



STAFF REPORT ACTION REQUIRED

Toronto Police Service – Revised 2008 Operating Budget Request

Date:	March 4, 2008
To:	Budget Committee, City of Toronto
From:	Alok Mukherjee, Chair, Toronto Police Services Board

SUMMARY

The purpose of this report is to provide the City of Toronto - Budget Committee with a response to City staff recommendations regarding the Toronto Police Service's 2008 operating budget request. The recommendations had been presented to the City Budget Committee on January 28, 2008.

RECOMMENDATIONS

It is recommended that:

- (1) the City Budget Committee approve a revised 2008 net operating budget request of \$801.3 million (M), a 1.9% increase over the 2007 approved net operating budget, excluding the impact of 2008 labour contract settlements.

FINANCIAL IMPACT

If the City Budget Committee approves the recommendation contained in this report, it will result in the allocation of funds in the amount of \$801.3M net (\$839.8M gross). This is an increase of \$15.1M (1.9%) over the approved 2007 net operating budget of \$786.2M.

This revised budget request has been reduced from the Toronto Police Services Board-approved 2008 budget by \$1.0M, as a result of a \$500,000 reduction to the legal indemnification account, and a \$500,000 increase in revenues.

ISSUE BACKGROUND

At a special meeting on February 25, 2008, the Toronto Police Services Board was in receipt of a report, dated February 15, 2008, from the Chief of Police with regard to a revised 2008 operating budget request for the Toronto Police Service.

COMMENTS

Mr. Tony Veneziano, Chief Administrative Officer, and Mr. Angelo Cristofaro, Director of Finance and Administration, were in attendance and responded to questions about the Chief's report.

The Board discussed the potential risk as a result of reducing the legal indemnification account by \$500,000 and how the Service would absorb any changes, if there is an unexpected increase in claims for legal indemnification.

The Board also discussed the Vehicle and Equipment Reserve account and the items that are included "Other Expenditures."

The Board approved the Chief's report and the following Motions:

1. THAT the Chief of Police provide the Board with a report containing a breakdown of the Vehicle and Equipment Reserve account; and
2. THAT the Chair and Chief review the possibility of further reductions and that the Chief provide a report to the Board on the results of the review for the October 2008 meeting.

CONCLUSION

A copy of Board Minute No. P43/08, in the form attached as Appendix "A" to this report, regarding this matter is provided for information.

CONTACT

Chief of Police William Blair
Toronto Police Service
Telephone No. 416-808-8000
Fax No. 416-808-8002

SIGNATURE

Alok Mukherjee
Chair

ATTACHMENT

Appendix A – Board Minute No. P43/08

cc. Mr. Joseph Pennachetti, Deputy City Manager and Chief Financial Officer

A: 2008tpsopbudget.doc

APPENDIX "A"

THIS IS AN EXTRACT FROM THE MINUTES OF THE SPECIAL PUBLIC MEETING OF THE TORONTO POLICE SERVICES BOARD HELD ON FEBRUARY 25, 2008

#P43. REVISED 2008 OPERATING BUDGET REQUEST FOR THE TORONTO POLICE SERVICE

The Board was in receipt of the following report February 15, 2008 from William Blair, Chief of Police:

Subject: REVISED 2008 OPERATING BUDGET REQUEST FOR THE TORONTO
POLICE SERVICE

Recommendations:

It is recommended that:

1. the Board approve a revised 2008 net operating budget request of \$801.3 million (M), a 1.9% increase over the 2007 approved net operating budget, excluding the impact of 2008 labour contract settlements; and
2. the Board forward a copy of this report to the City's Deputy City Manager and Chief Financial Officer and to the City Budget Committee, for approval.

Financial Implications:

The Toronto Police Service's (TPS) revised 2008 operating budget request is \$801.3M net (\$839.8M gross). This is an increase of \$15.1M (1.9%) over the approved 2007 net operating budget of \$786.2M.

This revised budget request has been reduced from the Board-approved 2008 budget (Min. No. P386/07 refers) by \$1.0M, as a result of a \$500,000 reduction to the legal indemnification account, and a \$500,000 increase in revenues.

Background/Purpose:

This report provides the Board with the Service's response to City staff recommendations on the Service's 2008 operating budget request. These recommendations were presented to the City Budget Committee on January 28, 2008.

Discussion:

At its November 15, 2007 meeting, the Board approved the Service's 2008 budget request in the amount of \$802.3M net (\$840.8M gross) (Min. No. P386/07 refers), following a detailed budget review process by the Service and Board's Budget Sub-Committee. Table 1 provides a summary of the Board-approved request.

Staff report for action on the TPS – 2008 Operating Budget Request

Table 1 - Summary of 2008 Budget Request

	Request (\$Ms)	Increase (\$Ms)	Inc. (Dec) over 2007 %
2007 Approved Net Budget - \$786.2M			
(a) Salary Requirements	575.8	5.0	0.6%
(b) Premium Pay	35.3	0.0	0.0%
(c) Statutory Deductions and Fringe Benefits	133.9	3.2	0.4%
(d) Vehicle and Equipment Reserve	12.3	4.6	0.6%
(e) Other Expenditures	82.6	3.0	0.4%
(f) 2008 Effectiveness & Efficiency Initiatives	0.9	0.9	0.1%
(g) Revenues	<u>(38.5)</u>	<u>(0.6)</u>	<u>(0.1%)</u>
2008 Net Budget Request	\$802.3M	\$16.1M	2.0%

The budget approved by the Board includes funding required to maintain the 5,510 average deployed uniform strength approved by the Board and City Council, as well as the necessary supporting infrastructure (e.g., civilian staffing, equipment, services). Funding levels in the non-salary category reflect historical spending patterns and justified need, and were reduced for one-time costs incurred in the previous year. Revenue accounts, including grants and cost recoveries, were maximized where possible, and within the limits of the Municipal Act. The budget approved by the Board also includes \$0.9M for additional permanent positions (Ministry of Attorney General (MAG) Disclosure project, Freedom of Information (FOI) Disclosure Analysts), temporary positions for the Divisional Excellence pilot, and funding for the e-learning initiative.

The Board-approved 2008 operating budget was forwarded to the City’s Deputy City Manager and Chief Financial Officer, and the City’s Budget Committee, for consideration. On January 28, 2008, the Budget Committee received recommendations from the City Manager and Chief Financial Officer (CFO) with respect to the Service’s budget.

The City Manager and CFO recommendations to the City Budget Committee and the Service’s response to each of the recommendations are provided below.

City Manager and CFO Recommendations 1 and 2:

1. That the 2008 Recommended Operating Budget for the Toronto Police Service of \$841.731 million gross and \$798.260 million net be approved.
2. That the Toronto Police Service accommodate a \$3.100 million net unspecified reduction to achieve a budget which is 1.5% above their 2008 target budget of \$786.218 million and have the Toronto Police Services Board advise the Budget Committee in April 2008 on how these reductions will be accommodated.

Service Response:

In responding to the City's request to reduce the Board-approved 2008 operating budget, a clarification with respect to the amount of the reduction is required.

City staff have recommended a reduction of \$3.1M in recommendation # 2. However, in order to achieve the funding level recommended by the City in recommendation # 1, a reduction of \$4M is required to the Board-approved budget. The \$0.9M discrepancy is the result of the City not supporting the funding required for the initiatives (i.e., additional permanent positions for the MAG Disclosure project and FOI Disclosure Analysts, temporary positions for the Divisional Excellence pilot, and funding for the e-learning initiative) approved by the Board. While the City may not support the funding for the above initiatives, the decision on whether to proceed with these initiatives rests with the Chief and the Board.

In developing the Service's 2008 operating budget request, a detailed review was conducted by the Service and the Board's Budget Sub-Committee, and all opportunities for reductions were incorporated into the Board-approved budget.

However, in light of the City Manager and City CFO's recommendations, Service staff have further reviewed the 2008 operating budget, with the benefit of 2007 year-end information, to determine if any further reductions could be accommodated. As a result of this review, a further reduction of \$1M to the Board-approved budget has been identified, as outlined below.

Legal Indemnification: The current budget for legal indemnification is \$1.08M. This is in line with average historical spending over a ten-year period. However, recent expenditures reflect a lower spending pattern, and therefore a \$500,000 reduction to this account is being recommended. This reduction carries some risk in that the number of claims are unpredictable and to a large extent beyond the control of the Service.

Revenues: The Service derives revenue mainly from Provincial grants and user fees which can fluctuate from year to year. Based on 2007 year-end revenue actually achieved, a \$500,000 increase in revenues is being recommended at this time.

City Chargeback for Caretaking/Maintenance and Utilities:

City charges for 2007 were approximately \$1M below budget, \$0.65M of which relates to utility costs. As a result, the Service has requested a reduction of at least \$0.5M from the City Facilities & Real Estate 2008 budget request. A reduction to these charges is not being recommended at this time, as negotiations with City staff are still in progress. However, the Board will be updated on this potential reduction at the February 25, 2008 meeting.

Contribution to the Vehicle & Equipment Reserve:

The Service has developed a lifecycle replacement strategy for vehicles, as well as information technology (IT) and other equipment, whereby these items are purchased from the Reserve based on annual contributions and lifecycle requirements. The 2008 Board-approved budget includes a contribution of \$12.3M to the Reserve, which is \$4.6M more than the 2007 contribution amount. The vehicle portion of this Reserve is fully mature (i.e., Reserve contributions are stabilized

Staff report for action on the TPS – 2008 Operating Budget Request

unless additional vehicles are added to our inventory). The IT and other equipment portion is still being phased in, and will not be mature until 2014, and therefore requires increased annual contributions until that time.

During the City staff 2008 budget review process, the City CFO requested the Service to examine the feasibility of lowering the 2008 contribution to the Reserve. As a result, the Service has performed a detailed analysis of the Reserve, which included a review of projected annual requirements to replace vehicles and equipment, and the annual contributions required to meet those needs.

Based on this review, a reduction to the 2008 contribution to the Reserve is not possible without compromising the Service's long-term lifecycle equipment strategy, and its ability to meet its current and future vehicle and equipment replacement requirements. A reduction to the 2008 contribution would also create a budget pressure in future years, and is therefore not recommended.

City Manager and CFO Recommendation 3:

That the Toronto Police Service Board provide a briefing note to the Budget Committee prior to the final budget wrap-up on the practices and City-wide impacts of their Paid Duty and Special Events requirements.

Service Response:

The Service provided a report, for the Board's information, at its January 22, 2008 meeting on the subject of Paid Duty and Special Events Requirements, Practices and Impacts (Min. No. P15/08 refers). The Board was not able to deal with the report at the January meeting, and the report was deferred to the February 21, 2008 Board meeting for consideration. The report will be forwarded to the City Budget Committee following the Board meeting.

City Manager and CFO Recommendation 4:

That the Toronto Police Service Board report back to the Budget Committee following the negotiation of a collective agreement between the Police Service and the Police Association identifying any required adjustments to the Police Service's approved budget.

Service Response:

The Budget Committee will be provided with the impact of the settlements negotiated by the Board.

City Manager and CFO Recommendation 5:

That the government of Ontario assume the full responsibility of court security and prisoner transportation costs estimated at \$41.400 million net in 2008 for Provincial courtrooms within the City of Toronto.

Service Response:

No response from the Service or the Board is required.

Conclusion:

The City Manager and City CFO's recommendations to the City's Budget Committee would effectively reduce the Service's Board-approved 2008 operating budget by \$4M. In response to these recommendations, the Service has conducted a further review of the budget approved by the Board at its November 15, 2007 meeting. This review has determined that a reduction of \$1M to the Board-approved budget is possible, based on year-end information now available. However, any further reduction would be arbitrary in nature, and could not be achieved without significant staffing reductions. This would compromise the Service's ability to effectively deliver policing services to the City, and therefore cannot be recommended.

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

Mr. Tony Veneziano, Chief Administrative Officer, and Mr. Angelo Cristofaro, Director of Finance and Administration, were in attendance and responded to questions about this report.

The Board discussed the potential risk as a result of reducing the legal indemnification account by \$500,000 and how the Service would absorb any changes, if there is an unexpected increase in claims for legal indemnification.

The Board also discussed the Vehicle and Equipment Reserve account and the items that are included "Other Expenditures."

The Board approved the foregoing report and the following Motions:

- 1. THAT the Chief of Police provide the Board with a report containing a breakdown of the Vehicle and Equipment Reserve account; and**
- 2. THAT the Chair and Chief review the possibility of further reductions and that the Chief provide a report to the Board on the results of the review for the October 2008 meeting.**