



STAFF REPORT ACTION REQUIRED

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

Date:	May 11, 2012
To:	Budget Committee, City of Toronto
From:	Alok Mukherjee, Chair, Toronto Police Services Board

SUMMARY

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

RECOMMENDATION

It is recommended that the City of Toronto's Budget Committee approve a budget transfer of \$916,300 to the Toronto Police Service's (Service) 2011 operating budget from the City's Non-Program operating budget, with no incremental cost to the City, to fund the cost of the 2011 portion of the negotiated collective agreement with the Toronto Police Senior Officers' Organization.

FINANCIAL IMPACT

The Board, at its January 11, 2011 meeting, approved the 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.

Subsequently, the Service budget has been restated upwards by \$0.3M (an allocation from the Insurance Reserve Fund to the Service's 2011 operating budget) and \$23.3M (to cover the cost of the negotiated contract settlement for Toronto Police Association members), resulting in a net operating budget of \$929.5M.

The Toronto Police Senior Officers' Organization 2011-2012 collective agreement was approved in late 2011. As a result, the Service's 2011 operating budget requires an adjustment to reflect the 2011 impact (\$0.9M) of the settlement. City Finance has confirmed that the funding to cover this settlement has been provided for in the City's non-program expenditure budget, and this transfer would be at no incremental cost to the City. This adjustment will result in a revised 2011 net operating budget of \$930.4M.

ISSUE BACKGROUND

At a meeting held on April 19, 2012, the Board was in receipt of a report dated March 30, 2012 from William Blair, Chief of Police, recommending a budget transfer of \$916,300 to the Toronto Police Service's (Service) 2011 operating budget from the City's Non-Program operating budget, with no incremental cost to the City, to fund the cost of the 2011 portion of the negotiated collective agreement with the Toronto Police Senior Officers' Organization.

The Chief's report also recommended that the Board request the City's Deputy City Manager and Chief Financial Officer to contribute \$13 Million (M) of the Service's 2011 surplus to the City's Sick Pay Gratuity Reserve to address the Service's contribution shortfall.

COMMENTS

The Board approved the recommendations contained in the Chief's report.

CONCLUSION

A copy of the Chief's report dated March 30, 2012 is contained in Board Minute No. P93/12. A copy of Board Minute No. P93/12, in the form attached as Appendix "A" to this report, is provided for information.

CONTACT

Chief of Police William Blair
Toronto Police Service
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SIGNATURE

Alok Mukherjee
Chair

ATTACHMENT

Appendix A – Board Minute No. P93/12

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

A: 2011tps operating budget variance ending dec 31.doc

APPENDIX "A"

THIS IS AN EXTRACT FROM THE MINUTES OF THE PUBLIC MEETING OF THE TORONTO POLICE SERVICES BOARD HELD ON APRIL 19, 2012

#P93. TORONTO POLICE SERVICE – OPERATING BUDGET VARIANCE REPORT – YEAR ENDING DECEMBER 31, 2011

The Board was in receipt of the following report March 30, 2012 from William Blair, Chief of Police:

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

Recommendations:

It is recommended that:

- (1) the Board request the City of Toronto's Budget Committee to approve a budget transfer of \$916,300 to the Toronto Police Service's 2011 operating budget from the City's Non-Program operating budget, with no incremental cost to the City, to fund the cost of the 2011 portion of the negotiated collective agreement with the Toronto Police Senior Officers' Organization;
- (2) the Board request the City's Deputy City Manager and Chief Financial Officer to contribute \$13 Million (M) of the Service's 2011 surplus to the City's Sick Pay Gratuity Reserve to address the Service's contribution shortfall; and
- (3) 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 (Service) 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.

Subsequently, the Service budget has been restated upwards by \$0.3M (an allocation from the Insurance Reserve Fund to the Service's 2011 operating budget) and \$23.3M (to cover the cost of the negotiated contract settlement for Toronto Police Association members), resulting in a net operating budget of \$929.5M.

The Toronto Police Senior Officers' Organization 2011-2012 collective agreement was approved in late 2011. As a result, the Service's 2011 operating budget requires an adjustment to reflect the 2011 impact (\$0.9M) of the settlement. City Finance has confirmed that the funding to cover this settlement has been provided for in the City's non-program expenditure budget, and this

transfer would be at no incremental cost to the City. This adjustment will result in a revised 2011 net operating budget of \$930.4M.

Background/Purpose:

This report provides information on the Service's 2011 final year-end variance.

Discussion:

The following chart summarizes the final year-end surplus of \$24M by category.

Category	2011 Budget (\$Ms)	Year-End Actual Expend (\$Ms)	Fav / (Unfav) (\$Ms)
Salaries	\$668.8	\$670.3	(\$1.5)
Premium Pay	\$45.1	\$42.1	\$3.0
Benefits	\$176.0	\$171.1	\$4.9
Materials and Equipment	\$25.3	\$23.8	\$1.5
Services	<u>\$90.5</u>	<u>\$89.8</u>	<u>\$0.7</u>
Total Gross	<u>\$1,005.7</u>	<u>\$997.1</u>	<u>\$8.6</u>
Revenue	<u>(\$75.3)</u>	<u>(\$90.7)</u>	<u>\$15.4</u>
Total Net	<u>\$930.4</u>	<u>\$906.4</u>	<u>\$24.0</u>

The 2011 year-end surplus is comprised of \$8.6M from lower than budgeted expenditures and \$15.4M from higher than budgeted revenue.

2011 Expenditures

The Service implemented various cost reduction initiatives in 2011 in conjunction with reduced staffing levels, and these resulted in premium pay and non-salary savings of \$5.2M. In addition, benefit savings of \$4.9M were achieved due to less than budgeted sick pay gratuity expenditures, reversal of the liability for pension payments related to the parking taxable benefit and favourable medical/dental costs. The above savings were partially offset by a shortfall of \$1.5M in salaries due to less than anticipated staff attrition.

The 2011 expenditure experience was factored into the development of the Service's 2012 operating budget and sustainable reductions were incorporated.

2011 Revenue

Revenue for 2011 exceeded the budgeted amount by \$15.4M. The majority of the additional revenue (\$7.8M) is for the reversal of the amount established as an allowance for doubtful accounts related to the G20 Summit. In addition, the reversal of previous year's liabilities for medical/dental and resolution of job evaluation issues enabled the Service to realize another

\$4.5M of revenue. The remaining additional revenue of \$3.1M was for various fee related recoveries, partially due to increased fees approved by the Board in 2011.

The majority of the additional revenue in 2011 was for one-time items (i.e. G20, previous liabilities) and the increase in revenue from fees has been taken into account in the development of the 2012 operating budget.

Contribution to City Sick Pay Gratuity Reserve

Each year the Service makes a contribution to the City's Sick Pay Reserve to cover draws from the reserves as members separate.

The Service's contributions to date have not been sufficient to cover our annual sick pay gratuity expenditures. An additional contribution of \$6.5M annually is therefore required to meet our obligations in this regard. Accordingly, in order to help mitigate future funding pressures on our operating budget, the Service is requesting that \$13M of the \$24M surplus generated in 2011 be allocated to the City's Sick Pay Gratuity Reserve. The remaining \$11M would be returned to the City.

Conclusion:

The Toronto Police Service achieved a favourable 2011 year-end operating budget surplus of \$24M.

Final expenditures and revenues in the various accounts have been taken into account in the development of the Service's 2012 operating budget. The \$24M surplus will be returned to the City. However, to help mitigate future budget pressures relating to the Service's Sick Pay Gratuity requirements, it is recommended that \$13M of the surplus be allocated to the City's Sick Pay Gratuity Reserve.

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

The Board noted that the 2011 budget process was a very long process and that the Service continuously looked at opportunities to achieve greater efficiencies. The Board approved the foregoing report and commended Chief Blair, the Command officers and staff members for their efforts that led to a 2011 year-end surplus of \$24M.