



## STAFF REPORT ACTION REQUIRED

### Toronto Police Service – 2011 Operating Budget Variance Report for the Period Ending July 31, 2011

<b>Date:</b>	October 5, 2011
<b>To:</b>	Executive Committee, City of Toronto
<b>From:</b>	Alok Mukherjee, Chair, Toronto Police Services Board

#### **SUMMARY**

The purpose of this report is to provide the Executive Committee with the 2011 operating budget variance report for the Toronto Police Service for the period ending July 31, 2011.

#### **RECOMMENDATION**

It is recommended that the Executive Committee approve a budget transfer of \$23,288,200 from the City's Non-Program operating budget, to the Service's 2011 operating budget, to fund the cost of the 2011 portion of the 2011-2014 negotiated collective agreement for Toronto Police Association members.

#### **FINANCIAL IMPACT**

The Board, at its January 11, 2011 meeting, approved the Toronto Police Service's 2011 operating budget at a net amount of \$905.9M. Toronto City Council, at its meeting of February 23 and February 24, 2011, approved the 2011 Operating Budget at the same amount.

The Service has since been notified by City Finance staff of a further \$0.3M allocation from the Insurance Reserve Fund to the Service's 2011 operating budget. As a result of the reallocation, the Service budget has been restated upwards by \$0.3M to a total of \$906.2M. However, this change does not result in additional available funds to the Service, as there will be a corresponding charge from the City.

City Finance staff have confirmed that funding has been set aside in the City's non-program expenditure budget to cover the cost of the negotiated contract settlement for Toronto Police Association members. The \$23.3M estimated cost in 2011 for the collective agreement salary and benefit increases is offset by the budget transfer and, therefore, there is no net impact on the Service's 2011 overall variance. In addition, there is no net impact to the City.

## **ISSUE BACKGROUND**

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At a meeting held on September 14, 2011, the Board was in receipt of a report dated August 31, 2011 from William Blair, Chief of Police, recommending a budget transfer of \$23,288,200 to the Service's 2011 operating budget from the City's Non-Program operating budget, to fund the cost of the 2011 portion of the 2011-2014 negotiated collective agreement for Toronto Police Association members.

## **COMMENTS**

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The Board approved the Chief's report and agreed to forward a copy of the report to the City's Deputy City Manager and Chief Financial Officer for information and to the City's Executive Committee for approval.

## **CONCLUSION**

A copy of the Chief's report dated August 31, 2011 is contained in Board Minute No. P231/11. A copy of Board Minute No. P231/11, in the form attached as Appendix "A" to this report, is provided for information.

## **CONTACT**

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

## **SIGNATURE**

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Alok Mukherjee  
Chair

## **ATTACHMENT**

Appendix A – Board Minute No. P231/11

cc. Mr. Cam Weldon, Deputy City Manager and Chief Financial Officer

A: 2011tps 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 SEPTEMBER 14, 2011

#### #P231. TORONTO POLICE SERVICE – 2011 OPERATING BUDGET VARIANCE REPORT FOR THE PERIOD ENDING JULY 31, 2011

The Board was in receipt of the following report August 31, 2011 from William Blair, Chief of Police:

Subject: OPERATING BUDGET VARIANCE REPORT FOR THE TORONTO POLICE SERVICE – PERIOD ENDING JULY 31, 2011

#### Recommendations:

It is recommended that:

- (1) the Board request the City's Executive Committee approve a budget transfer of \$23,288,200 to the Service's 2011 operating budget from the City's Non-Program operating budget, to fund the cost of the 2011 portion of the 2011-2014 negotiated collective agreement for Toronto Police Association members; and
- (2) the Board forward a copy of this report to the City's Deputy City Manager and Chief Financial Officer for information.

#### Financial Implications:

The Board, at its January 11, 2011 meeting, approved the Toronto Police Service's 2011 operating budget at a net amount of \$905.9M (Min. No. P13/11 refers). Toronto City Council, at its meeting of February 23 and February 24, 2011, approved the 2011 Operating Budget at the same amount.

The Service has since been notified by City Finance staff of a further \$0.3M allocation from the Insurance Reserve Fund to the Service's 2011 operating budget. As a result of the reallocation, the Service budget has been restated upwards by \$0.3M to a total of \$906.2M. However, this change does not result in additional available funds to the Service, as there will be a corresponding charge from the City.

City Finance staff have confirmed that funding has been set aside in the City's non-program expenditure budget to cover the cost of the negotiated contract settlement for Toronto Police Association members. The \$23.3M estimated cost in 2011 for the collective agreement salary and benefit increases is offset by the budget transfer and therefore there is no net impact on the Service's 2011 overall variance. In addition, there is no net impact to the City.

Background/Purpose:

The purpose of this report is to provide information on the Service's 2011 projected year-end variance as of July 31, 2011.

Discussion:

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

Category	2011 Budget (\$Ms)	Actual to July 31/11 (\$Ms)	Projected Year- End Actual (\$Ms)	Fav / (Unfav) (\$Ms)
Salaries	\$667.9	\$381.3	\$670.5	(\$2.6)
Premium Pay	\$44.9	\$19.5	\$43.7	\$1.2
Benefits	\$176.4	\$107.8	\$177.2	(\$0.8)
Materials and Equipment	\$23.1	\$14.7	\$23.5	(\$0.4)
Services	<u>\$92.2</u>	<u>\$33.1</u>	<u>\$90.6</u>	<u>\$1.6</u>
<b>Total Gross</b>	<b><u>\$1,004.5</u></b>	<b><u>\$556.4</u></b>	<b><u>\$1,005.5</u></b>	<b><u>(\$1.0)</u></b>
Revenue	<u>(\$75.0)</u>	<u>(\$30.7)</u>	<u>(\$77.6)</u>	<u>\$2.6</u>
<b>Total Net</b>	<b><u>\$929.5</u></b>	<b><u>\$525.7</u></b>	<b><u>\$927.9</u></b>	<b><u>\$1.6</u></b>

*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, 2011, a net \$1.6M favourable variance is anticipated. This variance is \$1.6M more favourable than previously reported (Min. No. P192/11 refers). Details of each major expenditure category and revenue are discussed in the sections that follow.

*Salaries:*

An unfavourable variance of \$2.6M is projected in the salary category. This variance is \$0.4M less favourable than previously reported.

Expenditure Category	2011 Budget (\$Ms)	Actual to July 31/11 (\$Ms)	Projected Year- End Actual (\$Ms)	Fav / (Unfav) (\$Ms)
Uniform Salaries	\$508.9	\$292.4	\$511.2	(\$2.3)
Civilian Salaries	<u>\$159.0</u>	<u>\$88.9</u>	<u>\$159.3</u>	<u>(\$0.3)</u>
<b>Total Salaries</b>	<b><u>\$667.9</u></b>	<b><u>\$381.3</u></b>	<b><u>\$670.5</u></b>	<b><u>(\$2.6)</u></b>

The 2011 uniform salary budget does not include any funds for recruit hiring and assumed that

the projected attrition total uniform separations (resignations and retirements) would be 220. Actual separations to the end of July 2011 are less than had been estimated, and at this time the Service is projecting 190 separations for the year, compared to the 220 included in the 2011 budget. This includes the cost of 12 uniform separations as a result of the Board-approved Voluntary Exit Incentive Program (VEIP) (Min. No. C236/11 refers). Based on timing of separations to date, uniform salaries are projected to be \$2.3M unfavourable to year-end, taking into account the \$0.6M estimated cost of the VEIP for uniform members. Actual separations are monitored monthly and will continue to be reported on in future variance reports.

Civilian salary budgets are projected to be \$0.3M unfavourable. The 2011 civilian salary budget included more gapping than previous years, due to the Service's initiative to delay civilian hiring where operationally feasible. The Service is projecting to be on target in achieving the civilian salary gapping estimate. The unfavourable amount of \$0.3M in the civilian salaries is for the cost of the six staff leaving through the VEIP. Similar to the uniform category, civilian attrition is monitored monthly and vacancies will continue to be reviewed.

The total cost of the VEIP for the 18 staff is \$0.9M. While this amount has an impact on the salary category, the Service is able to absorb this from the favourable variances in other categories as described below.

*Premium Pay:*

An under expenditure of \$1.2M is projected in the premium pay category, which is \$0.8M more favourable than previously reported.

<b>Expenditure Category</b>	<b>2011 Budget (\$Ms)</b>	<b>Actual to July 31/11 (\$Ms)</b>	<b>Projected Year- End Actual (\$Ms)</b>	<b>Fav / (Unfav) (\$Ms)</b>
Court	\$11.8	\$7.0	\$12.0	(\$0.2)
Overtime	\$6.1	\$2.5	\$5.8	\$0.3
Callback	\$6.6	\$3.5	\$6.4	\$0.2
Lieutime Cash Payment	<u>\$20.4</u>	<u>\$6.5</u>	<u>\$19.5</u>	<u>\$0.9</u>
<b>Total Premium Pay*</b>	<b><u>\$44.9</u></b>	<b><u>\$19.5</u></b>	<b><u>\$43.7</u></b>	<b><u>\$1.2</u></b>

\* Approx. \$2.4M 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).

Based on current trends, the Service is projecting a net favourable variance in premium pay spending of \$1.2M. It should be noted that premium pay is subject to the exigencies of policing and uncontrollable events can have an impact on expenditures.

*Benefits:*

An unfavourable variance of \$0.8M is projected in the benefits category, which is \$0.8M less favourable than previously reported.

<b>Expenditure Category</b>	<b>2011 Budget (\$Ms)</b>	<b>Actual to July 31/11 (\$Ms)</b>	<b>Projected Year- End Actual (\$Ms)</b>	<b>Fav / (Unfav) (\$Ms)</b>
Medical / Dental	\$38.5	\$19.4	\$38.0	\$0.5
OMERS / CPP / EI / EHT	\$108.2	\$70.9	\$109.7	(\$1.5)
Sick Pay / CSB / LTD	\$16.4	\$10.7	\$16.4	\$0.0
Other (e.g., WSIB, life ins.)	\$13.3	\$6.8	\$13.1	\$0.2
<b>Total Benefits</b>	<b>\$176.4</b>	<b>\$107.8</b>	<b>\$177.2</b>	<b>(\$0.8)</b>

Based on year-to-date expenditures, medical/dental costs are indicating a \$0.5M favourable variance, and the “other” benefits category is projecting a \$0.2M surplus. These are offset by pressures in the OMERS, CPP, EI and EHT expenditures, which are projected to be \$1.5M unfavourable. The estimated OMERS impact related to the parking taxable benefit accounts for \$1.2M of the \$1.5M unfavourable variance. The remaining \$0.3M unfavourable variance is due to the lower than anticipated separations.

*Materials and Equipment:*

An over expenditure of \$0.4M is projected in this category, which is \$0.3 more favourable than previously reported.

<b>Expenditure Category</b>	<b>2011 Budget (\$Ms)</b>	<b>Actual to July 31/11 (\$Ms)</b>	<b>Projected Year- End Actual (\$Ms)</b>	<b>Fav / (Unfav) (\$Ms)</b>
Vehicles (gas, parts)	\$11.9	\$6.8	\$12.4	(\$0.5)
Uniforms	\$3.7	\$3.6	\$3.7	\$0.0
Other Materials	\$5.0	\$3.2	\$4.9	\$0.1
Other Equipment	\$2.5	\$1.1	\$2.5	\$0.0
<b>Total Materials &amp; Equipment*</b>	<b>\$23.1</b>	<b>\$14.7</b>	<b>\$23.5</b>	<b>(\$0.4)</b>

\* Approx. \$0.5M is attributed to grant-funded expenditures (revenue budget has been increased by same amount)

The Service is closely monitoring the cost of fuel and its impact on the budget. Based on prices in the first seven months of the year, and the recent levelling-off of gas prices, the Service is projecting an unfavourable budget variance in gasoline of \$0.5M by year-end, \$0.2M less than previously reported.

*Services:*

Expenditures in this category are projected to be \$1.6M under spent, which is \$0.2M more

favourable than previously reported.

Expenditure Category	2011 Budget (\$Ms)	Actual to July 31/11 (\$Ms)	Projected Year- End Actual (\$Ms)	Fav / (Unfav) (\$Ms)
Legal Indemnification	\$0.6	\$0.5	\$0.6	\$0.0
Uniform Cleaning Contract	\$2.1	\$2.1	\$2.1	\$0.0
Courses / Conferences	\$2.2	\$0.7	\$2.0	\$0.2
Clothing Reimbursement	\$1.4	\$0.5	\$1.4	\$0.0
Computer / Systems Maintenance	\$11.8	\$9.6	\$11.8	\$0.0
Phones / cell phones / 911	\$7.4	\$3.8	\$7.4	\$0.0
Reserve contribution	\$30.8	\$3.3	\$30.8	\$0.0
Caretaking / maintenance utilities	\$19.6	\$3.7	\$19.4	\$0.2
Other Services	\$16.3	\$8.9	\$15.1	\$1.2
<b>Total Services *</b>	<b>\$92.2</b>	<b>\$33.1</b>	<b>\$90.6</b>	<b>\$1.6</b>

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

Projected savings in caretaking and maintenance are based on year-to-date invoicing from the City. Projected savings in the other services category are a result of the Service's initiative to reduce spending where operationally feasible.

#### Revenue:

A favourable variance of \$2.6M is projected in this category, which is \$1.5M more favourable than previously reported.

Revenue Category	2011 Budget (\$Ms)	Actual to July 31/11 (\$Ms)	Projected Year- End Actual (\$Ms)	Fav / (Unfav) (\$Ms)
Recoveries from City	(\$10.1)	(\$5.1)	(\$10.7)	\$0.6
CPP and Safer Comm'y grants	(\$16.3)	(\$3.9)	(\$16.3)	\$0.0
Other Gov't grants	(\$9.4)	(\$3.6)	(\$9.4)	\$0.0
Fees (e.g., paid duty, alarms, ref.)	(\$10.6)	(\$6.0)	(\$11.5)	\$0.9
Secondments	(\$3.6)	(\$2.2)	(\$3.8)	\$0.2
Draws from Reserves	(\$17.0)	(\$5.5)	(\$17.0)	\$0.0
Other Revenues (e.g., pris return)	(\$8.0)	(\$4.4)	(\$8.9)	\$0.9
<b>Total Revenues</b>	<b>(\$75.0)</b>	<b>(\$30.7)</b>	<b>(\$77.6)</b>	<b>\$2.6</b>

The favourable variance is mainly due to recoveries from the City related to billings for officer attendance at Provincial Offenses Act courts while off duty, and higher-than-budgeted recoveries in the "fees" category based on trends to date and revised fees as approved by the Board at its June 09, 2011 meeting (Min. No. P157/11 refers). The "Other Revenues" category includes a one-time revenue amount due to the reversal of a \$1.2M liability for job evaluation issues that have now been resolved successfully by the Service.

*Impact from Deferral of Uniform and Civilian Hiring:*

At its meeting of January 11, 2011, the Board approved the motion “that the quarterly operating budget variance reports that are submitted to the Board in 2011 include the impact, if any, of the deferral of uniform and civilian hiring on the Toronto Police Service” (Min. No. P13/11 refers).

Uniform Hiring Deferral: The impact in 2011 of deferred uniform hiring is minimal, due to the recruit class that was hired in December 2010 and graduated in May 2011. In addition, lower than anticipated attrition in 2011 has also assisted in maintaining the deployed strength.

Civilian Hiring Deferral: The Service’s process for the filling of vacant civilian positions requires Unit Commanders to carefully review the need for the position before starting the process to fill any vacancies. Unit Commanders are required to consider objective factors and alternative measures before submitting a request. Requests from unit commanders are reviewed by their respective Staff Superintendent/Director prior to obtaining the approval of their Deputy Chief or Chief Administrative Officer. The vacant job positions are within the Board-approved establishment and fully funded, and the request to fill a vacancy is further reviewed by the Deputy Chief, Human Resources Command. The filling of any civilian position that requires an external hire must be approved by the Chief of Police.

The Service has taken steps to defer the filling of a number of civilian positions, however, the non-filling of certain civilian positions has increased the organization’s risk level in various areas (e.g. legal work, payroll/accounting requirements, and human resources) and reporting requirements are becoming more difficult to meet. While the Service has postponed work where feasible and reassigned work to existing staff in the respective unit, these actions cannot continue without impacting operations, increasing risk/potential liabilities, and affecting the well-being of remaining staff.

Conclusion:

As at July 31, 2011, the Service is projecting a favourable variance of \$1.6M by year end. Expenditures and revenues will continue to be closely monitored throughout the year.

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.**