

Analyst Briefing Notes

Budget Committee

(March 26, 2007)

2007 OPERATING BUDGET

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2007 OPERATING BUDGET

Executive Summary

- The Toronto Police Services Board preliminary year-end variance report indicates that the Program’s year-end projection of \$2.157 million net will exceed its 2006 Approved Budget of \$1.785 million by \$0.372 million or 20.9%. This variance is mainly attributable to legal fees for labour relations matters, other matters where third party counsel is required, and City Legal charge backs.
 - Given the increasing number of legal cases which require an increasing use of both external and internal City Legal resources, the legal budget for 2007 has been increased by \$0.383 million to align it with the 2006 actual experience.

- The 2007 Recommended Operating Budget is consistent with the goals and priorities outlined in Toronto Police Services Board 2006 to 2008 Business Plan, and provides funding for the Board’s base budget pressures and service priorities. The Board’s Business Plan focuses on the making improvements in the following key priority areas:
 - Community Policing Partnerships
 - Community Safety and Security
 - Traffic Safety
 - Delivery of Service
 - Human Resources

- The 2007 Recommended Operating Budget for the Toronto Police Services Board of \$2.238 million net is comprised of \$2.238 million for Base funding and has no New Service Priorities. The Budget is \$0.454 million or 25.4% over the 2006 Approved Budget.

Table 1: 2007 Recommended Budget

	2006		2007 Recommended Operating Budget			Change - 2007 Recommended from 2006 Approved Budget		FY Incremental Outlook	
	2006 Appvd. Budget	2006 Projected Actual	2007 Base	2007 New /Enhanced	2007 Operating Budget			2008	2009
	\$	\$	\$	\$	\$	\$	%	\$	\$
GROSS EXP.	1,784.6	2,171.9	2,238.3	0.0	2,238.3	453.7	25.4	37.3	38.4
REVENUE	0.0	14.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NET EXP.	1,784.6	2,157.1	2,238.3	0.0	2,238.3	453.7	25.4	37.3	38.4
Approved Positions	8.0	8.0	8.0	0.0	8.0	0.0	0.0		
TARGET			1,784.6		1,784.6				
\$ Over / (Under) Program Target			453.7		453.7				
% Over / (Under) Program Target			25.4%		25.4%				

Source: *Projected Actuals Based on the Preliminary Year-End Actual Expenditures.

- The net incremental impacts of \$0.037 million in 2008, and \$0.038 in 2009 reflect economic cost adjustments on non-salary expenses. The outlook for 2008 and 2009 does not include a provision for COLA on salaries, as the increase is subject to future negotiations.

- Key cost drivers for 2007 include:
 - Third-party legal fees and inter-divisional charges from City Legal for the services provided to the Police Services Board (\$0.383 million);
 - Annualization of civilian salary costs (\$0.030 million)
 - Salary settlement adjustments (\$0.022 million)
 - Overtime to accommodate increased workload (\$0.011)
 - Advertising & Promotion expenses for Canadian Association of Police Boards Conference being hosted in Toronto in 2008 (\$0.010 million)
 - A reduction in one-time Furniture/Equipment expenses in 2006 (\$0.015 million)

- In an effort to control the legal costs in the Toronto Police Services Board Operating Budget, it is recommended that the Chair of the Toronto Police Services Board report to the Budget Committee prior to the 2008 Budget process on the drivers associated with the increased legal costs, and any options which can be taken to minimize both internal and external legal costs.

Recommendations

The City Manager and Chief Financial Officer recommend that:

1. the 2007 Recommended Operating Budget for the Toronto Police Services Board of \$2.238 million gross and \$2.238 million net, comprised of the following services, be approved:

<u>Service:</u>	<u>Gross (\$000s)</u>	<u>Net (\$000s)</u>
Toronto Police Services Board	<u>2,238.3</u>	<u>2,238.3</u>
Total Program Budget	<u>2,238.3</u>	<u>2,238.3</u>

2. the Chair of the Toronto Police Services Board report back to the Budget Committee prior to the 2008 Budget process on the drivers associated with the increased legal costs, and any options which can be taken to minimize both internal and external legal costs.

Section A: 2006 Budget Variance Analysis

Table 2: 2006 Budget Variance Review

(In \$000s)	2005 Actuals	2006 Approved Budget	2006 Projected Actuals*	2006 Appvd. Budget vs Projected Actuals Variance	
	\$	\$	\$	\$	%
GROSS EXP.	1,335.4	1,784.6	2,171.9	387.3	21.7
REVENUES	0.0	0.0	14.8	14.8	0.0
NET EXP.	1,335.4	1,784.6	2,157.1	372.5	20.9
Approved Positions	8.0	8.0	8.0	0.0	0.0

Source: *Projected Actuals Based on the Preliminary Year-End Actual Expenditures.

2006 Experience

The Toronto Police Services Board has reported a year-end net unfavourable variance of \$0.372 million or 20.9 % of the 2006 Approved Operating Budget.

The net unfavourable variance is attributed to:

- Salaries in excess of budget due to differences in actual versus budgeted salary rates (\$0.036 million)
- Non-salary accounts were overspent by \$0.336 million, and are the result of increased external legal fees for labour relations and other matters (\$0.223 million) and greater than anticipated charge backs from City Legal Division (\$0.123 million). It must be noted that the legal fees are mandatory in nature. The Board utilizes Legal services to deal with civil actions filed against the Board, submissions by the Toronto Police Association, real estate, contract administration, inquests, human rights, and privacy issues.
- The overspending was partially offset by savings in the Board's conference account.

2006 key accomplishments by the Board included:

- Establishment of an Advisory Panel on Community Safety
- Race and Ethnocultural Equity Policy
- Implementation of Police Identification on Uniforms.

Impact of 2006 Operating Variance on 2007 Recommended Budget

Forecasting into 2007 , additional funding of \$0.383 million for Third Party and City legal expenses is required in the 2007 Budget for a projected increase in the number of labour arbitration cases requiring legal support, and adjusting for legal costs based on 2006 actual experience (i.e. 2006 over expenditures of \$0.346 million in legal costs).

Given the increasing number of legal cases which require an increasing use of both external and internal (City Legal) resources, the legal budget for 2007 has been increased accordingly to align it with the 2006 actual experience.

Section B: 2007 Operating Budget Overview

3-Year Operating Budget Overview

The strategic direction of the Toronto Police Services Board over the next three years is to enhance the levels of service provided to its internal and external customers.

The Toronto Police Services Board has approved a 2006 to 2008 Business Plan effective with the following five goals and priorities:

- Community Policing Partnerships
- Community Safety and Security
- Traffic Safety
- Delivery of Service
- Human Resources

The Toronto Police Service Board will be under continuing pressure to ensure that a safe environment is maintained for all the residents and employees within Toronto. The TPSB will have to continually examine the deployment of Toronto Police Service resources to ensure that its workforce is deployed in the most effective and efficient manner to “make a safe city safer”.

From a service level/delivery perspective, the 2007 to 2009 Operating budget assumes a constant level of 8 Toronto Police Services Board staff including the Chair of the Board.

Service Delivery - Challenges and Issues

The legal portion of the Toronto Police Services Board budget has increased dramatically over the past 2 years, from a cost of \$0.680 million in 2005, to a legal services budget of \$1.300 million in 2007. Both the 2006 and 2007 increases were a result of adjusting the Budget based on the previous year’s experience.

This increase is related to increases in both internal City Legal and external legal services. The services provided by City Legal include dealing with issues relating to real estate, contract administration, inquests, human rights, privacy, and general legal advice to the Board. External legal services are utilized for labour relations matters, issues related to the Toronto Police Association, civil actions, matters where City Legal would be in a conflict situation, and when City Legal has insufficient resources to undertake TPSB work.

In an effort to control the costs of the Toronto Police Services Board Operating Budget, it is recommended that the Chair of the Toronto Police Services Board report to the Budget Committee prior to the 2008 Budget process on the drivers associated with the increasing legal costs, and any options which can be taken to minimize both internal and external legal costs.

Mayor's Mandate

The Toronto Police Services Board continues to be challenged by the need to improve public safety within the City of Toronto, and as per the Mayor's Mandate "make a safe city safer."

As part of the Mayor's Mandate, the Toronto Police Services Board is involved in several safety initiatives including:

- Continuing the successful Toronto Anti-Violence Intervention Strategy (TAVIS), funded by the Province, which combines a focused crackdown on gangs with an emphasis on building strong community relationships. The Toronto Police Services Board is continuing to have discussions with the Province for additional funding to extend the successful TAVIS program past June 2007.
- Pursuing discussions with the federal government for: no bail for anyone who commits a crime while in possession of a gun; to ban handguns and all semi-automatic weapons; and to keep an effective gun registry.
- Continue with the Youth in Policing Initiative (YIPI), funded by the Province, enabling youth from priority neighbourhoods across Toronto to work in a variety of areas within the Service; the objective of the program is to acquaint youth with the police and give them a look at policing as a career.

Section C: 2007 Recommended Base Budget

Table 3: 2007 Recommended Base Budget

(In \$000s)	2006 Appvd. Budget	2007 Recommended Base	Change		FY Incremental Outlook	
			2007 Recommended Base v. 2006 Appvd. Budget		2008	2009
	\$	\$	\$	%	\$	\$
GROSS EXP.	1,784.6	2,238.3	453.7	25.4	37.3	38.4
REVENUE	0.0	0.0	0.0	NA	0.0	0.0
NET EXP.	1,784.6	2,238.3	453.7	25.4	37.3	38.4
Approved Positions	8.0	8.0	0.0	0.0		
NET TARGET		1,784.6			0.0	0.0
\$ Over / (Under) Program Target		453.7			37.3	38.4
% Over / (Under) Program Target		25.4%			2.09%	2.15%

2007 Recommended Base Budget

- The 2007 Recommended Operating Budget is consistent with the goals and priorities outlined in Toronto Police Services Board Business Plan, and provides funding for the Board’s base budget pressures and service priorities.
- The 2007 Recommended Operating Budget for the Toronto Police Services Board of \$2.238 million net is comprised of \$2.238 million for Base funding and has no New/Enhanced Service Priorities. The Budget is \$0.454 million or 25.4% over the 2006 Approved Budget.
- There is no change in the number of approved positions for 2007.
- There have been no reduction options provided to offset the 2007 pressures, notwithstanding the 2007 zero percent target budget increase.
- One of the specific goals of the Board in 2007 will be to produce a new 3 year Business Plan for the Toronto Police Service and the Board for the 2008 to 2010 timeframe.

2007 Key Cost Drivers

- Key cost drivers for 2007 include:
 - Third-party legal fees and inter-divisional charges from City Legal for the services provided to the Police Services Board (\$0.383 million);
 - Annualization of civilian salary costs (\$0.030 million)
 - Salary settlement adjustments (\$0.022 million)
 - Overtime to accommodate increased workload (\$0.011)

- Advertising & Promotion expenses for Canadian Association of Police Boards Conference being hosted in Toronto in 2008 (\$0.010 million)
- A reduction in one-time Furniture/Equipment expenses in 2006 (\$0.015 million)
- In an effort to control the legal costs in the Toronto Police Services Board Operating Budget, it is recommended that the Chair of the Toronto Police Services Board report to the Budget Committee prior to the 2008 Budget process on the drivers associated with the increased legal costs, and any options which can be taken to minimize both internal and external legal costs.

2008 and 2009 Outlook: Net Incremental Impact

- The net incremental impacts of \$0.037 million in 2008, and \$0.038 in 2009 reflect economic cost adjustments on non-salary expenses. The outlook for 2008 and 2009 does not include a provision for COLA on salaries, as the increase is subject to future negotiations.
- There is no change in the number of approved positions forecasted for 2008 and 2009.

Issues for Discussion

2007 Operating Budget Issues

The Toronto Police Services Board's 2007 Recommended Operating Budget is \$2.238 million net. This results in a 2007 Recommended Operating Budget that is 25.4% over the Program's target of \$1.785 million.

This increase is primarily related to increased costs for various legal services. The services provided by City Legal include dealing with issues relating to real estate, contract administration, inquests, human rights, privacy, and general legal advice to the Board. External legal services are utilized for labour relations matters, issues related to the Toronto Police Association, civil actions, matters where City Legal would be in a conflict situation, and when City Legal has insufficient resources to undertake TPSB work.

The legal portion of the Toronto Police Services Board budget has increased dramatically over the past 2 years, with a cost of \$0.680 million in 2005, a \$0.237 million increase in 2006, a \$0.383 million increase in 2007, for a total legal services budget of \$1.300 million in 2007. Both the 2006 and 2007 increases were a result of adjusting the Budget based on the previous year's experience.

The Board staff currently review the charges from City Legal on a quarterly basis, and verify that the charges are appropriate and should be charged to the Board. However additional steps need to be taken to control both internal and external legal costs.

In an effort to control the costs of the Toronto Police Services Board Operating Budget, it is recommended that the Chair of the Toronto Police Services Board report to the Budget Committee prior to the 2008 Budget process on the drivers associated with the increasing legal costs, and any options which can be taken to minimize both internal and external legal costs.

Appendix 1

**Summary of Recommended Base Budget Changes
From 2006 Approved Budget**

(In \$000s)	Summary of 2007 Base Budget Adjustments				Net Incremental Outlook	
	Approved Positions	Gross Expenditures	Revenues	Net	2008	2009
		\$	\$	\$	\$	\$
2006 Council Approved Operating Budget	9.0	1,784.6	0.0	1,784.6	0.0	0.0
In-year approvals and technical adjustments				0.0		
Corporate adjustments	(1.0)			0.0		
2006 Approved Operating Budget	8.0	1,784.6	0.0	1,784.6	0.0	0.0
Prior year impacts		30.4	0.0	30.4		
Zero base items						
Economic factors		22.0	0.0	22.0	37.3	38.4
Adjusted Base Budget	8.0	1,837.0	0.0	1,837.0	37.3	38.4
Other base changes		401.3	0.0	401.3		
Base revenue changes						
Recommended Service Level Adjustments:						
Service efficiencies						
Revenue adjustments						
Minor service impact						
Major service impact						
Total Recommended Base Adjustments	0.0	401.3	0.0	401.3	0.0	0.0
2007 Recommended Base Budget	8.0	2,238.3	0.0	2,238.3	37.3	38.4
2007 Program Operating Target	N/A	N/A	N/A	1,784.6	0.0	0.0
% Over (Under) Program Target				25.4%	2.1%	2.2%
% Over (Under) 2006 Appvd. Budget				25.4%	2.1%	2.2%

TORONTO POLICE SERVICES BOARD			
2007 Recommended Budget			
(\$000s)			
	Gross	Net	%
	\$	\$	Incr/(Dcr)
2006 Approved Budget	\$1,784.6	\$1,784.6	
Base Budget Increases:			
Prior Year Impacts			
- Civilian annualizations	\$30.4	\$30.4	1.7%
Economic Factors			
- Salary settlement	22.0	22.0	1.2%
Other Base Changes			
- Third party legal fees	183.1	183.1	10.3%
- City chargeback - legal fees	200.0	200.0	11.2%
- Other net changes	18.2	18.2	1.0%
2007 Recommended Base Budget	<u>\$2,238.3</u>	<u>\$2,238.3</u>	<u>25.4%</u>