General Public Safety Division	Children at Risk of Exploitation (CARE) Units 2020-2025 (5 Year Grant)	Anti-Human Trafficking funding to implement new Durham-based CARE Unit partnership model (Secondments, Equipment & Training)	\$ 3,557,045	Approved	2020	\$ 3,557,045	30-Jun-2025
Ministry of the Solicitor General	Victim Support Grant 2021-2023 (2 Years Grant)	To enhance capacity to support victims and survivors of intimate partner violence and human trafficking	\$ 200,000	Approved	2021	\$ 200,000	31-Mar-2023
2022 Totals			\$ 4,057,045			\$ 4,057,045	

The Service will continue to pursue additional funding opportunities as they become available.

Granting Ministry	Grant Program Name	Funding Purpose	Total Amount Requested	Application Status	Application Year	Approved Amount	Grant Expiry
Ministry of the Solicitor General	Automated Licence Plate Recognition (ALPR) Technology Grant 2022-23 (1 Year Grant)	Purchase and installation of ALPR equipment to support police services.	\$ 2,508,484	Submitted	2022		31-Mar-2023
Ministry of the Solicitor General	Ontario Closed Circuit Television (CCTV) Grant 2022-2023 (1 Year Grant)	Support and Outreach Services (SOS) Program	\$ 52,062	Submitted	2022		31-Mar-2023
Ministry of Community Safety & Correctional Services	Reduce Impaired Driving Everywhere (R.I.D.E.) Grant 2022-2024 (2 Year Grant)	Enhancement to the R.I.D.E program (Officer Overtime cost)	\$ 169,111	Submitted	2022		31-Mar-2024
2022 Totals			\$ 2,729,657			\$ -	

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

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 Patrol Support, 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 provision.

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 Policy and 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 Policy and Procedures Manual was first published and took effect in 2005. It is in substantial compliance with Regional Processes and therefore complies with the spirit of Regional Processes. An updated version was implemented in 2018. A full review is planned for 2023.

Financial transactions have been in compliance with the Financial Policy and Procedures Manual during the current reporting period.

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

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

Appendix A: Financial Summaries – Current and Prior Year

Durham Regional Police Service									
2022 Financial Results				2022 Financial Forecast					
Cost Category	Annual Budget \$000's	Sept YTD Actuals \$000's	% Budget	Annual Budget \$000's	3rd Quarter Annual Forecast	% Budget	Under (Over) Spend \$ 000's	Under (Over) Spend %	Comments on Major Trends
Payroll Expenses & Reserves	\$201,720	\$137,371	68.1%	\$201,720	\$197,816	98.1%	\$3,903	1.9%	Spending for salaries & related costs is expected to be close to budget. Net wage savings from vacancies will be reduced by cost pressures from overtime and benefit costs for workers injured on duty, and additional overtime incurred to support Ottawa police, which is fully offset through recoveries.
Personnel Related	\$3,030	\$1,875	61.9%	\$3,030	\$3,052	100.7%	-\$22	(0.7%)	Break Even
Communication	\$1,801	\$1,114	61.9%	\$1,801	\$1,585	88.0%	\$216	12.0%	Savings expected in printing and advertising
Supplies, Food, Services	\$2,702	\$1,980	73.3%	\$2,702	\$2,957	109.4%	-\$255	(9.4%)	Increased spending for ammunition for training purposes, partly offset by savings in office materials & supplies.
Facilities	\$9,247	\$5,840	63.2%	\$9,247	\$8,723	94.3%	\$524	5.7%	Expected savings in building maintenance and services (offset in Capital) and property rental are offset by higher natural gas prices.
Computer Maintenance /	\$4,233	\$2,776	65.6%	\$4,233	\$4,335	102.4%	-\$102	(2.4%)	Higher spending to support additional software licenses for backup server.
Equipment Maintenance / Repair	\$1,501	\$339	22.5%	\$1,501	\$1,067	71.1%	\$435	28.9%	Planned savings expected with helicopter maintenance partially offset in Capital.
Vehicle Operations	\$4,502	\$3,366	74.8%	\$4,502	\$4,586	101.9%	-\$84	(1.9%)	Higher fuel costs, offset by proceeds from an est. 9 vehicle write-offs (replacements shown in Capital).
Debt Service	\$10,300	\$7,630	74.1%	\$10,300	\$10,300	100.0%	\$0	0.0%	Break Even
Professional & Consulting	\$2,584	\$1,413	54.7%	\$2,584	\$1,919	74.3%	\$665	25.7%	Savings expected in professional & contracted services due to delays in start of some contracts.
Legal Services	\$1,512	\$1,415	93.6%	\$1,512	\$1,633	108.0%	-\$121	(8.0%)	Overspend, similar to past years, is expected based on current case volume.
Inter Dept'l Transfers	\$356	\$267	75.0%	\$356	\$356	100.0%	\$0	0.0%	Break Even
Financial Expenses	\$2,208	\$1,681	76.1%	\$2,208	\$2,254	102.1%	-\$46	(2.1%)	Higher bank charges related to increased point of sale transaction volumes from the processing of DRPS fee based services.
Capital	\$6,247	\$5,136	82.2%	\$6,247	\$11,955	191.4%	-\$5,708	(91.4%)	Overspend is due to approved variances for operational equipment and the replacement of vehicle write-offs (9), offset by insurance recoveries. Fourth quarter variances will include: Pre-orders for scheduled 2023 fleet vehicle replacements (56 / \$2.6m) and the replacement of 3 large operational vehicles destroyed in the Courtice Court fire (net of minimal insurance recovery).
Reserves	-\$376	\$0	0.0%	-\$376	\$450	-119.6%	-\$826	219.6%	Year-end reserve draw is not expected to be required.
Gross Expenditures	\$251,566	\$172,202	68.5%	\$251,566	\$252,987	100.6%	-\$1,421	-0.56%	
Revenue & Recovery	-\$17,845	-\$15,536	87.1%	-\$17,845	-\$20,671	115.8%	\$2,826	(15.8%)	Increased provincial subsidies and grants, pay duty revenues (mostly offset in wages), and recoveries from other services (offset in overtime costs), partly offset by lower Records revenues.
Net Expenditures	\$233,721	\$156,666	67.0%	\$233,721	\$232,317	99.4%	\$1,405	0.60%	

Durham Regional Police Service

2021 Financial Results			2021 Financial Forecast						
Cost Category	Annual Budget \$000's	Sept YTD Actuals \$000's	% Budget	Annual Budget \$000's	3rd Quarter Annual Forecast	% Budget	Under (Over) Spend \$ 000's	Under (Over) Spend % Budget	Comments on Major Trends
Payroll Expenses & Reserves	\$194,150	\$136,817	70.5%	\$194,150	\$193,151	99.5%	\$999	0.5%	Wage savings from position vacancies (\$7.4 m) are expected and will be partly offset by related overspending for part-time & overtime resources (\$1.8m). Net wage savings will be additionally offset by the impact of under-funded contractual retiree benefit obligations (\$2.8m) and WSIB costs (\$1.8m). Post employment estimates are based on the impact from an estimated 45 member departures, plus sick-pay entitlements for 2022 Q1 retirees (16)
Personnel Related	\$2,935	\$1,815	61.8%	\$2,935	\$2,804	95.5%	\$131	4.5%	Savings from conferences (pandemic related) and car allowance (position vacancies)
Communication	\$1,820	\$951	52.2%	\$1,820	\$1,662	91.4%	\$157	8.6%	Savings from printing & community relations costs (pandemic related)
Supplies, Food, Services	\$2,692	\$1,516	56.3%	\$2,692	\$2,692	100.0%	-\$0	0.0%	Breakeven
Facilities	\$8,986	\$5,734	63.8%	\$8,986	\$9,131	101.6%	-\$145	(1.6%)	Increased janitorial / cleaning costs (pandemic related)
Computer Maintenance / Operations	\$3,685	\$2,489	67.6%	\$3,685	\$4,052	110.0%	-\$367	(10.0%)	Spending for investigative cellular software analysis (fully offset by gov't funding) & BWC Yr. 1 reclassification from Capital
Equipment Maintenance / Repair	\$1,482	\$398	26.9%	\$1,482	\$882	59.5%	\$600	40.5%	Savings due to lower Air One flight hours (delays need for servicing)
Vehicle Operations	\$4,174	\$2,922	70.0%	\$4,174	\$4,120	98.7%	\$55	1.3%	Proceeds for 3 vehicle write-offs (fully offset in capital spend) & savings from vehicle leases, offset by higher fuel & vehicle repair costs
Debt Service	\$11,000	\$10,139	92.2%	\$11,000	\$11,000	100.0%	\$0	0.0%	Breakeven
Professional & Consulting	\$1,829	\$1,290	70.5%	\$1,829	\$2,099	114.8%	-\$270	(14.8%)	Higher consulting costs for virtual employee healthcare services (pandemic related), officer recruitment costs and BWC contract development
Legal Services	\$1,012	\$1,635	161.6%	\$1,012	\$2,100	207.6%	-\$1,088	(107.6%)	Overspend is expected based on current case volume
Inter Dept'l Transfers	\$309	\$232	75.0%	\$309	\$309	100.0%	\$0	0.0%	Breakeven
Financial Expenses	\$2,060	\$1,557	75.6%	\$2,060	\$2,076	100.8%	-\$16	(0.8%)	Higher spend for bank transactional / processing fees
Capital	\$5,339	\$5,713	107.0%	\$5,339	\$5,836	109.3%	-\$497	(9.3%)	BWC reallocation to operating costs fully offset by net approved variances for vehicle replacement costs for vehicle write-offs, operational equipment (-\$20k) plus pending Q4 variances for equipment related to CSPA requirements (\$425k) and one-time capital not included in 2022 budget (\$92k)
Reserves	-\$462	\$350	-75.8%	-\$462	\$350	-75.8%	-\$812	175.8%	Current estimates indicate no draw from the Air One reserve will be required
Gross Expenditures	\$241,011	\$173,559	72.0%	\$241,011	\$242,264	100.5%	-\$1,253	-0.52%	
Revenue & Recovery	-\$17,821	-\$14,925	83.8%	-\$17,821	-\$19,089	107.1%	\$1,269	(7.1%)	Lower police record check & false alarm revenues offset by higher pay duty revenues for pandemic assignments (offset by higher wages) and lawful access cost recovery (offset in part-time wages)
Net Expenditures	\$223,190	\$158,634	71.1%	\$223,190	\$223,174	100.0%	\$16	0.01%	

Report Approval Details

Document Title:	Financial Conditions and Activities for September 2022.docx
Attachments:	
Final Approval Date:	Nov 3, 2022

This report and all of its attachments were approved and signed as outlined below:

Teresa Fetter

Stan MacLellan

A handwritten signature in black ink, appearing to be 'TR' followed by a flourish.

Todd Rollauer