



**STAFF REPORT
ACTION REQUIRED**

Toronto Police Service – 2016 Revised Operating Budget Request

Date:	December 16, 2015
To:	Budget Committee, City of Toronto
From:	Andy Pringle, Chair, Toronto Police Services Board

SUMMARY

The purpose of this report is to provide the Budget Committee with the 2016 revised operating budget request for the Toronto Police Service (the “Service”).

RECOMMENDATION

It is recommended that the Budget Committee approve a revised 2016 net operating budget request of \$1,006.7 Million (M), an increase of \$27M or 2.76% over the 2015 net approved budget.

FINANCIAL IMPACT

The Service’s 2016 net operating budget request of \$1,015.8M (\$1,138.9M gross) was presented to the Toronto Police Services Board (“Board”) at its October 19, 2015 meeting (Min. No. P273/15 refers), with a recommendation for approval. This request was an increase of \$36.1M or 3.69% over the 2015 approved budget. A copy of the report submitted to the Board is attached to this report, and provides detailed information on the Service’s 2016 operating budget request.

At the October meeting, the Board requested that additional reductions be made to the Service’s 2016 operating budget request. In response to the Board’s request, the Service has reviewed all areas of its budget submission to identify potential cost reductions, as well as any increases to revenue estimates.

As a result, the revised 2016 operating budget request is \$1,006.7M net (\$1,132.3M gross). This is an increase of \$27M (2.76%) over the 2015 net approved budget of \$979.7M, and a decrease of \$9.1M over the original 2016 budget request presented to the

Board at its October 2015 meeting. A breakdown of the recommended \$9.1M reduction is provided below.

Item	Reduction/ (Increase) (\$000s)	Comments
Leap year cost	\$1,900	To be funded from City Tax Rate Stabilization Reserve, as per City Finance staff
TAVIS premium pay	\$1,000	Reduced based on loss of TAVIS Provincial funding
Medical, dental, administrative fee	\$616	Anticipated impact of new cap on physiotherapy services negotiated by the Board in the recent collective agreement, and premium reductions just recently negotiated by the Service
Other benefits	\$423	Change in estimates and assumptions, based on more up-to-date information
Reserves	\$2,100	Further reduced to prior year contribution levels – however, this is not in line with Service’s increased contribution strategy and creates future budget pressures
Facility custodial costs	\$500	Renegotiation of costs with City Facilities that provides these services to the Service
Other expenditures – hiring impacts	\$251	Related impacts of reduced hiring
Other expenditures	(\$134)	Net increase in expenditures based on more up-to-date information
Change in revenue estimates	\$2,424	Increased revenue based on further review of all revenue sources
Total	\$9,080	

The Service has identified significant savings and cost avoidance in the last five years, in order to keep budget increases to an absolute minimum. Higher costs due to collective agreement related increases from 2011 to 2015 were effectively mitigated through no or reduced uniform hiring, significant cuts to premium pay and non-salary increases which were kept for the most part below zero, during that period. Specifically, the Service’s payroll costs (including the impact of reduced premium pay) are approximately \$30M lower than in 2011.

Consequently, significant additional reductions are difficult to make without impacting service levels and effectively respond to a changing type of crime (cyber) and other emerging threats to public safety, as well as meet collective agreement and vendor contractual obligations. More up-to-date information and additional analysis, combined with the City funding the leap year impact (\$1.9M) from its Tax Rate Stabilization Reserve have allowed the Service to find further potential budget reductions totalling

\$9.1M. However, it is important to note that a good part of this reduction is not sustainable, given that some of the recommended amounts are driven by assumptions about market prices and revenues, and/or create future pressures on reserves. For example, the \$2.1M reduction to reserves simply defers the required additional contributions to future years.

ISSUE BACKGROUND

At a meeting held on November 12, 2015, the Board was in receipt of a report dated November 09, 2015 from Chief of Police Mark Saunders containing the 2016 revised operating budget request for the Service.

COMMENTS

Mr. Tony Veneziano, Chief Administrative Officer, was in attendance and delivered a presentation to the Board on the revised 2016 operating budget request. A copy of the presentation is on file in the Board office.

The following persons were in attendance and delivered deputations to the Board:

- John Sewell *
- Kris Langenfeld *

*written copy also provided; copy on file in the Board office.

Mr. Veneziano responded to questions by the Board.

Following a discussion, the Board received the deputations and approved the Chief's report dated November 09, 2015.

CONCLUSION

A copy of Board Minute No. P292/15, in the form attached as Appendix "A", regarding this matter is provided for information.

CONTACT

Chief of Police Mark Saunders
Toronto Police Service
Telephone No. 416-808-8000
Fax No. 416-808-8002

SIGNATURE

Andy Pringle
Chair

ATTACHMENT

Appendix A – Board Minute No. P292/15

- c. Mr. Rob Rossini, Deputy City Manager and Chief Financial Officer
- a: TPS 2016 revised operating budget.doc

APPENDIX "A"

THIS IS AN EXTRACT FROM THE MINUTES OF THE PUBLIC MEETING OF THE TORONTO POLICE SERVICES BOARD HELD ON NOVEMBER 12, 2015

#P292 TORONTO POLICE SERVICE – 2016 OPERATING BUDGET – REVISED REQUEST

The Board was in receipt of the following report November 09, 2015 from Mark Saunders, Chief of Police:

Subject: TORONTO POLICE SERVICE 2016 OPERATING BUDGET – REVISED
REQUEST

Recommendations:

It is recommended that:

- (1) the Board approve a revised 2016 net operating budget request of \$1,006.7 Million (M), an increase of \$27M or 2.76% over the 2015 net approved budget;
- (2) the Board approve a revised uniform establishment of 5,448 officers, a reduction of 14 from the current establishment;
- (3) the Board approve a revised civilian establishment of 2,230, an increase of 12 from the current establishment;
- (4) the Board forward a copy of this report to the City's Deputy City Manager and Chief Financial Officer for information; and
- (5) the Board forward a copy of this report to the City Budget Committee for approval.

Financial Implications:

The Toronto Police Service's (Service) 2016 net operating budget request of \$1,015.8M (\$1,138.9M gross) was presented to the Board at its October 19, 2015 meeting (Min. No. P273/15 refers), with a recommendation for approval. This request was an increase of \$36.1M or 3.69% over the 2015 approved budget. A copy of the report submitted to the Board is attached to this report, and provides detailed information on the Service's 2016 operating budget request.

At the October meeting, the Board requested that additional reductions be made to the Service's 2016 operating budget request. In response to the Board's request, the Service has reviewed all

areas of its budget submission to identify potential cost reductions, as well as any increases to revenue estimates.

As a result, the revised 2016 operating budget request is \$1,006.7M net (\$1,132.3M gross). This is an increase of \$27M (2.76%) over the 2015 net approved budget of \$979.7M, and a decrease of \$9.1M over the original 2016 budget request presented to the Board at its October 2015 meeting. A breakdown of the recommended \$9.1M reduction is provided below.

Item	Reduction/ (Increase) (\$000s)	Comments
Leap year cost	\$1,900	To be funded from City Tax Rate Stabilization Reserve, as per City Finance staff
TAVIS premium pay	\$1,000	Reduced based on loss of TAVIS Provincial funding
Medical, dental, administrative fee	\$616	Anticipated impact of new cap on physiotherapy services negotiated by the Board in the recent collective agreement, and premium reductions just recently negotiated by the Service
Other benefits	\$423	Change in estimates and assumptions, based on more up-to-date information
Reserves	\$2,100	Further reduced to prior year contribution levels – however, this is not in line with Service’s increased contribution strategy and creates future budget pressures
Facility custodial costs	\$500	Renegotiation of costs with City Facilities that provides these services to the Service
Other expenditures – hiring impacts	\$251	Related impacts of reduced hiring
Other expenditures	(\$134)	Net increase in expenditures based on more up-to-date information
Change in revenue estimates	\$2,424	Increased revenue based on further review of all revenue sources
Total	\$9,080	

The Service has identified significant savings and cost avoidance in the last five years, in order to keep budget increases to an absolute minimum. Higher costs due to collective agreement related increases from 2011 to 2015 were effectively mitigated through no or reduced uniform hiring, significant cuts to premium pay and non-salary increases which were kept for the most part below zero, during that period. Specifically, the Service’s payroll costs (including the impact of reduced premium pay) are approximately \$30M lower than in 2011.

Consequently, significant additional reductions are difficult to make without impacting service levels and effectively respond to a changing type of crime (cyber) and other emerging threats to public safety, as well as meet collective agreement and vendor contractual obligations. More up-to-date information and additional analysis, combined with the City funding the leap year impact

(\$1.9M) from its Tax Rate Stabilization Reserve have allowed the Service to find further potential budget reductions totalling \$9.1M. However, it is important to note that a good part of this reduction is not sustainable, given that some of the recommended amounts are driven by assumptions about market prices and revenues, and/or create future pressures on reserves. For example, the \$2.1M reduction to reserves simply defers the required additional contributions to future years.

Background/Purpose:

In developing the original 2016 budget request, the Service considered all known information at the time, including staffing levels required to provide public safety services, collective agreement and vendor contract obligations, as well as previous years' spending trends, including 2015 expenditure projections. The 2016 budget request is also reflective of actions taken over the last several years to reduce the funds required by the Service to provide adequate and effective policing. The Service does not control collective agreement related impacts that the Board negotiates, including employee benefit provisions. Since 89% of the Service's budget is for salaries and benefits, the actions the Service can take to reduce its budget are somewhat limited. Accordingly, some of the measures taken over the last several years to reduce its budget and program costs have included among other things, a 10% reduction in senior management positions, no or reduced uniform hiring, an increase in civilian gapping, significant reductions to premium pay, the on-going deferral of required reserve contributions, and most recently the civilianization of 142 uniform positions.

The preliminary 2016 budget request for the Service included the cost to ramp up the uniform establishment to recover from declining average uniform deployments. However, as in previous years, in order to reduce the budget request, the planned average deployment for 2016 falls well below the approved establishment (5,235 vs. 5,448), reducing the original budget request by \$13M.

In considering the Service's 2016 operating budget request at its October 2015 meeting, the Board passed the following motions:

- (1) *“THAT the Chief seek to identify additional reductions and efficiencies in the proposed operating budget;*
- (2) *THAT the Chief together with the Chair working with the Mayor attempt to achieve adjustments to currently proposed provincial funding changes;*
- (3) *THAT the Chief seek to identify further increases to the revenue estimates contained in the proposed operating budget’*
- (4) *THAT the Chief consult with City Staff in carrying out items 1-3 above;*
- (5) *THAT a revised operating budget proposal be presented to the Board for approval at its November 12, 2015 meeting; and*
- (6) *THAT the Board receive the written submission from the Toronto Police Accountability Coalition.”*

Accordingly, this report focuses on proposed further reductions to the Service's operating budget request, including any proposed changes to revenue estimates contained within the budget, for the Board's consideration.

Discussion:

2016 Operating Budget:

The Service's operating budget process started in April 2015. This process includes continual reviews and updates as more up-to-date information becomes available and is based on meetings with City staff and the Board's Budget Sub-Committee. The review process resulted in an original budget request being reduced from \$1,036.7M (5.8% increase) to the request put before the Board Budget Sub-Committee in September of \$1,023.1M (4.4% increase) to a further reduced budget of \$1,015.8M (3.69% increase) being presented to the Board at its October 2015 meeting. Therefore, the budget request submitted to the Board in October was \$21M less than the original budget request.

As previously mentioned, in order to mitigate the budget increase, the Service is not budgeting to its approved uniform establishment. Furthermore, the Service has reduced its hiring strategy in 2016 to take into account the loss of TAVIS funding, which was used to subsidize the cost of 30 school resource officers, and the additional civilianization of 14 uniform positions. As a result, the average uniform deployment in 2016 is 5,235 officers, which is below the projected 2015 average uniform deployment of 5,282 officers, and 213 below the revised uniform establishment of 5,448.

The operating budget process also included a detailed review of anticipated premium pay requirements, collective agreement and other contractual obligations, and expenditure trends in categories such as gasoline and benefits, and took into account the impact of the continued civilianization of some uniform positions. It included a review of all revenue sources. All cost drivers that were known or could be reasonably anticipated were considered in the development of the budget. The Service's budget request was developed with the objective to start from a zero-base where possible, keep non-salary requests at a minimum and include no new initiatives unless they saved or avoided costs, increased efficiencies or were necessary to mitigate risk.

As a result of the Board's motions noted above, the Service re-examined various areas of the budget submission, to determine if there were any further reductions that could be made, with the benefit of more up-to-date information. The following adjustments were identified.

Salaries (\$1.9M Reduction):

The salaries budget is driven by salary rates established by the various collective agreements negotiated by the Board with the Toronto Police Association (TPA) and the Senior Officers' Organization (SOO). It also takes into account the average actual uniform deployment, which is based on the anticipated number of officers on payroll at the end of the year, the estimated number of officers expected to separate from the Service in 2016 and the number of officers expected to be hired. With respect to civilian salaries, the budget is developed based on the

approved civilian establishment, reduced by estimated gapping (i.e. number of vacant positions expected and the average length of time they are expected to be vacant).

Leap year has an impact every four years on the Service budget, as salaries are budgeted based on the number of days in the year. As 2016 is a leap year, there is a one-time impact of \$1.9M for the additional day of salaries. Given the one-time nature of this pressure, the City has advised that leap year impacts will be funded from its Tax Rate Stabilization reserve. This results in a \$1.9M reduction to the Service's original budget request.

No further reductions are possible in the salary category, as these would impact service delivery.

The 2016 uniform salaries budget is premised on maintaining an average deployment of 5,235, based on 2015 average staffing levels, plus the related impact of hiring 44 less officers than originally planned in the December 2015 (30 less) and April 2016 (14 less) recruit classes. As a result, the Service's human resource strategy planned for the following classes of recruits: 11 in December 2015; 16 in April; 45 in August; and 79 in December, 2016, plus six transfers of officers from other police services during the year. Any further reduction to the salary budget would require a reduction in classes planned for the 2016 year, which would impact the number of officers that would be available to provide public safety services across the City. It would also create a budget pressure in 2017, in order to at least replace the number of officers that separated from the Service in 2016 and 2017.

It is also important to note that provincial grants are impacted by the average complement of officers in the Service, as a certain threshold of officers must be maintained. Any additional decrease in average deployment may therefore impact grant revenue, reducing the amount of the actual salary savings.

Civilian salaries are based on established positions, adjusted for gapping expectations. The 2016 budget contains the annualized impact of the 2015 civilianization initiatives. In addition, the Service has been actively staffing the backlog of vacancies that resulted during the 2013 Board-imposed hiring freeze and that continue to occur as individuals separate or retire. Any reductions to civilian staffing would impair the Service's ability to re-deploy uniform members as the work activities for which civilianization was recommended would continue to be performed by uniform members. In addition, the backlog of other civilian vacancies if not addressed, would continue to put significant pressure on existing civilian members, requiring significant amounts of overtime or increase temporary staff hiring, which is not sustainable. It would also increase the risk of errors and other deficiencies, and seriously affect services performed by the impacted units, in support of business units.

Revised Uniform and Civilian Approved Establishment:

In 2014, the Director, Finance and Business Management split the Service's Financial Management unit, consolidating Payroll with Benefits Administration and making Accounting Services, which includes the Central Paid Duty Office, into its own unit. As a result of this initiative, two established civilian positions were deleted. While the \$250,000 saved was reduced from the Service's 2015 budget, the positions have not yet been deleted from the

approved civilian establishment. Consequently, the establishment should be adjusted downward by two. This adjustment, combined with an increase of 14 positions for civilianization initiatives referenced in the original budget request report to the October 2015 board meeting, results in an increase of 12 positions, for a revised civilian establishment of 2,230. The corresponding reduction of 14 positions for the civilianization initiatives should be made to the approved uniform establishment, for a revised approved uniform establishment of 5,448 officers.

Premium Pay (\$1.0M Reduction):

The Service has made a concerted effort to monitor and manage premium pay, despite the need for overtime or call-backs as part of regular operations or as a result of the impact of major unplanned events, such as demonstrations, high profile homicide/missing persons and emergency situations. Between 2011 and 2015, premium pay budgets were reduced by a total of \$8.4M (after adjusting for salary settlements, and excluding the impact of off-duty court attendance). This represents a reduction of 22.5% in base premium pay.

Further reductions in base premium pay would be difficult to accommodate at this time, based on work pressures and service requirements. However, in order to reduce the 2016 budget request, a reduction to the TAVIS program premium pay of \$1M is being recommended. The TAVIS program has been funded by the Province of Ontario since 2006, and a lack of funding commitment for this program by the Province beyond December 31, 2015, has caused a significant pressure on the 2016 budget. Although the program has become an integral part of the delivery of policing services to the City, it is recommended that a reduction be made to the premium pay to assist in further reducing the Service's 2016 budget request. This will have a direct impact on the Service's ability to develop and implement intelligence-led strategies, utilizing premium pay to deliver activities to achieve these strategies, as well as respond to unanticipated events. The Service will have to monitor the impact of this further reduction in premium pay and develop strategies to address and manage any unanticipated events it must respond to, recognizing that these actions could impact our ability to pro-actively meet other public safety requirements.

Statutory Payroll Deductions and Benefits (\$1.0M Reduction):

The majority of the 2016 budget in this category is mandated by legislation or collective agreement obligations. Legislated rate changes have already been factored into the budget.

Medical and dental expenses are major cost drivers in this category. The budget for these benefits is based on the cost of drugs and services, dental fee schedule, utilization rates and administrative fees. Costs for drugs and dental services are based on the average increase experienced over the last four years. In 2016, based on a significant increase in the use of medical coverage, the estimate for medical and dental costs was increased by \$4.1M in the original budget request. These estimates have been re-evaluated based on recently completed negotiations of premium rate increases and pooling charges with the Board's benefits services provider, and also following a further analysis of the impact of the physiotherapy benefits cap negotiated in the collective agreement. Based on revised assumptions, it is estimated that the budget can be reduced by \$0.6M for medical and dental costs.

Furthermore, it has been determined that a total reduction of \$0.4M can be made to other benefit costs such as WSIB costs and group life insurance.

Reductions totalling \$1M can therefore be made in this cost category.

Reserve Contributions (\$2.1M Reduction):

The Service contributes to reserves through provisions in the operating budget. All reserves are established by the City. The City manages the Sick Pay Gratuity and Insurance reserves, while the Service manages the remaining reserves (Vehicle & Equipment, Legal, Central Sick Bank and Health Care Spending). The health of all reserves utilized by the Service is dependent on regular contributions to meet on-going expenditure obligations. In order to mitigate budget pressures, the Service in consultation with City Finance staff, has continually deferred required contributions to reserves, either through reduced contributions or by phasing in required increases over longer periods of time. In order to reduce its 2016 budget request, the Service reduced the planned contributions for reserves by \$3.5M in the original budget submission to the Board. In order to respond to the Board's request for additional funding reductions, the Service is reducing the required incremental reserve contributions by a further \$2.1M, for a total of \$5.6M in reductions in the 2016 budget request. Although this reduction is being made, the contributions are ultimately still required, as a part of the Service's reserve strategy to maintain enough funds to cover reserve draws, and meet the Service's obligations. The Service will work with the City in an attempt to reduce some of this pressure at least in the short-term, through a one-time injection of any Service budget surpluses. However, as one-time contributions from surplus are not in the Service's budget base, the reductions to the 2016 budget request still create a significant future budget pressure in order to increase the Service's contributions to the level required to meet future obligations.

Other Expenditures (\$0.6M Reduction):

The remaining expenditure categories include the materials, equipment and services required for day-to-day operations, much like those incurred by regular business entities. Wherever possible, accounts within this category were flat-lined to the 2015 level or reduced even further. Increases were only included where considered mandatory and/or to meet contractual obligations, and one-time reductions were taken into account where applicable.

After discussions with City staff, who provide caretaking and maintenance service for Service facilities, it was agreed that a \$0.5M reduction would be made to the interdepartmental charges for these services. To accommodate the reduction, City staff plan to review the preventative maintenance schedule for Service facilities and will be reducing part time staff allocations to Service facilities, which could lead to service level impacts. The Service and City will monitor these impacts in 2016 to determine if this reduction is sustainable.

In light of reduced hiring, all related expenditures have been reviewed and a further \$0.25M reduction in the request has been identified. There are, however, other expenditure items that, based on more up-to-date information, are expected to increase. The largest anticipated increase

is based on a change to foreign exchange rate estimate assumed in the original budget request. Due to the declining value of the Canadian dollar, the budget impact is estimated at \$0.2M. This cost is partially offset by other minor decreases for a net increase in other expenditures of \$0.1M.

Reductions totalling \$0.6M can be made in this cost category, as summarized in the table below.

Item	Reduction/ (Increase) (\$000s)	Explanation
Facility custodial costs	\$500	Renegotiation of costs with City Facilities that provides these services to the Service
Other expenditures – hiring impacts	\$251	Related impacts of reduced hiring
Other expenditures	<u>(\$134)</u>	Net increase in expenditures based on more up-to-date information
Total net reduction	\$617	

Revenues (\$2.4M increase):

The Service revenue budget includes fees, cost recoveries, grants and draws from reserves. The Service regularly reviews fee prices which are set to values that cover the costs of the service provided. The 2016 operating budget request reflects the direct and indirect costs of providing services. The cost recoveries budget represents reimbursements of expenses incurred by the Service and generally results in a net zero budget impact. Grant budgets are tied to specific contractual provisions regarding uniform officer staffing levels and/or specific expenditures. Other in-year grant funding opportunities are generally tied to new expenditures and therefore cannot be used to fund existing expenditures. Draws from reserves are tied to expenditures and cannot be increased to fund unrelated costs.

The Service is generally conservative with respect to the assumptions it makes to develop the various revenue budgets. However, after a further review of the revenue assumptions, it is recommended that overall revenues be increased by \$2.4M. This increase represents changes in estimates in various revenue sources for the Service.

Conclusion:

The Service submitted a 2016 budget request to the Board at its October meeting which met collective agreement and vendor contract obligations. It also included funding for staffing levels and infrastructure requirements to provide adequate and effective policing to the City, and help address ever evolving and increasing cybercrime, as well as other threats in public safety and victimization.

In response to the Board’s request for additional budget reductions, the Service worked with City staff and the Board’s financial consultant, to further review all areas of the original budget submission, with the benefit of more up-to-date information.

This report provides \$9.1M in recommended reductions to the 2016 operating budget request tabled at the Board's October 2015 meeting.

The revised request of \$1,006.7 Million (M) represents an increase of \$27M or 2.76% over the 2015 net approved budget. It is important to note, that included in the 2.76% increase is an increase of \$21.6M (2.16%) to cover the 2016 collective agreement impact, as well as a \$5M (0.5%) negative impact from the loss of TAVIS funding from the Province.

In considering this request, it is also important to note that the Service has reduced its budget significantly over the last 5 years mainly through reductions to both uniform and civilian hiring and premium pay, as well as non-salary and discretionary type accounts. Therefore, the ability to find additional savings, without impacting service delivery is very much limited, particularly given the fact that 89% of the Service's budget is still required to meet salary and benefit obligations.

Equally important is that some of the reductions that have been made and are being recommended are not sustainable (e.g. incremental contributions to reserves) and will create budget pressures that must be dealt with and funded in 2017 and future years. Finally, the Service budget has benefited from grant funding which, if not sustained, will put significant pressure on future budget requests.

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

Mr. Tony Veneziano, Chief Administrative Officer, was in attendance and delivered a presentation to the Board on the revised 2016 operating budget request. A copy of the presentation is on file in the Board office.

The following persons were in attendance and delivered deputations to the Board:

- **John Sewell ***
- **Kris Langenfeld ***

***written copy also provided; copy on file in the Board office.**

Mr. Veneziano responded to questions by the Board.

The Board approved the following Motions:

- 1. THAT the Board receive the deputations; and**
- 2. THAT the Board approve the foregoing report.**

Moved by: S. Carroll



TORONTO POLICE SERVICES BOARD REPORT



October 19, 2015

To: Chair and Members
Toronto Police Services Board

From: Mark Saunders
Chief of Police

Subject: TORONTO POLICE SERVICE – 2016 OPERATING BUDGET REQUEST

Recommendations:

It is recommended that:

- (1) the Board approve the Toronto Police Service's 2016 net operating budget request of \$1,015.8 Million (M), which is a \$36.1M or 3.69% increase over the 2015 approved budget;
- (2) the Board approve a revised uniform establishment of 5,448 officers, a reduction of 14 from the current establishment;
- (3) the Board approve a revised civilian establishment of 2,230, an increase of 12 from the current establishment;
- (4) the Board forward a copy of this report to the City's Deputy City Manager and Chief Financial Officer for information; and
- (5) the Board forward a copy of this report to the City Budget Committee for approval.

Financial Implications:

The Toronto Police Service's (Service) 2016 operating budget net request of \$1,015.8M (\$1,138.9M gross) is \$36.1M or 3.69% above the 2015 approved budget.

A summary of the Service's 2016 changes in the net operating budget request is provided in Table 1. Attachment A provides a detailed summary of the information provided in the remainder of this report and the 2017 and 2018 budget outlooks.

The collective agreement between the Toronto Police Services Board (Board) and the Toronto Police Senior Officers' Organization (SOO), which expired on December 31, 2014, has not been settled as of this date. Therefore, the Service's 2016 operating budget request does not include the financial impact of this salary settlement, as it is not known at this time.

Table 1- 2016 Summary of Changes

	\$M's	\$ change over 2016 Request	% change over 2015 Request
2015 Net Budget	979.7		
2016 Target	969.9		
Impact of 2016 Salary Settlement – Toronto Police Association (TPA)		\$21.2	2.16%
Net impact of salary and benefit costs		\$10.1	1.03%
Reserve Contributions		\$2.1	0.21%
Other Expenditures		\$1.9	0.19%
2016 Gross Budget Increase		\$35.2	3.59%
Revenues		\$0.9	0.09%
2016 Net Budget Increase		\$36.1	3.69%

Background/Purpose:

The purpose of this report is to provide the Board with the Service's recommended 2016 operating budget request. The report includes information on the level of funding required in 2016 to provide public safety services to the City of Toronto. The recommended request has been developed with a focus on achieving as many reductions as possible towards the City's target request of a 1% decrease over the 2015 approved budget, and is based on, among other things:

- Current 2016 plans and staffing strategy, anticipated increases/decreases in employee benefits, vendor contracts and revenue sources (e.g. fees, grants);
- Pressures in mandatory accounts; and
- The application of economic (e.g. price indexes) factors and guidelines provided by the City.

Discussion:

This report contains the following sections:

- Managing the Toronto Police budget – budget drivers and sustainable savings
- Police Governance – Adequate and Effective Policing
- Significant 2015 Accomplishments

- Retention of the School Crossing Guard and Lifeguard Programs
- Crime Evolution and the Changing Face of Policing
- Major Crime Indicators
- 2016 City and Service Budget Guidelines
- 2016 Operating Budget Development Process
- 2016 Operating Budget Request – Details

Managing the Toronto Police budget – budget drivers and sustainable savings:

The 2016 operating budget request cannot be looked at strictly on its own. It must also be reviewed and considered in the context of previous years’ requests (in particular the last four years), and the action taken to sustainably reduce the Service’s request over the last few years, as well as the on-going pressures the Service has and continues to face.

The Service’s net operating budget has increased by \$263.4M since 2006, growing from \$752.4M to \$1,015.8M in 2016.

Table 2 summarizes budget increases between 2006 and 2016. Attachment C provides more detailed information with respect to the breakdown of the overall increases.

Table 2 – Summary of Year-Over-Year Change - Net Operating Budget (\$Ms)

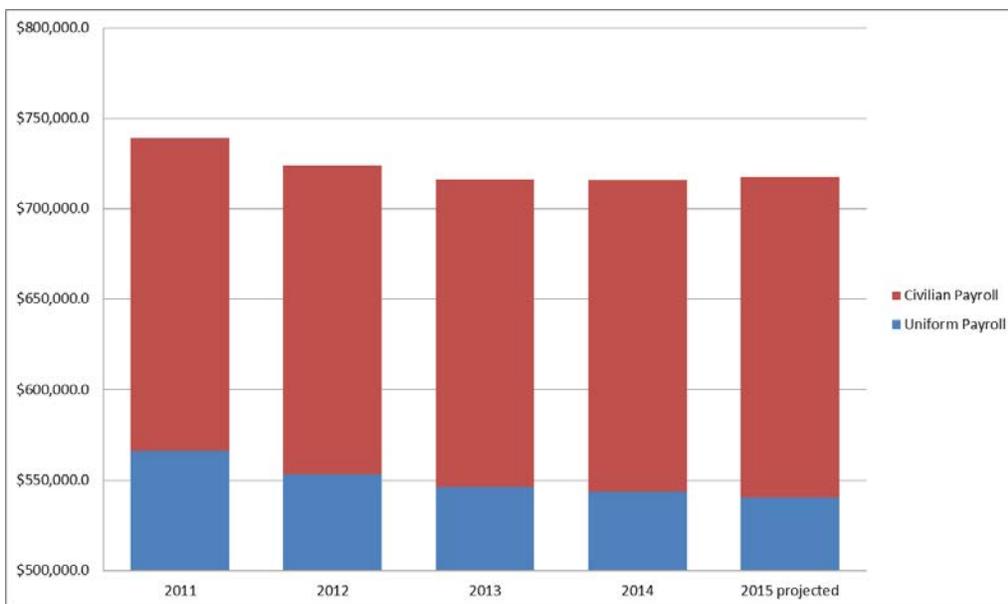
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016 Req.
Net Budget	752.4	786.2	822.0	854.8	888.2	930.4	935.7	936.4	965.5	979.7	1015.8
\$ Increase		33.8	35.8	32.8	33.4	42.2	5.3	0.8	29.1	14.2	36.1
Total % increase		4.5%	4.6%	4.0%	3.9%	4.7%	0.6%	0.1%	3.1%	1.5%	3.7%
Collective Agreement (% impact)		2.8%	3.1%	2.0%	3.2%	3.4%	2.5%	2.7%	2.9%	1.9%	2.2%
Other (% impact)		1.7%	1.5%	2.0%	0.7%	1.3%	-1.9%	-2.6%	0.2%	-0.4%	1.5%

Based on the above chart and the more detailed information in Attachment C:

- Approximately \$235.1M or 89% of the total budget increase of \$263.4M from 2006 to 2016 is attributable to salary and benefit increases that have arisen from negotiated and arbitrated collective agreement settlements between the Board and the TPA and SOO. These significant increases are beyond the Service’s control.
- \$28.4M or 11% is related to non-collective agreement related increases. These increases are in non-salary accounts, such as caretaking/utilities, information system maintenance contracts, gasoline, telephones, uniforms and vehicle/communication equipment parts. The non-salary percentage increases from 2006 to 2016 averages only 0.4% annually over that period, which is well below the average rate of inflation over that same period.

Over the past four years, the Service has exercised a number of measures to manage the budget and mitigate significant increases. This was done while continuing to provide public safety services as efficiently, effectively and economically as possible, in the face of changing demographics (e.g. aging population) and crime evolution (e.g. cyber). To this end, with the exception of 2014, where the non-collective agreement increase represented 0.2% of the annual increase, the budget impact within the Service’s actual control was below zero. Specifically, 2012 included -1.9% (\$17.7M), 2013, -2.6% (\$24.33M) and 2015, -0.4% (\$3.86M) in reductions, achieved through heightened resource and contract management and lower actual uniform and civilian staffing levels and premium pay reductions as outlined.

Significant savings have been achieved since 2011 in payroll costs, which when translated into 2015 dollars, indicate that total payroll costs decreased by \$21.4M (which includes a 10% reduction in senior management and one Deputy Chief position) from 2011 to 2015.



	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015 projected</u>
Uniform Payroll	\$566,154.6	\$552,879.7	\$545,998.4	\$543,533.6	\$540,258.0
Civilian Payroll	\$172,979.8	\$171,017.8	\$170,279.0	\$172,341.5	\$177,476.4
Uniform Staff - Average Deployed	5,553	5,378	5,285	5,249	5,282
Civilian Staff - Year End Deployed	1,967	1,945	1,912	1,937	1,978

Payroll savings were achieved by hiring uniform members at reduced average deployment numbers, which are well below the Service’s approved establishment, along with other measures such as reducing premium pay by \$8.5M, joint procurements with the City and other police agencies, and enhanced vendor negotiations, saved a further \$2M+.

It is important to note that given the budget cuts that have accumulated over the past four years, the flexibility required to manage within these reductions, despite unplanned public safety events is considerably diminished.

Police Governance – Adequate and Effective Policing:

The Ontario *Police Services Act* (PSA) outlines the principles by which policing services will be provided in Ontario. As a result, in order to ensure the safety and security of all persons and property in Ontario, municipalities are responsible for providing funds to enable adequate and effective policing, which must include, at a minimum, the following core services:

- Crime prevention;
- Law enforcement;
- Assistance to victims of crime;
- Public order maintenance; and
- Emergency response.

Under the PSA, the Board is required to submit operating and capital estimates to the municipal council that are required to “maintain the police force and provide it with equipment and facilities.”

In its role as the primary governance body for the Toronto Police Service, the Toronto Police Services Board is responsible for the provision of adequate and effective policing services in Toronto, working with the Chief of Police, to establish objectives and priorities with respect to police services and establishing policies that ensure effective management within the Toronto Police Service.

In order to carry out this responsibility, , the Board ensures that the Service consists of a Chief of Police and such other police officers and other employees as are required, and ensures that those officers and employees are provided with adequate equipment and facilities in order to execute their public safety mandate.

The 2016 operating and capital budgets, presented to the Board for approval, include amounts that will be required to maintain the level of police personnel, along with the requisite equipment and facilities that are mandatory in the provision of adequate and effective policing. The 2016 budget submission is a responsible accumulation of expenditures that will maintain an average deployment of uniform members (slightly below the 2015 deployment – 5235 vs. 5260), along with the essential infrastructure and direct and administrative support, that ensures public safety, as mandated in the *PSA*, is maintained.

Significant 2015 Accomplishments:

The Service is committed to being a world leader in policing, and is committed to optimizing police service delivery that is sensitive to the needs of the community. For this reason, every three years, the Board and Service determine the priorities that will be given extra emphasis over the three year period. To this end, the 2014 to 2016 Service priorities focus on:

- Safe Communities and Neighbourhoods;
- Economic Sustainability and Operational Excellence; and
- High Quality, Professional Service to the Community.

Over and above the core policing services that framework adequate and effective policing of the City, the priorities provide strategic areas where resources and efforts will be focused. Through the 2014 to 2016 priorities, the Service is continuously looking for ways to improve the delivery of public safety, support and infrastructure services, within a sustainable financial envelope. Consideration of the Service priorities contributed to the following 2015 accomplishments:

2015 Pan American/Parapan American Games:

The Toronto 2015 Pan American/Parapan American Games (Games) were held in the City of Toronto and surrounding municipalities in July and August of 2015. The Toronto Police Service's Pan Am Games Planning Team prepared for the Games' operational phase (June 24 to August 21, 2015), working cooperatively with multiple internal and external stakeholders, such as TO2015, local businesses and City of Toronto partnerships. At the peak Games period, between 1,200 and 1,500 individual officers were provided PanAm specific assignments.

Business continuity planning team members extensively analyzed resource obligations required to meet the demands of the Games' operational phase, while ensuring the continuity of regular policing services to the City. Operational success can be attributed to the following:

- Effective planning, responsible for designing a security plan that considered an assessment of risk and the needs associated with each individual venue;
- A centralized logistics hub, which ensured the smooth and seamless flow of people and equipment assets;
- Proper supply chain management, which allowed the tracking and monitoring of all issued assets, internally and externally. It should be noted that the Service achieved a 100% return rate on all external issued equipment;
- Constant evaluation of personnel and details as the games progressed, allowing for the reassignment of members or cancellation of details when positions became obsolete; and
- Partnerships and collaborations, which included a strong communication strategy for the public relating to events and traffic.

There were no major incidents at the Games and operations proceeded according to plans. At this time, final costs are being determined, for invoicing to the Province.

Customer Service Initiative:

Customer service excellence is an on-going initiative that will tap into and change the culture of the Service and mindset of our members, to ensure all of our members, uniform and civilian, interact and engage with members of the public, and each other, in a professional, respectful manner that is free from any bias.

In 2014, the Service engaged external consultants with an expertise in customer service to review internal and external interactions and make recommendations that would improve customer service within the organization.

In 2015, the Service executed a number of initiatives that considered the critical areas. Work is proceeding well on the creation of internal and external customer service charters, which will define what internal members can expect from each other and what the public we serve can expect from Service members. Social media is being used more extensively, through standardized handles and responses. Members have received tips that will help them enhance the customer service experience and are receiving training that promotes personal leadership through the change.

An important component in the planning for the PanAm/ParaPan Games was the development of a video which delivered a message about the role of Service officers during the Games, not just as providers of public safety and security, but as Ambassadors for the City. The video was not only well received by Service members, but obviously delivered a clear message as many compliments were received from members of the public that commented on the excellence of the service and assistance provided by our officers.

Police And Community Engagement Review (PACER):

The PACER initiative, which began in 2012, is in Phase IV, the Implementation and Evaluation stage. Although ten of the recommendations are dependent, directly or indirectly on the forthcoming Police Services Act regulation and/or publication of the Service's revised Procedure on Community Engagements, 14 of the 31 PACER recommendations have been fully implemented and most of the remaining 17 recommendations are substantially complete and/or in progress.

The PACER team continues to work with two of the four established sub-committees to address several of the outstanding recommendations.

In addition, members continue to attend a two day In-Service Training Program, which focuses on PACER and Iacobucci report recommendations in the areas of Human Rights, Customer Service, and Mental Health. A third day of training will be added in 2016, following finalization of content and format.

Iacobucci Report – Police Encounters with People in Crisis:

The Iacobucci Report was categorized by ten themes, which are detailed in the above noted Board report. It should be noted that recommendations have been implemented in the following categories:

- Mental Health System and Toronto Police;
- Police Culture;
- Training and Supervision;
- Use of Force;
- Major Crime Intervention Team and Other Crisis Intervention Models;

An implementation team was tasked with reviewing recommendations from the Honourable Frank Iacobucci's report entitled "Police Encounters with People in Crisis" (Iacobucci Report)

and the jury recommendations from the Coroner's inquest into the deaths of Reyal Jardine-Douglas, Sylvia Klibingaitis and Michael Eligon (JKE Inquest).

Throughout 2015, the Service committed staffing resources and worked diligently with major stakeholders to assess the recommendations, determine the impact and implement. A status update, advising that most of the recommendations had or were in the process of being implemented, was presented and received by the Board at its September 17, 2015 meeting (Min. No. P232/15 refers).

Body Worn Camera Pilot Project

A number of police services throughout North America are looking to implementing body worn cameras. In addition, Justice Iacobucci, in his report entitled "Police Encounters with People in Crisis" recommended that Toronto Police Officers be equipped with body worn cameras. As a result, in keeping with its commitment to maintaining public trust, to provide professional and unbiased service delivery and to be a world leader in policing, the Service is considering the use of body worn cameras for all uniformed members. However, in order to approach this initiative responsibly and ensure that the implementation would actually bring value to the Service and the public, the Service began a Body Worn Camera Pilot Project to test, evaluate and report on equipping front line officers with body worn cameras. In 2014, a competitive procurement process was conducted, with transparent evaluation criteria that selected three vendors (reduced to two) to provide 100 body wearable cameras. The pilot has started and will operate until March 2016 with selected members from four Service units testing all vendor equipment on a rotational basis.

To ensure proper governance and a thorough evaluation that considers all factors is conducted, a Working Group has been established to develop guiding principles for the pilot that include:

- Consideration to Human Rights, privacy and legislation;
- Rules of engagement; and
- Evaluation criteria and performance measurement indicators.

Next steps will be determined following the results of the pilot project.

Retention of the School Crossing Guard and Lifeguard Programs:

Both the Lifeguard Program and School Crossing Guard Program, which are non-core policing services, were the subject of comprehensive reviews as part of the CIOR. The programs were also reviewed by City Staff, in terms of the City potentially taking over the management of these programs. In both cases, the City determined that the programs could be more effectively delivered by the Service at a lower cost than City divisions.

Lifeguard Program

The Service's Marine Unit has been administering the Lifeguard Program since 1982. Approximately 84 Lifeguard and 13 Head Lifeguards, who are temporary, part-time non-Toronto Police Association employees, are responsible for 11 beaches. One civilian member of the Marine Unit supervises the program. Lifeguards are trained, equipped and supervised by the Service. Wage rates are set by the Toronto Police Services Board.

The City's Parks, Forestry & Recreation (PF&R) performed a comprehensive review and financial analysis to determine the cost of transferring administration of the program to the City. The proposed location for the group was in the PF&R's Aquatic Section. The City took the direct cost of the program, such as supervisory salaries, materials and equipment into account, as well as the indirect costs such as human resources, labour relations, and financial/administrative services. In addition, the analysis recognized the significant coordination with the Service's Marine Services unit that is required to successfully carry out rescue-related tasks.

The City concluded that it would be more expensive for its PF&R division to administer the program, and has therefore recommended that the lifeguard program continue to be delivered by the Service. The cost of this program was moved back to the Service's operating budget in 2015, through an in-year adjustment.

Crossing Guard Program

Approximately 700 crossing guards are currently managed by 16 Service members, mostly police officers working at divisions and Traffic Services. A CIOR Review assessed this model and recommended that management of this function should be civilianized and centralized.

Although the Service recommended civilianization of the program management, a determination of where the overall administration of the school crossing guard program should reside was the subject of continuing discussions with the City. Therefore, the implementation of this initiative was put on hold pending further direction from the City and the Board. During 2014, the City conducted their own review of the program, to determine if there was any cost/benefit to moving the program to the City Transportation Services division.

The City took the direct cost of the program, such as supervisory salaries, materials and equipment, into account, along with indirect administrative costs, such as human resource and financial requirements. The City concluded that it would be more expensive for its Transportation Services division to manage the crossing guard program, and has recommended that the program continue to be administered by the Service. This also enables the current arrangement, whereby a police officer can cover a crossing guard location in an emergent situation, to continue. The cost of this program was moved back to the Service's operating budget in 2015, through an in-year adjustment.

Given that the Service will now retain this program, the 2016 operating budget request contains a recommendation to action the civilianization of this program, which will then enable uniform officers to be re-deployed to front-line duties. Details of this recommendation are contained further along in this report.

Crime Evolution and the Changing Face of Policing:

One of the main challenges of the Service is keeping up with the evolution of crime in the face of changes experienced in society and the way it functions. This challenge runs from keeping up with the pace of technological changes, which continue to be embraced by the criminal element, to the growing concerns of human trafficking and elder abuse in Canada.

Cybercrime

Since the creation of information technology, digital information or data is used in the everyday lives of all Canadian citizens and businesses. Not only has the everyday citizen embraced computerization, but the criminal element has as well. As technological companies strive to create the newest, feature packed technological gadget, the forensic law enforcement community struggles to decode it. Given the anonymity provided by the internet, cybercrime is a growing area of concern for police services as the type of criminal activity is so diverse and extends beyond geographical boundaries.¹ Cybercrime is any crime that is committed via the internet or computer network. Types of crimes encompassing cybercrime include financial crimes such as online frauds (i.e. advanced fee loan scams, job scams, romance scams etc.), exploitation/luring children via the internet and attacks against computer hardware and software (i.e. installation of malware).² In order to tackle such far reaching crimes, the Service has created a Computer Cyber Crime unit (C3) whose mandate is to provide online investigative support and guidance regarding current best practices for members of the Service. C3 members will also support investigations involving social media platforms, website analytics, and photo deconstruction.

High profile events such as the “Ashley Madison hack” and the subsequent police response have highlighted the effects and scope of cybercrime and the need for a coordinated effort amongst police agencies.

Human Trafficking

Human Trafficking for a sexual purpose is a heinous crime that can render the victim with horrifying physical, social and emotional scars.

The Human Trafficking Enforcement Team (HTET) of the Toronto Police Service is committed to developing and maintaining a victim-centered approach to human trafficking investigations, ensuring that victims are rescued and their recovery is a priority. This approach places emphasis on Prevention, Protection, Prosecution and Partnerships.

¹ Interpol. Cybercrime. Accessed 2015.10.08. <http://www.interpol.int/Crime-areas/Cybercrime/Cybercrime>

² Interpol. Cybercrime. Accessed 2015.10.08. <http://www.interpol.int/Crime-areas/Cybercrime/Cybercrime>

In 2014, members of the Human Trafficking Enforcement Team (HTET) conducted an extensive investigation into two local street gangs involved in the sexual human trafficking of two female underage victims. Eleven residential search warrants were executed resulting in the arrest of 12 parties, who were subsequently charged with over 80 human trafficking-related and criminal code offences. Project Dove was the first human trafficking joint investigation between members of Sex Crimes and Divisional officers (D43) of this scope and magnitude.

In January 2014, the mandate and operating procedures of the Sex Crimes - Special Victims Unit were re-evaluated, revised and expanded, with an increased proactive approach towards investigations involving elements of human trafficking for a sexual and labour purpose. A comprehensive educational campaign was designed and delivered by HTET members to both internal and external stakeholders in order to disseminate the new mandate and familiarize Service members to the frequency and violence associated to human trafficking. The improved level of customer service and victim management has led to strong partnerships with governmental and non-governmental organizations as well as national and international recognition.

Crimes Against Seniors

The abuse of elderly persons is a growing concern for the Service due to an increasing senior's population and its reliance on caregivers to maintain levels of independence. The elderly are hesitant to report their victimization for a variety of reasons. In conjunction with the community agencies serving the elderly, the Service is working to encourage the reporting of abuse and to ensure that all complaints of abuse are fully investigated in a timely manner.

Elder abuse may happen to any older person regardless of gender, culture, race, financial status, mental or physical condition. Abuse may occur more frequently to those older persons who are socially isolated and types of abuse include physical, emotional, financial and neglect.

The goals of the Service regarding the abuse of elderly persons are to reduce the incidence of the abuse of the elderly persons in the community, to investigate all occurrences thoroughly and to bring offenders to justice wherever possible and to ensure the safety of victims through prompt action including referrals to other community partners.

Major Crime Indicators:

Seven major crime indicators are used as a key barometer of crime within the City. Table 3a indicates that overall major crime indicators have decreased significantly (27%) from 2005 to 2014.

Offence	2005	2014	
	Total	% Chg	Total
Murder	80	-29%	57
Sex Assault	1,657	33%	2,209
Assault	19,164	-15%	16,378
Robbery	4,540	-18%	3,721
Break and Enter	10,997	-35%	7,162
Auto Theft	9,191	-62%	3,517
Theft Over	1,133	-11%	1,014
Total	46,762	-27%	34,058

Table 3b below highlights that, although overall crime has increased by 3% in 2015 compared to 2014 (as of September 30, 2015), most categories except for break and enters, auto left, theft over and shooting incidents are lower than 2014.

Offence	2013	2014		2015	
	Total	% Chg	Total	% Chg	Total
Murder	47	-13%	41	-7%	38
Sex Assault	1,584	4%	1,650	7%	1,761
Assault	12,072	1%	12,191	8%	13,182
Robbery	3,149	-13%	2,732	-6%	2,578
Break and Enter	5,256	1%	5,320	-5%	5,071
Auto Theft	2,332	12%	2,609	-5%	2,486
Theft Over	753	-6%	711	8%	771
Shooting Incidents	165	-15%	140	34%	187
Total	25,358	0%	25,394	3%	26,074

As the table above shows, crime is down in four of the seven categories, but the significant increase in shooting incidents over the same time last year is of concern to the Service.

All of these indicators can, and are used, to measure how safe a city is, which in turn, is one of the dynamics that impact quality of life, entertainment, economic development, investment and tourism in a city. A safe city is therefore an important factor in terms of where people live, play, invest, do business and visit. Toronto is one of the safest cities in North America, and the Service has, and will continue to work hard with its community partners and other stakeholders to keep it that way.

The 2016 operating budget request has therefore been prepared with the objective of keeping the City safe, and balancing this goal with the need to keep our funding request as low as possible, taking into account the various financial and other pressures we face.

2016 City and Service Budget Guidelines:

In 2016, Divisions and Agencies are required to manage and offset their own pressures as well as make a contribution toward mitigating corporate pressures. As a result, the 2016 operating target is equivalent to a 1% decrease from the 2015 approved budget with 2% efficiency / productivity target to reach the overall target of -1%.

City Finance guidelines also instructed that the following factors be considered:

- Implementation of Efficiency Review savings;
- Implementation of user fee changes;
- Historical spending patterns;
- Continuous improvements; and
- Operating impacts from capital.

Additional, specific guidelines that pertain to the Service include:

- budget for known wage settlements;
- the budget for benefit requirements should be aligned to each position;
- adjust salary budgets for known and unplanned gapping; and
- apply economic factors provided by the City for specific accounts (e.g. gasoline, hydro).

2016 Operating Budget Development Process:

The Service has taken all of the City's guidelines into consideration, and in addition to those guidelines, has developed the 2016 operating budget request based on the following actions and directions:

- hiring of uniform officers to maintain the same level of actual uniform officers as 2015 (i.e. only hire to replace the number of officers we estimate will separate from the Service in 2016);
- budget for non-salary accounts based on year-end 2014 information, year-to-date 2015 information, and known changes;
- no new/enhanced services/initiatives other than civilianization and other efficiency and cost-effectiveness opportunities; and
- operating impacts from capital be reviewed and minimized wherever possible.

The Service began its 2016 operating budget development in April 2015. A preliminary budget, serving as the starting point for City Finance staff review, was provided to City staff in July. The initial increase over the approved 2015 budget was \$57M, or 5.8%.

From May to August 2015, a detailed budget development and review process continued within the Service, with budgets developed at the unit level, reviewed by respective Staff Superintendents and Directors, and Command Officers, and then collectively by the Chief and Command.

On September 2 and 3, 2015 the Board Budget Subcommittee (BSC) was presented with a budget estimate that reflected a 4.44% increase over 2015. Concurrently, meetings with City Finance staff, the City's CFO and City Manager occurred on September 14 and October 6 as well as a Budget Committee Informal Review on October 13, 2015. Throughout this review period, Service staff continued to fine-tune the budget request with more up-to-date information and analysis. This resulted in a revised 2016 budget request of 3.69% increase over 2015 approved budget.

2016 Operating Budget Request - Details:

The 2016 net operating budget request of \$1,015.8M will result in the Service operating with an average deployed strength of 5,235 officers in 2016 (which is 213 below the revised establishment of 5,448, and 25 below the average actual deployment in 2015), as well as services, supplies, equipment and internal services required to effectively support public safety operations.

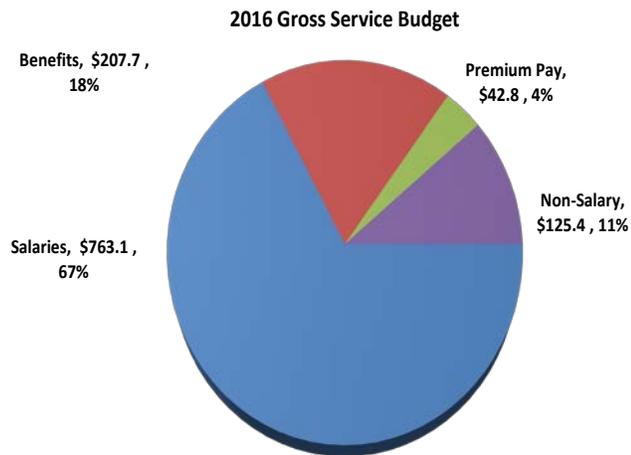


Figure 1. Overall Budget Request

Figure 1 indicates that, on a gross basis, 89% of the Service's budget is for salaries, benefits, and premium pay (court attendance, call-backs and required overtime). The remaining 11% is required for the support of our human resources in terms of the replacement/maintenance of vehicles, equipment, technology and information they use, facilities they work in, mandatory training they require, along with the materials and associated costs incurred by any regular business entity.

Table 4 summarizes the current 2016 request by category of increase/decrease, followed by a discussion on each category.

Table 4 - Summary of 2016 Budget Request Changes by Category

	2016 Request \$Ms	\$ Increase / (Decrease) over 2015 Budget	% Increase / (Decrease) over 2015 Budget
2015 Net Budget - \$979.7M			
(a) Estimated Impact of 2016 Salary Settlement	\$21.2	\$21.2	2.16%
(b) Salary Requirements	\$745.0	\$4.1	0.41%
(c) Premium Pay	\$41.8	-\$0.4	-0.04%
(d) Statutory Deductions and Fringe Benefits	\$205.1	\$6.2	0.63%
(e) Reserve Contributions	\$40.2	\$2.1	0.21%
(f) Other Expenditures	\$84.8	\$1.9	0.19%
(g) Civilianization	\$0.3	\$0.3	0.03%
(h) Revenues	-\$122.6	\$0.9	0.10%
Net Request/Amount above target	\$1,015.8	\$36.1	3.69%

The 2016 budget does not include the collective agreements impact for Senior Officers as currently it's being negotiated.

a) Estimated Impact of 2015 Salary Settlement

The 2016 operating budget request includes estimated impacts for the TPA contract, but excludes the cost impact from the SOO contract, as it is still under negotiation. The 2016 net impact for the TPA contract is estimated at \$21.2M. City Finance has indicated an amount will be set aside in the City's non-program budget to fund any potential settlement from the SOO.

b) Salary Requirements

The total salary requirements for 2016 (exclusive of the impact of the salary settlements), including civilianization, is \$745.3M. This budget represents an increase of \$4.4M (a 0.45% increase over the Service's total 2015 operating budget). Table 5 provides a summary of changes in this category, each of which is discussed in detail below.

Table 5 - Breakdown of Salary Requirements

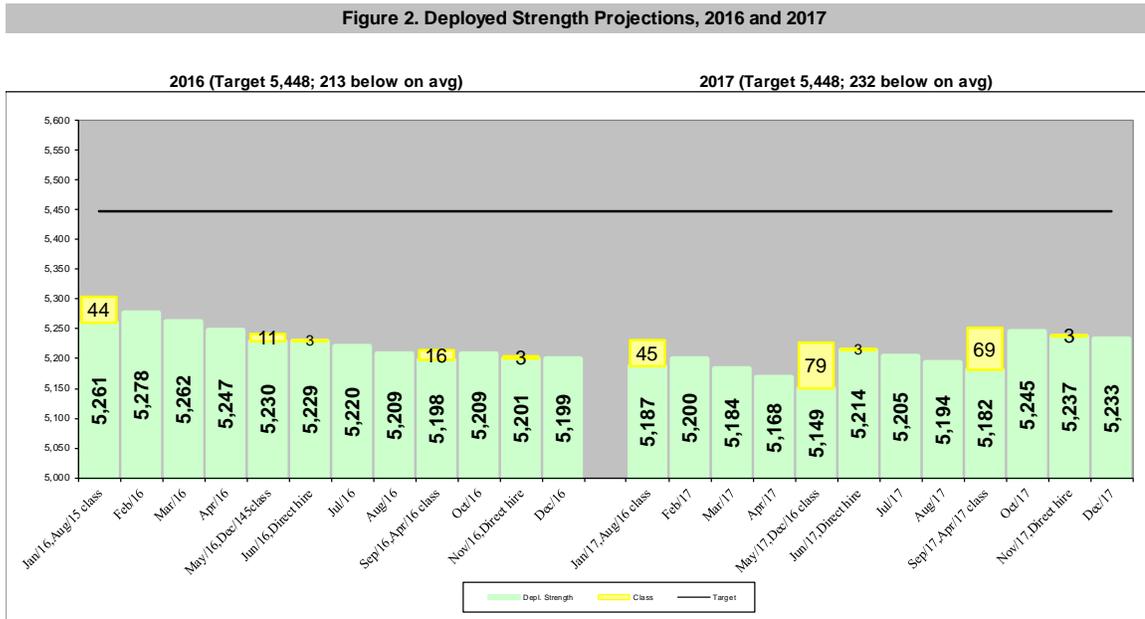
	Change \$Ms
- Human Resource strategy for uniform members	
- 2016 impact of 2016 replacements	\$3.0
- 2016 part-year savings from separations (estimated at 150 officers)	-\$8.9
- 2016 annualized savings from 2015 separations (projected at 150)	-\$7.1
- 2016 annualized impact of 2015 replacements	\$3.1
- 2015 annualized and 2016 part-year reclassification costs	\$8.2
- Annualization of civilian hiring strategy	\$2.4
- Change in gapping experience	\$1.3
- Civilianization	\$0.3
- Leap Year	\$1.9
- Net Other Changes (e.g., in-year job reclassifications, chg in leaves, etc.)	<u>\$0.2</u>
Total	\$4.4

- Human Resource (HR) Strategy for Uniform Members:** The Service normally plans class sizes for the three intake classes held annually by the Ontario Police College (in April, August, and December), with the goal of maintaining an average deployed strength equal to our approved establishment.

In light of budget pressures, the Service is not budgeting to its approved uniform establishment. Furthermore, Service has reduced the current hiring strategy in 2016 that takes into account the loss of TAVIS funding for school resource officers and the additional civilianization of 14 uniform positions. As a result, the average uniform deployment in 2016 is 5,235 officers, which is below the average uniform deployment in 2015. To achieve this deployment level, class sizes have been established at 11 for December 2015 and 30 (April), 45 (August) and 79 (December) for 2016. The annualized impact of the 2016 replacements is \$3.1M. The part-year cost of the 2016 hires is \$3.0M. The proposed civilianization initiatives results in a reduction of the April class from 30 to 16 recruits. It is important to note that the Service has made a conscious decision to not ramp up hiring to the revised establishment of 5,448, in order to help minimize the budget request increase over 2015.

2015 separations are projected at 150 (compared to 180 as budgeted for in 2015). Resignations and retirements occur throughout the year. Given that the Service budget is based on the timing of hires and separations, the impacts from 2015 must be annualized in the following year. The 2016 annualized net impact of 2015 separations results in a budget reduction of \$7.1M. The part-year savings of 150 officers anticipated to leave in 2016 is estimated at \$8.9M.

Figure 2 shows the impact of the proposed civilianization initiatives in 2016 on the Service’s approved establishment of 5,462 to 5,448. In addition, it depicts the Service’s uniform HR strategy, which includes anticipated classes in December 2015 and the 2016 year. Figure 2 also depicts the net impact of separations and hires in each month for 2016 and 2017, based on the assumptions identified above.



Officers are hired at a recruit salary rate, receiving pay increases as they continue to move up through the ranks. This “reclassification” creates annual budget pressures until officers become first-class constables (a four-and-a-half year process from date of hire for cadets hired prior to the ratification of the 2015 to 2018 collective agreement). The 2016 cost of reclassifications for officers hired in 2015 and in previous years, is \$4.5M.

- HR Strategy for Civilian Members:** In 2014, the Director, Finance and Business Management split the Service’s Financial Management unit, consolidating Payroll with Benefits Administration and making Accounting Services, which includes the Central Paid Duty Office, into its own unit. As a result of this initiative, two established civilian positions were deleted, and the savings (\$250,000) were reflected in the 2015 budget request. However, these two positions were inadvertently not deleted from the 2015 approved civilian establishment. As a result, the 2016 approved civilian establishment has been reduced from 2,218 to 2,216. However, opportunities for civilianization recommended in 2016 increase the Service’s approved civilian establishment from 2,216 to 2,230 (Note that uniform establishment would be reduced by the same number). For the purposes of this discussion, all comparisons are made to the current Board and City-approved establishment of 2,218. This establishment pertains to the permanent full-time complement of the Service and excludes part-time and temporary personnel. Permanent staffing for the Board office and members of the Parking Enforcement unit are also excluded, as these units have separate operating budgets.

The 2015 budget contained only part year funding for previous civilianization initiatives; the annualized pressure of these initiatives in 2016 amounts to \$2.4M. It must be noted that had these initiatives not been approved, there would have been a greater funding pressure on the 2016 operating budget for the costs of the required uniform staffing that the civilians are replacing. It should also be noted that civilianization can cause an immediate pressure as a result of the civilian hiring, but reduces the overall program cost once fully implemented.

The Service gapping and hiring strategy generally assumes civilian hiring at a rate that would keep pace with separations, assuming an average six-month salary gap for each anticipated vacancy, with the exception of positions that must be fully staffed, such as Communication Operators and Court Officers. As part of the 2013 budget approval, the Board directed that, with the exception of communication operators, there be no civilian hiring, except where warranted and approved by resolution of the Board. The Board's direction resulted in a significant reduction in 2013 hires. Following the lift of the hiring freeze in 2014, efforts have been made to fill the significant backlog of positions resulting from the freeze and new vacancies resulting from civilian separations in 2014 and 2015. As a result, the civilian gapping budget increased from an average historical rate of 4.9% to a budgeted rate of 7.4% in 2015. Due to the significant number of vacancies, efforts to catch up will continue into 2016 and 2017. Civilian staffing levels are currently well below establishment with approximately 240 vacancies. Civilian separations in 2016 are estimated at 85, based on historical experience. This necessary increased hiring pace results in a \$1.3M pressure on the 2016 budget request. Although this funding represents a large pressure, the Service will still be significantly short of its historical gapping level of 4.9%, as this increase will allow the Service to reduce its gapping rate to just 6.5%.

As evidence by the 2013 hiring freeze, uniform and civilian vacancies throughout the Service are placing a strain on remaining staff and having a detrimental impact on operations. Staff are required to take on critical responsibilities left unfulfilled by vacant positions and are focusing only on mandated responsibilities and functions. As a result, staff's ability to review processes for efficiencies is seriously hindered by their need to focus on day to day work. Overburdening staff has resulted in an increased risk of errors and omissions, which could in turn, lead to unnecessary or avoidable costs, and impact negatively on the Service's ability to maintain public confidence and accountability. The Service continues striving to provide required services and support, even with the vacancies. However, the risk of activities not being fulfilled, services delayed and errors and omissions occurring continues to be a possible reality until vacancies are filled. Maintaining gapping at reasonable levels is the prudent strategy in the longer term.

To this end, in 2016, the Service will embark on a review of civilian staffing, particularly in the area of administrative support, focusing on the current workforce available within the organization, workload demands and efficiencies, in order to identify opportunities to reduce staffing through attrition and the realignment of positions to better achieve Service objectives in the future.

- Civilianization Initiatives (increase of \$0.3M): Civilianization is a long-term Service strategy that will continue to review the authority and skills set required to perform jobs and functions, with the goal of providing the respective services in the most efficient and cost-effective way possible. In 2014, a number of positions (99) historically staffed with uniform members, were civilianized. This resulted in a lower uniform establishment, with a corresponding increase to the civilian establishment. As a result, longer term benefits will be experienced, including an overall reduction in the cost of affected programs. In 2015, the Service continued its review of how service is provided, with the goal of identifying initiatives that will allow the Service to provide more efficient, effective or economical services, ensuring that individuals with the right skill set perform the required function. As a result a further 43 positions were recommended and approved by the Board for civilianization. Table 6 summarizes the civilianization initiatives that have been recommended for implementation in 2016, and their staffing impacts.

Table 6 - Summary of Civilianization Initiatives				
<u>Command</u>	<u>Unit</u>	<u>Job Title</u>	<u># of Uniform Positions</u>	<u># of Civilian Positions</u>
Specialized Operations Command	Traffic Services	Unit Clerk Typist (2), Administrator (1), Supervisor (9) Crossing Guard Program	-12	12
Corporate Services	Diversity & Inclusion	Diversity & Inclusion Analyst	-1	1
Specialized Operations Command	Intelligence	Intelligence Analyst	-1	1
			-14	14

As a result of the civilianization initiatives, the Service has recommended a decrease to the uniform establishment of 14 (down to 5,448) and an increase to the civilian establishment by the same amount (up to 2,230). The civilianization of an additional 14 positions in 2016 will result in the total civilianization of 156 positions from 2014 to 2016, with further opportunities currently being assessed.

- Leap Year: Leap year has an impact every four years, as salaries are budgeted based on the number of days in the year. The \$1.9M one-time increase for the 2016 year will be reduced in the 2017 operating budget request.
- Net Other Changes: The mix of personnel in the Service changes from year-to-year. For example, as officers with retention pay retire from the organization, the average salary becomes slightly lower. The salary budgets are also comprised of various other expenditures

(e.g., acting pay and other premiums on salaries, as well as temporary salaries for school crossing guards, lifeguards, etc.). In total, net other changes in all salary accounts result in an increase of \$0.2M in 2016.

c) Premium Pay

Premium pay is incurred when staff are required to work beyond their normal assigned hours for extended tours of duty (e.g., when officers are involved in an arrest at the time their shift ends), court attendance scheduled for when the officer is off duty, or call-backs (e.g., when an officer is required to work additional shifts to ensure appropriate staffing levels are maintained or for specific initiatives). Figure 3 provides a breakdown by category of premium pay.

Premium pay budgets have been reduced by a total of \$8.4M (after adjusting for salary settlements, and excluding the impact of off-duty court attendance) from 2011 to 2015 to address budget pressures. The Service’s ability to deal with and absorb the impact of major unplanned events (e.g. demonstrations, emergency events, high profile homicide/missing persons) relies on the utilization of off-duty officers which results in premium pay costs. Given the significant reductions already taken, further reductions are not recommended and premium pay has been flat-lined to 2015 levels, excluding the premium pay costs incurred for officer attendance at traffic court while off-duty, which has been decreased by \$0.4M.

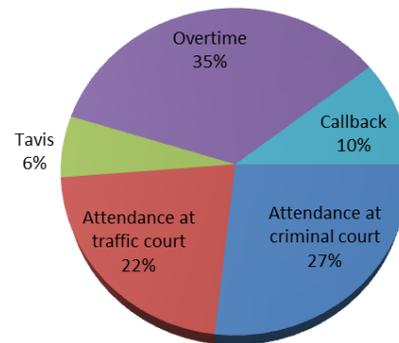


Figure 3. Premium Pay by Reason for Expenditure

Although the 2016 premium pay budget request has been reduced by \$0.4M to reflect a lower anticipated cost of off-duty traffic court attendance, it is important to note that this reduction has a net zero impact on the Service’s operating budget, as the Service has reduced its recovery from the City by the same amount. The reduction taken in the Service’s budget reflects a corresponding reduction in the City Court Services Division’s budget of an equivalent amount. This reduction is based on plans to schedule more officers on duty and to continue to realize efficiencies in court attendance by bundling several court appearances for officers on one occasion, where possible.

d) Statutory Payroll Deductions and Employee Benefits

Total 2016 request for this category is \$205.1M. This category of expenditure represents an increase of \$6.2M (0.63% increase over the Service's total 2015 budget), and is a major component of the budget increase being requested in 2016. As shown in Figure 4, benefits for the Service are comprised of statutory payroll deductions and requirements as per the collective agreements. A break down of the increase follows, and it is important to note that the Service has little control over the significant increase that is required in these accounts. However, we are and will continue to work with our benefits service provider to analyse and better understand the reasons for the increase so as to determine any action possible to mitigate the increase.

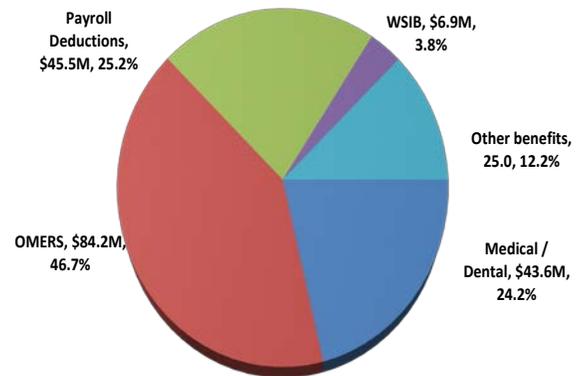


Figure 4. Breakdown of Statutory Deductions and Fringe Benefits

- **Payroll Deductions:** Statutory payroll (EI, CPP and EHT) and pension (OMERS) benefits are based on specific formulae that are affected by gross salaries. A small increase to the rates applied to the Yearly Maximum Pensionable Earnings (YMPE) level for uniform staff for 2016 has been included, consistent with rate increases applied at the City of Toronto. Employment Insurance and Canada Pension Plan rates have been updated to reflect estimated levels for 2016. Total costs are projected to increase by \$1.9M over 2015 budget.
- **Medical/Dental Coverage:** The budget for these benefits is based on the cost of drugs and services, dental fee schedule, utilization rates and administration fees. Costs for drugs and dental services are based on the average increase experienced over the last four years. In 2015, the Service observed a significant increase for medical coverage. This has been considered in the 2016 request, resulting in an increased request of \$4.1M.
- **Net other changes to benefits:** The various changes in costs in other accounts such as retiree medical/dental, group life insurance and Workplace Safety and Insurance Board (WSIB) resulted in a net increase of \$0.2M.

e) Reserve Contributions

The Service contributes to reserves through provisions in the operating budget. All reserves are established by the City. The City manages the Sick Pay Gratuity and Insurance reserves, while the Service manages the remaining reserves (i.e., Vehicle & Equipment, Legal, Central Sick Bank and Health Care Spending). The total 2016 budget for contribution to reserves is \$40.2M. This budget represents an increase of \$2.1M over the 2015 contribution amount (a 0.21% increase over the Service's total 2015 operating budget). The 2016 reserve contribution increase is due to the following:

- **Sick Pay Gratuity Reserve (increase of \$1.5M):** The Sick Pay Gratuity reserve is managed by the City, which provides the Service with the annual contribution amount in order to match contributions with required payments/draws. A detailed review of this reserve indicated that the Service's annual contribution to the Sick Pay Gratuity reserve should be

increased by \$6.5M annually to meet current annual draws/payments. As part of the 2014 budget approval process, it was agreed to phase in this increase from 2014 to 2016.

However, to mitigate budget pressures in 2015, the City Manager and City CFO agreed to extend the phase in period by one year, to 2017. Further increases of \$2.0M in 2017 and 2018 will be included so that the budget base includes the funding necessary to meet annual obligations in this regard.

- Legal Reserve (increase of \$0.5M): This reserve has been established to fund on-going indemnification of Service members, as required by the *Police Services Act*, and other legal costs incurred by the Service. During 2015, there has been a considerable focus and resources devoted to legal claims to clean up the longstanding backlog of unpaid files dating as far back as 2010. As a result, it is anticipated that 2015 cost will be about \$6.2M. In order to replenish this reserve an increased contribution of \$0.5M will be required. The Service is working collaboratively with the Toronto Police Association on a 12 month pilot that is currently underway to test a more efficient manner in which claims are processed once they have been submitted for payment. In addition, to help mitigate the cost for these services, the Board has now capped the hourly rates legal firms can charge for these services.
- Contribution to Vehicle and Equipment Reserve (increase of \$0.0M): This reserve is used to fund the lifecycle replacement of the Service fleet of vehicles, information technology equipment, and various other equipment items. Each category of assets funded from this reserve is analyzed to determine how often it should be replaced as well as specific replacement requirements, which in turn determines the level of contribution required annually to enable the replacement. Life cycles for vehicles and computer equipment have been extended as much as possible without negatively impacting operations and officer safety, or causing significant repair and maintenance costs. The Service continues to perform a line-by-line review of lifecycle items in the Reserve to determine if any sustainable reductions can be achieved. Based on current financial constraints, the 2016 request is being maintained at 2015 levels, with planned annual increases of \$1.0M in 2017 and 2018. It should be noted that at the current level of contribution this reserve will be in a significant deficit starting in 2017.
- Contribution to Health Care Spending Account (increase of \$0.1M): This reserve funds the post-retirement health care benefit negotiated in the collective agreements. The 2016 contribution for this reserve is increasing by \$0.1M. It is anticipated that this contribution will continue to increase at a modest level for several years in future.

f) Other Expenditures

The remaining expenditure categories include the materials, equipment and services required for day-to-day operations, which are similar to those incurred by regular business entities. Wherever possible, accounts within this category have been flat-lined to the 2015 level or reduced even further. Changes have only been included where considered mandatory, and one-time reductions have been taken into account where applicable. The total increase for these expenditures is \$1.9M (a 0.19% increase over the Service's total 2015 operating budget). The following summarizes the most significant changes:

- Legal Costs (increase of \$2.0M): Although the total increase in legal expenditures over 2015 is \$2M, it is important to note that this increase is offset by a draw from the legal reserve for a net zero impact on the operating budget request. The reserve is established to fund on-going indemnification of Service members and other legal costs of the Service. In 2015, there has been considerable focus and resources devoted to legal claims to clean up a longstanding backlog of unpaid files dating as far back as 2010. This focus is expected to continue into 2016, resulting in increased legal costs. The Service is working collaboratively with the Association to develop and test a more efficient claims process for the future.
- Computer Maintenance (increase of \$1.1M): The cost of computer maintenance is impacted by current contract values, determined through a procurement process, as well as market rates when existing contracts expire. Technological advances and the addition of new systems (e.g. Toronto Radio and Infrastructure Project) have allowed the Service to enhance communication abilities, as well as increase officer safety and accountability. However, the increase in equipment required for these systems and related software/hardware has caused increased cost pressures. The 2016 increase is due to various contract increases for the Service's maintenance of hardware and software.
- Caretaking, Maintenance and Utility Costs for TPS facilities (increase of \$0.5M): The City provides caretaking and maintenance services for the Service, and administers the Service's utility costs. The City and Service staff have reviewed the costs for all facilities in detail and, taking into consideration appropriate service levels for caretaking and maintenance, as well as historical spending for utilities, the budget has been increased by \$0.5M. This increase is primarily attributed to an increase in utilities, specifically hydro and water, which are expected to increase by 6% and 8% respectively. A small increase is also included pertaining to anticipated increases in City staffing costs and contracted costs. Service and City staff will closely monitor expenditures and service levels during the year to ensure this spending level is not exceeded and service levels remain unchanged. Reducing the Service's facility footprint, which is a key objective in the Service's 2016 to 2025 capital program, will ultimately help mitigate custodial and utility costs, as well as other administrative overheads.
- Gasoline (decrease of \$0.4M): The Service obtains its gasoline based on a joint contract coordinated by the City. The City establishes a cost-per-litre for budgeting purposes, and the Service applies this cost to its anticipated consumption levels. In addition, the City's Toronto Paramedic Services staff utilize the Service's fuel sites for their gasoline requirements and, in return, reimburse the Service for the actual cost of gas used. Based on the City's estimated

cost-per-litre, it was originally estimated that the Service's budget for gasoline would require an increase of \$0.4M over the 2015 budget. However, with the assistance of the City, the Service was recently able to execute three hedge contracts on gasoline for 2016, reducing the estimated cost for gasoline in 2016 by \$0.8M, for a net budget reduction over 2015 of \$0.4M. It should also be noted that the Service has started the transition to more fuel efficient patrol cars (movement from 8 cylinder to 6 cylinder engines) which should help reduce vehicle fuel consumption.

- Telephone/Data lines (decrease of \$0.5M): As the Service transitions from an analog telephone system to the new digital VOIP system, savings continue to be realized. The current network is being upgraded from the old circuits to new high speed circuits, allowing the cost of the old circuits to be eliminated, and contributing to a decrease in costs of \$0.5M in 2016 over the 2015 budget.
- Net other changes (decrease of \$0.8M): In addition to the specific accounts listed above, the non-salary accounts are comprised of many different type of expenditures, including materials and supplies (such as office supplies, health and safety supplies, and fingerprinting supplies) and services (such as repairs to equipment, telephone lines, courses and conferences, etc.). In all cases, any increases have been justified during the budget process to ensure that they are operationally required. Through the budget process, these accounts have been reviewed and reductions were made wherever possible, for a net reduction of \$0.8M.

g) Revenues

Total revenue has been decreased by \$0.9M, resulting in a 0.1% increase over the Service's total 2015 net budget.

- Toronto Anti-Violence Intervention Initiative (TAVIS) Grant (decrease of \$5.0M): Since 2006, the Service has received over \$47M in funding from the Ministry of Community Safety and Correctional Services (Ministry) for TAVIS. This funding helps cover costs of the TAVIS program, including premium pay, School Resource Officers (30 partially funded positions), Rapid Response Team operational costs (supporting teams totalling 74 officers) and neighbourhood TAVIS initiatives. This program has become an integral part of the delivery of policing services to the City of Toronto. In 2012, Premier Dalton McGuinty announced secured, permanent funding for the TAVIS and Provincial Anti-Violence Intervention Programs. This funding has assisted the Service in achieving the goals of TAVIS to reduce violence, increase community safety and improve the quality of life for members of the community in Toronto.

In a June 30, 2015 letter from the Honourable Yasir Naqvi, Minister of Community Safety and Correctional Services, the Board and Service were advised that the Province's TAVIS funding commitment would be only \$2.6M for the Province's 2015-2016 fiscal year. This funding to the Service, which is supported by a grant agreement, expires on December 31, 2015, with no known future funding commitment. While the Service anticipated the usual two-year, \$10M contract with the Ministry, commencing July 1, 2015, the contract covers only a six month period. The Chair has written to the Minister seeking funding commitments

regarding TAVIS and other Provincial grants; however, to-date, no response has been received. In the absence of a firm funding commitment from the Province, the Service is anticipating the loss of the \$5M in TAVIS grant revenue in 2016, creating a significant pressure on the Service and City's overall budget for 2016.

- Grants Tied to Staffing (decrease of \$2.1M): The Service receives two grants from the Ministry of Community Safety and Correctional Services that require the Service to maintain uniform staffing at specified levels to maximize grant funding: the Community Policing Partnership (CPP) Grant and the 1,000 Officers – Safer Communities Grant (Safer Communities). Attachment B provides a summary of the CPP and Safer Communities grants with respect to the staffing thresholds assumed for each.

As the Service continues to dip below the threshold number of uniform officer required to maintain the grant funding, grant revenue continues to be impacted. In 2015, the Service lost approximately \$1M of funding from the Safer Communities grant. Based on the current hiring strategy, the Service will lose an additional \$2.1M in funding for a total of \$3.1M in lost grant funding. Any further reduction in the number of uniform officers will have an additional impact on this funding.

- Recovery from PanAm 2015 (decrease of \$1.6M): In preparation for the Pan American and Parapan American Games in Toronto, the Service established a team of Service members to develop operational plans to provide security for the events. As these salaries for these members were recoverable by the Province, to allow for backfilling of the positions, the Service budgeted for the recovery in the 2015 budget. As this revenue will no longer be received in 2016, a \$1.6M budget pressure results in the 2016 budget.
- Off-Duty POA Court Attendance (\$0.4M decrease): As discussed in the premium pay section of this report, there is an anticipated decrease in City recoveries for this initiative, in the amount of \$0.4M.
- Provincial funding for Court Security Costs (increase of \$7.0M): In 2011, the Ontario government announced that it will be removing up to \$125M in court security and prisoner transportation costs from municipal budgets by 2018, phasing in the upload of these costs starting in 2012. The Service's share to be phased-in over the seven year period is about \$45M. An increase of \$7.0M is therefore anticipated and has been budgetted for 2016.
- Net other changes (increase of \$1.2M): Changes in various other accounts (e.g. recoveries and draws from Reserves to offset increased expenditures) result in a net increase in revenues.

2017 and 2018 Outlooks:

Attachment A provides the 2017 and 2018 outlook budgets for the Service. It should be noted that the financial impact of Senior Officer Organization contract settlement in place after December 2014 is not known at this time and is therefore not factored into the current or outlook budgets. The outlooks demonstrate that the Service anticipates a 2.4% pressure in 2017 and a 2.4% pressure in 2018, based on economic indicators and contractual and legislative obligations known at this time.

Conclusion:

The Service’s 2016 net operating budget request is \$1,015.8M, which is a \$36.1M or 3.69% increase over the 2015 approved budget. Despite significant efforts to reduce anticipated expenditures, where possible, the Service is unable to meet the City’s target of a negative 1% decrease from the 2015 approved budget.

The 2016 budget request includes the funding required to achieve an average uniform officer deployed strength of 5,235 in 2016, which is 213 below the recommended approved establishment of 5,448, given the recommendation to civilianize 14 positions in 2016.

The budget also provides funding for the necessary supporting infrastructure (e.g., civilian staffing, equipment, services), and assumes that civilian hiring will resume at a pace that will at least address the significant staffing shortages in critical operations across the Service.

As shown in Figure 5, the majority of the Service’s budget is allocated to front-line activities such as responding to calls, investigations and traffic enforcement. This allocation of resources allows the Service to focus on activities which meet the Service and Board’s strategic priorities.

Other policing activities include community-based foot and bicycle patrol, and provision of court services. Only 14% of the budget is allocated to internal services like Fleet, Information Technology (IT) and Communications, areas which directly support front-line policing operations. The remaining 4% is required for administrative activities and training.

It is important to note that the Service has faced on-going pressures to reduce its operating budget requirements over the last several years, while dealing with significant collective agreement impacts, which are beyond the Service’s control. The Service has also had to address and fund inflationary and other pressures, such as benefit increases, gasoline costs, etc., while attempting to meet budget targets imposed by the City. As the business of policing evolves, new equipment and staff training are required to meet the Service’s public

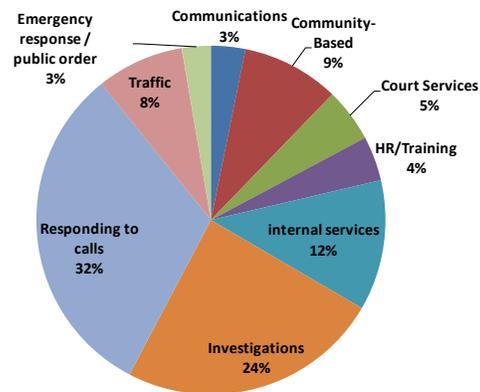


Figure 5 - How Does the Service Use the Taxpayer's Investment in Public Safety

safety mandate, all of which comes at a cost.

The main reason for the large increase in the Service's budget over the last 10 years has been the impact of the collective agreement settlements. This factor alone has accounted for \$235.1M or 89% of the \$263.4M net budget increase from 2006 to 2016. The current collective agreements between the Board and the SOO expired on December 31, 2014, and the impact of any future settlement is not known at this time.

In preparing the 2016 budget request, the Service has taken various actions, as identified in this report, in an effort to achieve the City target of a negative 1% decrease over 2015. The Service is committed to continuing initiatives that will enable more sustainable, effective and value-added public safety services, so that taxpayers get the greatest return from their investment in public safety services. However, despite considerable efforts, any further reductions would significantly risk the Chief's ability to provide adequate and effective policing services.

As 89% of the Service budget relates to human resource requirements, the Service has been and continues to provide services with a uniform deployment that is well below the approved uniform establishment, and with a civilian component that is operating with a very high number of vacant positions.

The Service has therefore strived to produce a responsible budget that balances, to the extent possible, the need to provide required core public safety services with the need to meet the fiscal pressures of the City.

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

Preliminary Request								
2016 REQUEST - TORONTO POLICE SERVICE								
2016 Request, 2017-2018 Outlook								
	# unif.	# civ.	2016 Request	% chg	2017 Outlook	% chg	2018 Outlook	% chg
Total Budgeted Establishment (Note: 1)	5,260	2,218						
2015 Approved Budget			952,661.2					
In-Year Insurance Reserve Adjustment			1,399.8					
In-Year Collective Agreement Adjustment			17,750.9					
In-Year Crossing Guard and Lifeguard Revenue Adjustment			7,851.0					
2015 Adjusted Budget			979,662.9					
					2016 Request:	1,015,799.8	2017 Outlook:	1,040,556.8
Salary Requirements								
A Annual'd impact-last year's separations (150(P))			(7,132.2)		2016 sepn: (9,083.8)		2017 sepn: (9,981.8)	
B Annualized impact of last year's replacements			3,063.4		2016 rept: 9,281.9		2017 rept: 8,214.8	
C Savings from current year's separations (150(B))			(8,928.7)		2017 sepn: (9,832.0)		2018 sepn: (9,832.0)	
D Cost of current year's hires			3,034.6		2017 rept: 4,928.7		2018 rept: 4,691.9	
E Annualized impact of previous year's reclassification costs			4,532.1					
F Part-year current year reclassification costs			3,706.8					
G Leap year			1,900.0		(1,900.0)		0.0	
I Annualization of civilian hiring strategy			2,361.6		500.0		0.0	
J Movement towards historical gapping levels			1,250.0		1,867.0		900.0	
L Net other (chg in retention pay, classifications, etc.)			275.7		133.0		0.0	
			4,363.1	0.45%	1,459.2	0.14%	1,929.3	0.19%
Premium Pay								
A POA Off-Duty Court Attendance (change in estimate)			(440.0)		0.0		0.0	
			(440.0)	-0.04%	0.0	0.00%	0.0	0.00%
Fringe Benefits								
A Medical / dental / admin changes			4,079.3		2,059.3		2,209.5	
B Retiree benefits			(169.2)		368.1		414.0	
C Benefit costs funded from Reserve (offset by draws)			123.1		5.4		5.7	
D EHT, EI, CPP, OMERS - estimated rates for budgeted salaries			1,911.2		757.3		848.7	
G WSIB Medical, Pension, Admin			133.5		200.0		204.4	
H Net Other			86.6		8.6		10.6	
			6,164.5	0.63%	3,398.7	0.33%	3,692.9	0.35%
Contributions to Reserve								
A Increased contribution to Health Care Spending Account			100.0		100.0		100.0	
B Increased contribution to Sick Pay Gratuity			1,500.0		2,000.0		2,000.0	
C Planned growth - Vehicle/Equip			0.0		1,000.0		1,000.0	
D Increased contribution to legal reserve			500.0		0.0		0.0	
F Change in contribution to Central Sick Bank			0.0		1,000.0		0.0	
			2,100.0	0.21%	4,100.0	0.40%	3,100.0	0.30%
Other Expenditures								
A Caretaking / maintenance / utilities (facilities)			544.9		1,604.1		652.2	
B Uniform cleaning contract			(113.0)		(113.0)		0.0	
C Telephone / data lines			(517.2)		0.0		0.0	
D Uniforms			135.3		150.0		100.0	
E Vehicles - prep, parts, tires			239.7		13.4		14.1	
F Computer maintenance			1,084.8		500.0		525.0	
G Computer hardware / software			(622.3)		0.0		0.0	
K Gasoline			(354.3)		0.0		0.0	
L Legal costs			2,010.0		0.0		0.0	
M Other equipment			(267.1)		0.0		0.0	
N Operating impact from capital			0.0		558.0		1,212.0	
O Recruit hiring costs			0.5		0.0		0.0	
Q Communication parts / radio, pager rentals			13.2		(120.0)		0.0	
R Contracted Services			(387.3)		0.0		0.0	
Z Net other			84.2		1,993.7		2,056.4	
			1,851.4	0.19%	4,586.2	0.45%	4,559.7	0.44%
Revenues								
A Grant impact of hiring strategy			2,135.8		0.0		0.0	
D Provincial funding for court services			(7,037.0)		(6,292.3)		(6,292.3)	
H Changes to reserve draws (offsets expenditures)			(2,034.7)		0.0		0.0	
I Changes in other fees			100.0		0.0		0.0	
K Loss of TAVIS			5,000.0		0.0		0.0	
M Recovery from PanAm 2015			1,613.2		0.0		0.0	
N Miscellaneous revenue			1,160.1		(241.7)		0.0	
			937.4	0.10%	(6,534.0)	-0.64%	(6,292.3)	-0.60%
BUDGET INCREASE (DECREASE):	0	0	14,976.4	1.53%	7,010.1	0.69%	6,989.6	0.67%
TOTAL BUDGET REQUEST	5,260	2,218	994,639.3		1,022,809.9		1,047,546.4	
Estimated salary settlement impact			21,160.5	2.16%	17,746.9	1.81%	18,190.4	1.86%
TOTAL BUDGET REQUEST, including salary settlement	5,260	2,218	1,015,799.8	3.69%	1,040,556.8	2.44%	1,065,736.8	2.42%

Grants Tied to Uniform Staffing Levels

The Service receives two (2) grants from the Ministry of Community Safety and Correctional Services that require the Service to maintain uniform staffing at specified levels to maximize grant funding.

Community Policing Partnership Grant - 251 positions

- Established in 1998
- Provincial cost-sharing of additional officers across Ontario; Province pays half of salary and benefits, up to \$30,000 per officer
- Officers must be assigned to community policing functions (primary response, foot patrol, bike patrol, school liaison)
- Program indefinite

1,000 Officers - Safer Communities Grant – 250 positions

- Established in 2005
- Provincial cost-sharing of 1,000 additional officers across Ontario; province pays half of salaries and benefits, up to \$35,000 per officer
- Province-wide, half of the officers must be assigned to community policing functions and the other half to target some of 5 key areas established by the province including youth crime, guns and gangs, marijuana grow operations, domestic violence and child pornography
- TPS program allocation to the target areas is as follows:

Category	Allocation
Community Policing	175
Targeted Areas:	
Youth Crime	16
Guns and Gangs	27
Organized Crime (Marijuana Grow Ops)	18
Protecting Children from Internet Luring and Child P.	9
Court Efficiencies	5
Total	250

Officers must be allocated according to the activities outlined in our application for the program. This allocation was approved by the Ministry and forms a part of the Agreement, which indicates that “the Ministry agrees to cost-share 250 police officers of which 175 have been allocated to community policing and 75 to the targeted areas/court efficiencies.” No officers were allocated to two of the categories – Dangerous Offenders and Domestic Violence.

- Program indefinite

Attachment B (continued)

Benchmarks:

The Province has established a benchmark complement of sworn officers for each grant; funding is provided for each officer in excess of the benchmark for the number of officers allocated to the Service under the grant:

Grant	Benchmark		# Officers Funded over Benchmark	Min. # Officers to Maintain Funding	Funding per Officer	Total Annual Grant Funding
CPP	Jun. 15, 1998	4,929	251	5,180	\$30,000	\$7,530,000
Safer Communities	Oct. 23, 2003	5,260	250	5,510	\$35,000	\$8,750,000

Attachment C

Toronto Police Service Summary of Year-Over-Year Change - Net Operating Budget (\$Ms)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016 Req.	2006- 2016	Avg.
Net Budget	752.4	786.2	822.0	854.8	888.2	930.4	935.7	936.4	965.5	979.7	1015.8		
\$ Increase		33.8	35.8	32.8	33.4	42.2	5.3	0.7	29.1	14.2	36.1	263.4	
Total % increase		4.5%	4.6%	4.0%	3.9%	4.8%	0.6%	0.1%	3.1%	1.5%	3.7%	35.0%	
Collective Agreement (\$ impact)		21.2	24.7	16.7	27.2	30.2	23.2	25.6	27.3	17.8	21.2	235.1	23.5
Hiring (\$ Impact)		12.6	4.6	1.8	3.5	0.2	-9.4	-10.0	-2.2	-2.2	4.4	3.3	0.3
Other (\$ impact)		0.0	6.5	14.2	2.7	11.8	-8.5	-14.8	4.0	-1.4	10.5	25.1	2.5
Collective Agreement (% impact)		2.8%	3.1%	2.0%	3.2%	3.4%	2.5%	2.7%	2.9%	1.9%	2.2%	31.2%	2.7%
Hiring (% Impact)		1.7%	0.6%	0.2%	0.4%	0.0%	-1.0%	-1.1%	-0.2%	-0.2%	0.5%	0.4%	0.1%
Other (% impact)		0.0%	0.8%	1.7%	0.3%	1.3%	-0.9%	-1.6%	0.4%	-0.1%	1.0%	3.3%	0.3%
Collective Agreement (% of total increase)		62.7%	69.0%	50.9%	81.4%	71.6%	437.7%	3657.1%	93.8%	125.4%	58.7%	89.3%	
Hiring (% of total increase)		37.2%	12.9%	5.6%	10.5%	0.4%	-177.4%	-1428.6%	-7.6%	-15.5%	12.2%	1.3%	
Other (% of total increase)		0.1%	18.2%	43.3%	8.2%	28.0%	-160.4%	-2114.3%	13.7%	-9.9%	29.1%	9.5%	

Note: For comparison purposes, the 2013 to 2014 Net Budgets have been restated to reflect the recovery of the Lifeguard and Crossing Guard Programs