



REPORT TO THE POLICE SERVICES BOARD

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Date of Report: 5/16/2023

Type of Report: Public

Title: Strategic and Financial Planning Report for 2023-1st Semi-Annual

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 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 Strategic Plan was approved by the Board and published. The 2024 Strategic Plan will be submitted to the Board for review and approval in June.

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 was presented to the Regional Council in January 2023. Final budget approval by Regional Council was in March 2023.

For the 2024 budget, the Service expects to follow-up similar timelines, including final budget approval at Regional Council in early 2024.

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

DISCUSSION

#1 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 2023 approved budget and information about specific areas that will impact the 2024 budget, such as the annualization of 41 new positions, CBA rate increases and continued inflationary pressures. 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.

1. A comprehensive review of the Service's capital building and spatial needs, including consideration for funding mechanisms available to support these plans.
2. A review of the staffing requirements for the Service, and the move toward multi-year budget approvals to better align longer-term goals and the funding needed to achieve them.

In July and September, the Board's Finance Committee and the Board each respectively will receive a presentation and a report on the proposed 2024 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. Current and anticipated future socio-economic factors, like inflation rates and supply chain challenges, will continue to impact the level of base funding required.

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. The study considered key factors that are challenging the Service's staffing levels, including the expected population growth and the increasing level of members on disability leaves.

The 2022 approved budget resulted in the most significant increase with the approval of 40 positions, followed by another 41 approved in the 2023 budget. The 5-year outlook includes the continuing need for an additional uniform officers, investigative officers, and supporting staff over 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 period¹. Current agreements with the DRPA are set to expire December 31, 2024. Economic and inflationary pressures may result in pressure for higher wage increases for future agreements.

¹Ontario.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/

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 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 establish this funding 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 work².

The 2023 budget included an increase of \$0.5 million to \$1.5 million address the ongoing pressures related to WSIB administration costs. The Service spent approximately \$2.5 million and 2023 is trending toward the same level.

Legal Costs

The Board is aware that the Service's legal costs have historically exceeded its annual budgeted amount. In addition to a budget increase of \$0.5 million in 2022, the Service has adjusted its model to leverage legal support through a partnership with the Region's legal department. As a result, the Service's legal costs have become less volatile and closer to budgeted levels. 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 needs over a 10-year period is approximately \$15 million, which therefore requires about \$1.5 million per annum in budget funding.

The funding shortfall was addressed in the 2022 budget, raising the annual funding to \$1.0 million. The Service plans to increase funding through future annual budgets gradually to meet the growing need to properly maintain aging capital infrastructure.

² 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>

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 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

#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. These reports provide regular updates related to current year spending and forecasted year-end financial outlook.

The 2023 budget, including the 10-Year Facilities Capital Forecast document, key planning assumptions and revenue or funding risks/opportunities, were made available to the Board in October 2022, and provided to the Region for the March 2023 Council meetings.

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

#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 included the Board's governance budget of \$649.4k (2022 = \$611.8k).

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

Policy Provision # 4

#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 2023 budget included realistic projected funding and user fee revenues, based on available during the budget development and approval process. The Service will make reasonable estimates for long-term funding sources set to expire, where no confirmed renewal information is available. The Service does not include unanticipated or one-time funding revenues and their associated costs in the budget process.

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 2023 1st Semi Annual.docx
Attachments:	
Final Approval Date:	May 2, 2023

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 read 'Peter Moreira', with a stylized flourish at the end.

Peter MOREIRA