



STAFF REPORT INFORMATION ONLY

Toronto Police Service – 2007 Operating Budget Variance Report as at July 31, 2007

Date:	October 31, 2007
To:	Budget Committee, City of Toronto
From:	Alok Mukherjee, Chair, Toronto Police Services Board

SUMMARY

The purpose of this report is to provide Budget Committee with the Toronto Police Service's (TPS) 2007 operating budget variance as at July 31, 2007.

Financial Impact

There are no financial implications in regard to the receipt of this report.

ISSUE BACKGROUND

At its meeting held on September 20, 2007, the Toronto Police Services Board was in receipt of a report, dated August 20, 2007, from Chief of Police William Blair regarding the TPS's 2007 operating budget variance as at July 31, 2007.

COMMENTS

The Board received the Chief's report and agreed to forward a copy to the City of Toronto Budget Committee for information.

A copy of Board Minute No. P306/07, in the form attached as Appendix "A", regarding this matter is provided for information.

CONTACT

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Toronto Police Service
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SIGNATURE

Alok Mukherjee
Chair, Toronto Police Services Board

ATTACHMENT

Appendix A – Board Minute No. P306/07

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APPENDIX "A"

THIS IS AN EXTRACT FROM THE MINUTES OF THE PUBLIC MEETING OF THE TORONTO POLICE SERVICES BOARD HELD ON SEPTEMBER 20, 2007

#P306. TORONTO POLICE SERVICE – 2007 OPERATING BUDGET VARIANCE REPORT AS AT JULY 31, 2007

The Board was in receipt of the following report August 20, 2007 from William Blair, Chief of Police:

Subject: 2007 OPERATING BUDGET VARIANCE REPORT FOR THE TORONTO
POLICE SERVICE AS AT JULY 31, 2007

Recommendation:

It is recommended that the Board receive this report.

Financial Implications:

There are no financial implications relating to the recommendations contained within this report.

Background/Purpose:

Toronto City Council, at its meeting of April 20 and April 23, 2007, approved the Toronto Police Service (TPS) Operating Budget at a net amount of \$784.958 Million (M). This level of funding included an unspecified reduction of \$1.6M and the Service was required to identify how this would be achieved.

Subsequently, on July 19, 2007, the City Manager of the City of Toronto provided an e-mail communication indicating that "all Divisions and ABCs immediately implement cost containment measures with the goal of reducing operating and capital costs for the remainder of 2007." At its meeting of July 25, 2007, the Board was in receipt of my response to the City Manager's e-mail, and the Board recommended that "Chief Blair continue to control costs, monitor expenditures, implement any necessary additional cost containment measures and report on any savings achieved no later than the October 18, 2007 Board meeting" (Min. No. P265/07 refers). This variance report provides the response to the Board's request.

At its meeting of July 10, 2007, the Board noted that the level of detail provided in operating budget variance reports is less than the level of detail provided in capital program variance reports. Service staff committed to providing a higher level of detail in future operating variance reports (Min. No. P239/07 refers). This variance report reflects that commitment.

The purpose of this report is to provide information on the Service's 2007 projected year-end variance.

Staff report for information on the Toronto Police Service's 2007 Operating Budget Variance

Discussion:

The following chart summarizes the variance by category of expenditure.

Expenditure Category	2007 Budget (\$Ms)	Actual Expend. to July 31/07 (\$Ms)	Projected Year- End Actual Expend. (\$Ms)	Projected (Under)/Over- Expend. (\$Ms)
Salaries	570.9	315.2	569.9	(1.0)
Premium Pay	41.4	19.0	41.4	0.0
Benefits	130.7	83.8	130.5	(0.2)
Materials and Equipment	26.2	19.8	26.5	0.3
Services	<u>69.4</u>	<u>30.4</u>	<u>68.7</u>	<u>(0.7)</u>
Total Gross	<u>838.6</u>	<u>468.2</u>	<u>837.0</u>	<u>(1.6)</u>
Revenue	<u>(53.6)</u>	<u>(31.1)</u>	<u>(54.7)</u>	<u>1.1</u>
Total Net	<u>785.0</u>	<u>437.1</u>	<u>782.3</u>	<u>(2.7)</u>

It is important to note that expenditures do not all follow a linear pattern and therefore year-to-date expenditures cannot be simply extrapolated to year end. Rather, the projection of expenditures to year end is done through an analysis of all accounts, taking into consideration factors such as expenditures to date, future commitments expected and spending patterns. In addition, the Service receives significant amounts of in year grant funding and the revenue and expense budgets are adjusted when receipt of funds is confirmed.

As at July 31, 2007, based on available information, a year-end surplus of \$2.7M is anticipated. This surplus could increase to \$3.0M by year-end if current trends continue. In addition, the \$1.6M unallocated budget reduction has been achieved and reflected in the applicable categories. Therefore, the Service has identified total savings of \$4.3M (\$2.7M plus \$1.6M). Details for each expenditure category are provided below.

Salaries

A \$1.0M surplus is projected in the Salaries category (details are discussed below). However, it is anticipated that cost containment measures may realize some further savings by year-end.

Expenditure Category	2007 Budget (\$Ms)	Actual Expend. to July 31/07 (\$Ms)	Projected Year- End Actual Expend. (\$Ms)	Projected (Under)/Over- Expend. (\$Ms)
Uniform Salaries	\$434.0	\$243.1	\$434.0	\$0.0
Civilian Salaries	<u>\$136.9</u>	<u>\$72.1</u>	<u>\$135.9</u>	<u>(\$1.0)</u>
Total Salaries	<u>\$570.9</u>	<u>\$315.2</u>	<u>\$569.9</u>	<u>(\$1.0)</u>

Uniform separations for 2007 are now projected to be 250 compared to the budget of 250, and the actual experience of 267 in 2006. This projection has been reduced from the 260 projected in the previous variance report. Experience early in the year indicated an increase in separations, earlier than expected in the year. As a result, the April and August 2007 recruit class sizes were adjusted in an attempt to maintain an average deployed strength of 5,510 for 2007 and 2008. Attrition has decreased in recent weeks, resulting in the reduced year-end figure. The current projected attrition will be used to determine the recruit class size for December 2007.

As indicated in my response to the City Manager (Min. No. P265/07 refers), we are reviewing civilian vacancies on a case-by-case basis, and deferring the filling of those positions where such deferral will not adversely impact the objectives and priorities of the Service. Many of our civilian vacancies arise in areas that require 100% staffing (e.g., court services, communications). As a result, the savings that will arise from this measure will be minimal, and cannot be projected with any degree of certainty as they are completely dependent on the type of vacancies that have and will occur. The November 2007 variance report will provide better information with respect to the anticipated savings.

The 2007 operating budget includes \$3.5M in part-year funding for the hiring of 90 additional court officers to address additional court rooms. The Service has endeavoured to staff all new courts as they open. There has been some small delay in the opening of some of the new courts. Furthermore, due to the hiring process and projected attrition of current court officers, savings in the salaries for court officers have also been realized. The Service currently projects savings of \$1.0M in total court funding for 2007 (of which \$300,000 is attributed to the delay in court openings).

These savings are one-time savings due to the timing of court openings, and the Service's capacity to staff all courts. Although these one-time savings will not impact on the projected annualized cost of the new courts, the entire court budget will be reviewed for the 2008 operating budget.

Premium Pay

No variance is projected in the Premium Pay category.

Expenditure Category	2007 Budget (\$Ms)	Actual Expend. to July 31/07 (\$Ms)	Projected Year- End Actual Expend. (\$Ms)	Projected (Under)/Over- Expend. (\$Ms)
Court	\$10.5	\$6.1	\$10.5	\$0.0
Overtime	\$6.0	\$3.9	\$6.0	\$0.0
Callback	\$7.6	\$3.1	\$7.6	\$0.0
Lieutime Cash Payment	<u>\$17.3</u>	<u>\$5.9</u>	<u>\$17.3</u>	<u>\$0.0</u>
Total Premium Pay	<u>\$41.4</u>	<u>\$19.0</u>	<u>\$41.4</u>	<u>\$0.0</u>

The Service continues to strictly enforce the monitoring and control of premium pay to achieve the budgeted funding level. In a recent communication to all Unit Commanders, I reiterated the responsibility all Unit Commanders and supervisors have to carefully manage premium pay accounts and only authorize expenses where absolutely necessary, where it is a more cost-effective option, or where it enables us to achieve Service objectives. Overtime is to be authorized based on activities for protection of life (i.e., where persons are at risk), protection of property, processing of arrested persons, priority calls for service (i.e., where it would be inappropriate to wait for the relieving shift), and case preparation (where overtime is required to ensure court documentation is completed within required time limits).

It must be noted, however, that premium pay is subject to the exigencies of policing and uncontrollable events could have an impact on expenditures. Furthermore, there is an impact on court attendance due to policing initiatives in 2006 (e.g., TAVIS). There is the potential that court attendance could increase for the remainder of 2007, due to the result of the 2006 enforcement activities. In all instances, court attendance is being monitored to ensure that it is limited to the required witnesses for each case.

The most significant cost risk in this category is the lieu-time cash payment. As per the working agreement, payments to staff are made four (4) times per year with the last payment occurring in December. The final payment is the largest and since it is subject to how staff uses their accumulated time prior to the cut-off of November 30th, the cost impact could be significant. Any time not paid out or used by the end of the year must be accounted for in a liability account and this could also have an impact.

Benefits

A \$0.2M surplus is projected in the benefit category.

Expenditure Category	2007 Budget (\$Ms)	Actual Expend. to July 31/07 (\$Ms)	Projected Year- End Actual Expend. (\$Ms)	Projected (Under)/Over- Expend. (\$Ms)
Medical/Dental	\$30.8	\$16.8	\$30.6	(\$0.2)
OMERS/ CPP/EI/EHT	\$83.5	\$54.2	\$83.5	\$0.0
Sick Pay/CSB/LTD	\$6.3	\$7.5	\$6.3	\$0.0
Other (e.g. WSIB, life ins.)	<u>\$10.1</u>	<u>\$5.3</u>	<u>\$10.1</u>	<u>\$0.0</u>
Total Benefits	<u>\$130.7</u>	<u>\$83.8</u>	<u>\$130.5</u>	<u>(\$0.2)</u>

During the analysis of the Service's benefit accounts, a favourable variance of \$1.0M in the medical and dental accounts was identified. As a result, \$0.8M has been applied towards achieving the remaining "unallocated reduction," previously allocated to miscellaneous revenue (as discussed in the May 2007 variance report, or Min. No. P239/07 refers). City Council's \$1.6M budget reduction has been absorbed by the Service through \$0.8M in medical / dental benefit accounts (discussed here), and \$0.8M in computer maintenance accounts (discussed in the May 2007 variance report).

Materials and Equipment

A shortfall of \$0.3M is projected in the Materials and Equipment category.

Expenditure Category	2007 Budget (\$Ms)	Actual Expend. to July 31/07 (\$Ms)	Projected Year-End Actual Expend. (\$Ms)	Projected (Under)/Over-Expend. (\$Ms)
Vehicles (gas, parts, purchases)	\$13.8	\$10.6	\$14.1	\$0.3
Uniforms	\$3.6	\$3.5	\$3.6	\$0.0
Other Materials	\$4.6	\$2.9	\$4.6	\$0.0
Other Equipment*	<u>\$4.2</u>	<u>\$2.8</u>	<u>\$4.2</u>	<u>\$0.0</u>
Total Materials & Equip	<u>\$26.2</u>	<u>\$19.8</u>	<u>\$26.5</u>	<u>\$0.3</u>

* Approx. \$3M is attributed to grant-funded expenditures (revenue budget has been increased by same amount).

As indicated previously, all Unit Commanders in the Service have been made aware of the need to implement cost containment measures. All expenditures are being carefully monitored and controlled, and commitments are being made only for items that are essential to the on-going and effective operations of the Service or that help mitigate a risk to the Service.

All discretionary expenditures are to be cancelled or deferred wherever possible. Decisions on expenditures for equipment are to be made on a case-by-case basis, in the context of operational necessity, and whether the useful life can be reasonably extended, without adversely impacting operations or incurring increased maintenance costs.

At this time, gasoline is projected to be over budget. Gas prices have increased during the year, although stabilized recently. The full-year impact of every one cent increase in the price of gasoline is \$60,000.

Services

A \$0.7M surplus is projected in the Services category.

Expenditure Category	2007 Budget (\$Ms)	Actual Expend. to July 31/07 (\$Ms)	Projected Year-End Actual Expend. (\$Ms)	Projected (Under)/Over-Expend. (\$Ms)
Legal Indemnification	\$1.0	\$0.1	\$1.0	\$0.0
Uniform Cleaning Contract	\$2.2	\$1.4	\$2.2	\$0.0
Courses/Conferences	\$1.6	\$0.7	\$1.5	(\$0.1)
Clothing Reimbursement	\$1.7	\$0.6	\$1.7	\$0.0
Computer Lease/Maint	\$13.2	\$9.5	\$12.9	(\$0.3)
Phones/Cell Phones/911	\$6.2	\$3.6	\$6.2	\$0.0
Contribution to Reserves	\$14.5	\$3.9	\$14.5	\$0.0
Caretaking / Maintenance	\$15.5	\$3.9	\$15.5	\$0.0
Other Services*	<u>\$13.5</u>	<u>\$6.7</u>	<u>\$13.2</u>	<u>(\$0.3)</u>
Total Services	<u>\$69.4</u>	<u>\$30.4</u>	<u>\$68.7</u>	<u>(\$0.7)</u>

* Approx. \$2.5M is attributed to grant-funded expenditures (revenue budget has been increased by same amount).

Again, all discretionary expenditures are to be cancelled or deferred wherever possible. Decisions on expenditures are to be made on a case-by-case basis. I have directed that no expenditures be incurred for conferences for the balance of the year, unless a financial commitment has already been made, based on prior approval, or if a member is required to speak at a conference or seminar. Attendance at training courses will only be approved if they are

necessary to the effective delivery of front-line services or support functions.

The Service has reviewed all spending on courses and conferences and is projecting savings of \$120,000 through deferral of non-essential training and restrictions in the number of members attending the same sessions. It must be noted that the Service budgets only for required training and that significant reductions in the training accounts cannot be made without negatively impacting members' technical knowledge and expertise.

The \$0.8M reduction in computer maintenance accounts, to absorb part of City Council's \$1.6M budget reduction, is reflected in the budget. Experience to date indicates a further savings of \$300,000 in that account.

Small savings are projected in various "other services" accounts, resulting in \$0.3M projected savings for that group of accounts. No other significant savings have been identified at this time, although it is anticipated that the cost containment measures may result in further year-end savings. These will be reported on in future variance reports.

Revenue

A \$1.1M surplus is projected in the Revenue category.

Revenue Category	Annual Budget (\$Ms)	Actual Expend. to July 31/07 (\$Ms)	Projected Year- End Actual Expend. (\$Ms)	Projected (Under)/Over- Expend. (\$Ms)
Recoveries from City	(\$5.1)	(\$3.3)	(\$5.1)	\$0.0
CPP and Safer	(\$15.7)	(\$6.6)	(\$15.7)	\$0.0
Communities Grants				
Other Government Grants	(\$9.0)	(\$4.0)	(\$9.0)	\$0.0
Fees (e.g. paid duties, alarms, reference checks)	(\$9.4)	(\$5.0)	(\$9.4)	\$0.0
Secondments	(\$2.3)	(\$1.4)	(\$2.3)	\$0.0
Draws from Reserves	(\$5.0)	(\$6.4)	(\$5.0)	\$0.0
Other Revenues (e.g. prisoner returns)	<u>(\$7.2)</u>	<u>(4.4)</u>	<u>(\$8.3)</u>	<u>\$1.1</u>
Total Revenues	<u>(\$53.6)</u>	<u>(\$31.1)</u>	<u>(\$54.7)</u>	<u>\$1.1</u>

When the Service switched benefit providers from Clarica to Manulife, a surplus had been recognized by Clarica due to a favourable experience rating in life insurance claims. The amount of surplus (including interest) reached \$1.9M by mid-year 2007. This amount has been on deposit with Manulife since the switch from Clarica, pending a complete analysis and reconciliation of the Service's health, dental and life insurance accounts with Manulife. The reconciliation is now complete. Of the \$1.9M surplus, \$0.8M is required to fund the Service's Life Benefit Account, Life Claims Fluctuation Reserve, to reflect recent life insurance claims experience and to increase the float held by Manulife against benefits expenses incurred by the Service. As a result, a net amount of \$1.1M will be refunded to the Service and has been reflected above.

There are variances in several other revenue accounts (for example, pay duty revenues are

projecting somewhat higher than budgeted, while police record checks are projecting lower than budgeted). As a result, no further variances in revenue accounts are being projected at this time.

Outstanding City Council Recommendation 81:

City Council at its meeting of April 20 and 23, 2007 adopted the following motion pertaining to the 2007 Toronto Police Service operating budget:

81. the Toronto Police Services Board report back to the Budget Committee as part of the 2007 1st quarter operating variance report, on a firm schedule for the opening of the new Provincial courtrooms in 2007, and adjustments to the recommended funding for 2007 should the opening of the new courtrooms be delayed

This request was not responded to in the 1st quarter variance report, as there were no updates available at that time regarding planned opening of courts. In large part, courts have been opened, and staff have been assigned, as scheduled. One court, with four staff assigned, is opening approximately one month later than anticipated. Furthermore, the increase in the prisoner transportation burden as a result of the new courts has not been as immediate as anticipated. As a result, \$300,000 savings has been attributed to the timing of the opening of courts. These savings have been reflected in the “salaries” section of this report.

Outstanding City Council Recommendation 82:

City Council also adopted the following motion pertaining to the 2007 Toronto Police Service operating budget:

82. the Toronto Police Services Board report back to the Budget Committee by September 2007, on how the \$1.000 million unspecified expenditure reduction to the Toronto Police Service 2007 Base Budget can be accomplished

As indicated in the body of this report, in addition to the \$1.0M unspecified expenditure reduction, City Council did not approve \$0.6M in new initiatives. In effect, therefore, there was a \$1.6M reduction to the Board-approved budget. This \$1.6M reduction has been absorbed through a \$0.8M budget reduction in medical / dental benefit accounts, and a \$0.8M reduction in computer maintenance accounts. It is projected that both of these budget reduction targets will be met.

Conclusion:

As at July 31, 2007, a favourable variance of \$2.7M is projected. All Unit Commanders have been made aware of the need for cost containment and the customary monitoring and control of accounts has been augmented to address these requirements. Commitments for discretionary spending are to be made only for items that are essential to the on-going and effective operations of the Service, or that help mitigate a risk to the Service. It is anticipated that these cost containment measures may result in further savings; future variance reports will provide details on realized savings as they occur. The Board will be updated with the next scheduled variance report at its November meeting.

Mr. Tony Veneziano, Chief Administrative Officer, Administrative Command will be in attendance to answer any questions from the Board.

The Board received the foregoing report and agreed to forward a copy to the City of Toronto – Budget Committee for information.