



STAFF REPORT ACTION REQUIRED

Toronto Police Service– 2008 Operating Budget Variance Report – Period Ending September 30, 2008

Date:	January 6, 2009
To:	Executive Committee, City of Toronto
From:	Pam McConnell, Acting Chair, Toronto Police Services Board

SUMMARY

The purpose of this report is to provide the Executive Committee with the Toronto Police Service's 2008 operating budget variance report for the period ending September 30, 2008.

RECOMMENDATION

It is recommended that the Executive Committee approve a budget transfer of \$20,267,000 to the Toronto Police Service's 2008 net operating budget from the City's Non-Program operating budget where a provision has been made, to fund the cost of a 3% interim salary award, which results in a revised 2008 net operating budget of \$818,966,200 for the Toronto Police Service with no incremental impact to the City.

FINANCIAL IMPACT

The interim salary arbitration award of 3% for the Toronto Police Association, and corresponding award for Senior Officers' Organization members, Command Officers and Excluded members is estimated to cost \$20.3 million (M). Funding was set aside by the City in the 2008 non-program expenditure budget to cover the costs of contract settlements. The \$20.3M additional cost in 2008 due to the salary awards is offset by the budget transfer and therefore there is no net impact on the Toronto Police Service's 2008 overall variance and there is no impact to the City. A further technical adjustment may be required when the 2008 final contracts are settled.

ISSUE BACKGROUND

At its meeting of November 20, 2008, the Toronto Police Services Board was in receipt of a report, dated November 03, 2008, from William Blair, Chief of Police, with regard to the Toronto Police Service's 2008 operating budget variance report for the period ending September 30, 2008.

COMMENTS

The Board approved the Chief's report and agreed to forward a copy to the Executive Committee for approval.

A copy of Board Minute No. P313/08, 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
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SIGNATURE

Pam McConnell
Acting Chair, Toronto Police Services Board

ATTACHMENT

Appendix A – Board Minute No. P313/08

A:tps 2008 operating budget variance.doc

Appendix “A”

THIS IS AN EXTRACT FROM THE MINUTES OF THE PUBLIC MEETING OF THE TORONTO POLICE SERVICES BOARD HELD ON NOVEMBER 20, 2008

#P313. TORONTO POLICE SERVICE – 2008 OPERATING BUDGET VARIANCE REPORT – PERIOD ENDING SEPTEMBER 30, 2008

The Board was in receipt of the following report November 03, 2008 from William Blair, Chief of Police:

Subject: OPERATING BUDGET VARIANCE REPORT FOR THE TORONTO POLICE
SERVICE – PERIOD ENDING SEPTEMBER 30, 2008

Recommendations:

It is recommended that:

- (1) the Board request the City of Toronto Executive Committee to approve a budget transfer of \$20,267,000 to the Toronto Police Service's 2008 net operating budget from the City's Non-Program operating budget where a provision has been made, to fund the cost of a 3% interim salary award, which results in a revised 2008 net operating budget of \$818,966,200 for the Service with no incremental impact to the City; and
- (2) the Board forward a copy of this report to the City of Toronto's Executive Committee for approval.

Financial Implications:

The interim salary arbitration award of 3% for the Toronto Police Association (TPA), and corresponding award for Senior Officers' Organization members, Command Officers and Excluded members is estimated to cost \$20.3 million (M). Funding was set aside by the City in the 2008 non-program expenditure budget to cover the costs of contract settlements. The \$20.3M additional cost in 2008 due to the salary awards is offset by the budget transfer and therefore there is no net impact on the Service's 2008 overall variance and there is no impact to the City. A further technical adjustment may be required when the 2008 final contracts are settled.

Background/Purpose:

The Board, at its March 27, 2008 meeting, approved the Toronto Police Service's 2008 operating budget at a net amount of \$798.3 Million (M), including an unspecified reduction of \$2.8M recommended by the City's Executive Committee (Min. No. P47/08 refers). Subsequently, Toronto City Council, at its meeting of March 31, 2008, approved the Service's 2008 Operating Budget at the net amount approved by the Board.

The Service has since been notified by City Finance staff of a further \$0.4M allocation from the Insurance Reserve Fund to the Service's 2008 operating budget. As a result of the reallocation, the Service budget has been restated upwards by \$0.4M to a total of \$798.7M. However, this change does not result in additional available funds to the Service, as there will be a corresponding charge from the City.

The purpose of this report is to provide information on the Service's 2008 projected year-end variance, as at September 30, 2008.

Discussion:

The following chart summarizes the variance by expenditure category and revenue.

Category	2008 Budget (\$Ms)	Actual to Sept 30/08	Projected Year- End Actual (\$Ms)	Projected (Surplus)/ Shortfall (\$Ms)
Salaries	\$572.6	\$423.0	\$570.1	(\$2.5)
Premium Pay	\$45.0	\$27.6	\$45.0	\$0.0
Benefits	\$140.3	\$109.3	\$139.8	(\$0.5)
Materials and Equipment	\$23.0	\$19.5	\$24.4	\$1.4
Services	\$85.6	\$32.0	\$84.8	(\$0.8)
Total Gross	\$866.5	\$611.4	\$864.1	(\$2.4)
Revenue	(\$67.8)	(\$29.6)	(\$66.4)	\$1.4
Total Net	\$798.7	\$581.8	\$797.7	(\$1.0)

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 September 30, 2008, a favourable year-end variance of \$1.0M is anticipated, including projected expenditure savings equal to the \$2.8M unallocated budget reduction approved by Council. It is important to note that these are in-year savings and not necessarily sustainable in future years. Details of each major expenditure category and revenue are discussed in the sections that follow.

Salaries:

A \$2.5M surplus is projected in the Salaries category. This is \$0.1M more than previously reported.

Expenditure Category	2008 Budget (\$Ms)	Actual to Sept 30/08 (\$Ms)	Projected Year-End Actual (\$Ms)	Projected (Surplus)/ Shortfall (\$Ms)
Uniform Salaries	\$433.2	\$325.1	\$432.0	(\$1.2)
Civilian Salaries	\$139.4	\$97.9	\$138.1	(\$1.3)
Total Salaries	\$572.6	\$423.0	\$570.1	(\$2.5)

Uniform separations continue to be projected at 290 compared to the budget of 275. In addition, the separations have occurred earlier in the year than expected and as a result, a net uniform salary savings of \$1.2M is projected at this point in time. The April 2008 recruit class size was adjusted in order to maintain an average deployed strength of 5,510.

A \$1.3M surplus is also projected for civilian salaries. This is attributable to savings in court officer salaries due to a delay in hiring to the approved staff complement, and higher-than-anticipated separations in other civilian positions. The court officer staffing level is expected to be at the approved level by the end of the year.

Premium Pay:

No variance is projected in the Premium Pay category.

Expenditure Category	2008 Budget (\$Ms)	Actual to Sept 30/08 (\$Ms)	Projected Year-End Actual (\$Ms)	Projected (Surplus)/ Shortfall (\$Ms)
Court	\$11.9	\$8.1	\$11.9	\$0.0
Overtime	\$6.0	\$4.5	\$6.0	\$0.0
Callback	\$8.1	\$5.0	\$8.1	\$0.0
Lieutime Cash Payment	\$19.0	\$10.0	\$19.0	\$0.0
Total Premium Pay*	\$45.0	\$27.6	\$45.0	\$0.0

** Approx. \$4.5M is attributed to grant-funded expenditures (revenue budget has been increased by same amount)*

The Service continues to strictly monitor and control premium pay. Overtime is to be authorized by supervisory personnel 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 unpredictable events could have an impact on expenditures.

Benefits:

A \$0.5M surplus is projected in the Benefits category. This is \$0.3M less than previously reported.

Expenditure Category	2008 Budget (\$Ms)	Actual to Sept 30/08 (\$Ms)	Projected Year-End Actual (\$Ms)	Projected (Surplus)/ Shortfall (\$Ms)
Medical / Dental	\$33.6	\$23.1	\$33.1	(\$0.5)
OMERS / CPP / EI / EHT	\$83.7	\$67.3	\$83.4	(\$0.3)
Sick Pay / CSB / LTD	\$13.0	\$11.5	\$13.0	\$0.0
Other (e.g., WSIB, life ins.)	\$10.0	\$7.4	\$10.3	\$0.3
Total Benefits	\$140.3	\$109.3	\$139.8	(\$0.5)

Trends for medical/dental costs are indicating lower-than-anticipated expenditures and, as a result, a favourable variance of \$0.5M is projected to year-end. Projected savings in OMERS/CPP/EI/EHT are a result of regular salary savings. Workers Safety Insurance Board (WSIB) costs have increased in recent months and are now projected to be unfavourable by year-end. Increases in WSIB costs are attributed to more claims, some of longer duration, compounded by increased fees for service.

Materials and Equipment:

A shortfall of \$1.4M is projected in the Materials and Equipment category. This is \$0.1M less than previously reported.

Expenditure Category	2008 Budget (\$Ms)	Actual to Sept 30/08 (\$Ms)	Projected Year-End Actual (\$Ms)	Projected (Surplus)/ Shortfall (\$Ms)
Vehicles (gas, parts)	\$10.0	\$9.7	\$10.5	\$0.5
Uniforms	\$3.6	\$3.2	\$3.6	\$0.0
Other Materials	\$4.9	\$3.6	\$4.8	(\$0.1)
Other Equipment *	\$4.5	\$3.0	\$5.5	\$1.0
Total Materials & Equipment	\$23.0	\$19.5	\$24.4	\$1.4

* Approx. \$1.2M is attributed to grant-funded expenditures (revenue budget has been increased by same amount)

The unfavourable variance in “other equipment” is a result of the planned expenditure on the In-car camera project, approved at the Board’s September 18, 2008 meeting (Min. No. P264/08 refers). This expenditure, combined with requested transfers from under-spent capital projects (e.g. Computer Assisted Scheduling of Courts system replacement), will allow the Service to come closer to achieving the original objective of installing in-car camera systems in all of the Service’s marked patrol vehicles.

The Service is closely monitoring the cost of fuel and its impact on the budget. The gas price increases experienced earlier in 2008 have resulted in an unfavourable variance. More recently, gas prices have been declining and are closer to the budgeted level. The Service will continue to monitor gas prices and their impact on the budget. Based on year-to-date experience, the Service is projecting an unfavourable budget variance in gasoline of \$0.5M by year-end. This variance is partially offset by a favourable variance in other materials.

Services:

A \$0.8M surplus is projected in the Services category, no change from what was previously reported.

Expenditure Category	2008 Budget (\$Ms)	Actual to Sept 30/08 (\$Ms)	Projected Year-End Actual (\$Ms)	Projected (Surplus)/ Shortfall (\$Ms)
Legal Indemnification	\$0.6	\$0.0	\$0.6	\$0.0
Uniform Cleaning Contract	\$2.2	\$2.0	\$2.0	(\$0.2)
Courses / Conferences	\$2.3	\$1.5	\$2.3	\$0.0
Clothing Reimbursement	\$1.6	\$0.6	\$1.4	(\$0.2)
Computer Lease / Maintenance	\$12.1	\$9.1	\$12.1	\$0.0
Phones / cell phones / 911	\$7.3	\$4.5	\$7.3	\$0.0
Reserve contribution	\$27.6	\$0.0	\$27.6	\$0.0
Caretaking / maintenance	\$15.2	\$3.8	\$15.2	\$0.0
Other Services*	\$16.7	\$10.5	\$16.3	(\$0.4)
Total Services	\$85.6	\$32.0	\$84.8	(\$0.8)

* Approx. \$0.4M is attributed to grant-funded expenditures (revenue budget has been increased by same amount)

Based on year-to-date trends, the Service is projecting \$0.4M savings in its cleaning and clothing reimbursement accounts and \$0.4M in the “other services” account, resulting in a \$0.8M surplus in this category.

Revenue:

A shortfall of \$1.4M is projected in the Revenue category, which is \$0.1M less than previously reported.

Revenue Category	2008 Budget (\$Ms)	Actual to Sept 30/08 (\$Ms)	Projected Year-End Actual (\$Ms)	Projected (Surplus)/ Shortfall (\$Ms)
Recoveries from City	(\$7.6)	(\$5.6)	(\$7.6)	\$0.0
CPP and Safer Comm'y grants	(\$16.3)	(\$4.5)	(\$16.3)	\$0.0
Other Gov't grants	(\$8.1)	(\$6.7)	(\$8.6)	(\$0.5)
Fees (e.g., pd duty, alarms, ref.)	(\$9.7)	(\$6.9)	(\$9.9)	(\$0.2)
Secondments	(\$2.3)	(\$1.4)	(\$2.7)	(\$0.4)
Draws from Reserves	(\$12.9)	\$0.0	(\$12.9)	\$0.0
Other Revenues (e.g., pris.return)	(\$10.9)	(\$4.5)	(\$8.4)	\$2.5
Total Revenues	(\$67.8)	(\$29.6)	(\$66.4)	\$1.4

* Approx. \$0.4M is attributed to grant-funded expenditures (revenue budget has been increased by same amount)

The “Other Revenues” budget was increased by \$2.8M to accommodate City Council’s unspecified budget reduction. This has been partially offset by unbudgeted revenues of \$0.3M, primarily as a result of unused deferred revenues, resulting in a net \$2.5M unfavourable variance in this category.

The Service is experiencing favourable variances in its paid duties accounts. However, these have been partially offset by unfavourable variances in the sale of accident reports, alarm fees and criminal reference checks, resulting in a net favourable variance of \$0.2M in the “Fees” category. The Service is also experiencing a favourable variance of \$0.4M in its secondment revenue, and is projecting a favourable variance of \$0.5M in grant revenues, in large part due to grant funding for budgeted salaries.

Interim Salary Increase:

The Board and the TPA are currently undergoing the arbitration process for the 2008 contract year. On October 8, 2008, the Arbitrator awarded a 3% interim salary settlement on a without prejudice basis as the current process continues. Subsequently, the Board approved the same interim award to members of the Toronto Police Senior Officers’ Organization, Excluded staff and Command Officers (Min. No. C283/08 refers). The total estimated impact of these awards on the Service’s 2008 net operating budget is \$20.267M. The impact of all salary settlements was estimated for and budgeted in the City’s non-program expenditure budget. The Service is recommending that the Board request the City of Toronto’s Executive Committee to approve a budget transfer from the City’s non-program expenditure budget to the Service’s operating budget, to cover the cost of the interim salary awards.

Conclusion:

As at September 30, 2008, the Service is projecting a favourable variance of \$1.0M by year end. The favourable variance includes in-year savings of \$2.8M which covers the unallocated budget reduction approved by Council. It is important to note that the savings to achieve the unallocated Council reduction are in-year savings and may not be sustainable in the future.

The recent 3% interim salary award has no impact on the overall variance, and a budget transfer is being requested from the City to provide funding to cover the amount of the interim award.

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

The Board approved the foregoing report and agreed to forward a copy to the City of Toronto – Executive Committee for approval.