



REPORT TO THE POLICE SERVICES BOARD

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Date of Report: 11/15/2022

Type of Report: Public

Title: Strategic and Financial Planning 2nd Annual Report 2022

RECOMMENDATION

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

EXECUTIVE SUMMARY

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 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.

The Board's Ends policies drive the multi-year Strategic Plan from which the annual budget and the 10-year capital forecast are derived. Together, these activities satisfy the requirements under the Police Services Act.

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. Business plans and annual budgets are subject to realistic revenue and cost projections in both the near and long term.

Data in Support:

The supporting data is comprised of the multi-year strategic plan, 5-year operating/10-year capital forecast, and the annual budget and business plan.

The 2020 multi-year Strategic Plan has been published.

The Region received the 2023 operating and capital forecasts in June 2022.

The Service presented the 2023 draft budget and business plan to the Board's Finance Committee in July, followed by a full report to the Board in October.

The Regional Budget Guideline for 2023 will be presented to the Regional Council in late 2022 or early 2023, pending the results of the Municipal election and the makeup of the new Council. Final budget approval by Regional Council is expected in March 2023.

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

DISCUSSION

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:

In April, the Board's Finance Committee received a presentation with an overview of the 2022 budget and information about specific areas that will impact the 2023 budget, such as the annualization of 40 new positions. The presentation focused on key themes: community safety, community engagement, sustainability, 10-year infrastructure plan and Board priorities.

An update was provided on the longer-term focus and requirements for the Service. The first is a comprehensive review of the Service's capital building and spatial needs, including consideration for funding mechanisms available to support these plans. The second is a review of the staffing requirements for the Service, and the development of budget models to support planned growth.

In July and October, the Board's Finance Committee and the Board each respectively received a presentation and a report on the proposed 2023 budget.

Funding for current programs and activities, which are required to maintain existing Board End compliance and service levels, typically require an annual base budget increase between three (3) and four (4) percent. However, due to the current socio-economic climate, 2022 inflation rates have averaged closer to seven (7) percent¹ with economists predicting the rates to settle at around two (2) to three (3) percent in 2023². This has resulted in the Service anticipating current base budget pressures for 2023 to be over four (4) percent. This figure represents an estimate of expected economic increases in wages and benefits and estimated inflationary cost increases in non-salary expenditures.

The largest of those expense items are briefly addressed below.

Authorized Strength:

The Service's authorized strength remained relatively flat until 2018, after which point, a limited number of uniform and civilian positions were approved. In 2020, Command initiated a Patrol Staffing Analysis to study and recommend a necessary level of authorized strength for the Service that factors in the impact and challenges the expected population growth will have on the Service and its operations.

The 2022 approved budget resulted in the most significant increase with the approval of 40 positions. The proposed 2023 budget requests another 41 positions. The 5 year operating forecast estimates the need for an additional 20 uniform officers and 2 supporting staff for the next few years.

CBA Wages and Benefits:

Wage settlements in the policing sector have been higher than the average in the public administration industry in the past 10-year period³. Current agreements with the DRPA include annual wage increases of 2.0% over the next two years. Economic and

¹ *Canada inflation summary for September 2022* (2022, October 19). Source: www.rateinflation.com
Statistics Canada. *Consumer Price Index, September 2022* (2022, October 19). Link: <https://www150.statcan.gc.ca/n1/daily-quotidien/221019/dq221019a-eng.htm>

² Orlando, James & Feltmate, Thomas. *Long-Term Forecast* (2022, September 27). TD Economics. Link: <https://economics.td.com/ca-long-term-forecast>

³ Ontario.ca (n.d). *Collective Bargaining Ontario – Industry Snapshot*. Retrieved 2022, October 27 from <https://www.lrs.labour.gov.on.ca/en/index.htm> and https://www.lrs.labour.gov.on.ca/VAViewer/VisualAnalyticsViewer_guest.jsp?reportName=Collective%20Bargaining%20Highlights&reportPath=/Shared%20Data/SAS%20Visual%20Analytics/Public/LASR/

inflationary pressures may result in pressure for higher wage increases for future agreements.

Retirement Costs

The Service regularly reviews pension report information regarding member retirement eligibility. The cost impact from annual member retirements, with respect to the related contractual financial entitlements, is expected to place pressure on annual budgets.

The Board's budget allocation for servicing these entitlements has been lower than actual spending in recent years. The inherent variability with respect to number of annual retirements impacts the Service's budget to different degrees. For this reason, the Service believes that these costs are best managed through a reserve funding mechanism, and will continue to work with the Region to create such a model.

WSIB Costs

The Board has 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 work⁴. The proposed 2023 budget includes an increase of \$0.5 million to address the ongoing increase.

On-going discussions with Region Finance include the consideration of alternative methods to support these growing costs.

Legal Costs

The Board is aware from prior year's budget reports and quarterly financial monitoring reports that Legal Fee spending are usually in excess of the Board's budget allocation for this expense item. The 2022 budget included funding in the amount of \$0.5 million to help to address this gap. 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 had been set at \$0.5 million 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. The 2022 budget included an increase of \$0.5 million. The Service will increase this funding through annual budgets, until a sufficient level is achieved. The proposed 2023 Budget includes an additional \$0.1 million,

Future increases to this budget are critical in order to sustain all work required, as identified in the most recent 10-year forecast, as well as to support the initiatives

⁴ Ontario.ca (n.d). *Ontario Passes Legislation to Support First Responders with PTSD*. Retrieved September 26, 2022, from <https://news.ontario.ca/en/release/36382/ontario-passes-legislation-to-support-first-responders-with-ptsd>

described in the Region's Climate Change Mitigation Plan. Examples of these initiatives include insulation upgrades, building envelopes, the conversion of heating systems from gas to electricity, and the installation of charging stations.

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 Financial Conditions and Activities reports were made available to the Board on a quarterly basis in March, May, September and November. The proposed 2023 budget, including the 10-Year Facilities Capital Forecast document, key planning assumptions and revenue or funding risks/opportunities, was made available to the Board in October 2022, thereby satisfying these requirements.

The report, presented to the Board with the support of the Board's Finance Committee, was in accordance with the Region's planning schedule and in advance of the Regional Council meeting in March 2023.

The key planning assumptions included:

- The number of authorized staff and contractual wage rate increases negotiated 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 were less than the budget allocation;
- The Region provided estimates for employee benefit costs, which is a contract they administer on behalf of the Board;

- The Region provided estimates for vehicle fuel prices, electricity prices, heating gas prices;
- The 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 proposed 2023 budget includes the Board's governance budget of \$649.4k (2022 = \$611.8k).

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:

In October 2022, the Board received information related to the proposed 2023 Budget, which currently totals \$247.5m (2022 = \$233.3m). The Region's assigned budget guideline has yet to be released and is not expected until closer to the end 2022 or even early 2023. The proposed 2023 budget includes realistic projected funding and user fee revenues, based on currently available information.

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

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

Report Approval Details

Document Title:	Strategic and Financial Planning Report 2022 2nd Semi Annual.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 'Todd Rollauer', with a stylized, somewhat abstract shape.

Todd Rollauer