

Clause embodied in Report No. 16 of the Policy and Finance Committee, as adopted by the Council of the City of Toronto at its meeting held on December 4, 5 and 6, 2001.

**23****Toronto Police Service 2001 Operating Budget  
Variance Report - May 31, 2001**

*(City Council on December 4, 5 and 6, 2001, adopted this Clause, without amendment.)*

**The Policy and Finance Committee recommends the adoption of the Recommendations of the Budget Advisory Committee embodied in the following communication (November 16, 2001) from the City Clerk:**

Recommendations:

The Budget Advisory Committee recommended to the Policy and Finance Committee, and Council, that:

- (1) the approved expenditure for the Toronto Police Services Board in the IT area be absorbed within the existing budget for the Toronto Police Services Board;
- (2) the new IT program of \$2.5 million be considered as an expansion item in the 2002 Budget Process; and
- (3) the Chair, Toronto Police Services Board, be requested to take appropriate action to ensure that no new commitments be made prior to the 2002 budget approval.

The Budget Advisory Committee reports for the information of the Policy and Finance Committee, and Council, having:

- (a) advised the Chair, Toronto Police Services Board, that the Budget Advisory Committee does not accept the \$2.491 million as a base budget adjustment; and
- (b) requested the Acting Chief Financial Officer to show this as an area of service changes in the Toronto Police Services Board budget for the 2002 budget deliberations; and
- (c) requested the Chair, Toronto Police Services Board, to report to the Budget Advisory Committee on the details of the increase in consultants costs from \$1.88 million to \$2.6 million.

Background:

The Budget Advisory Committee at its meeting held on November 16, 2001, again had before it a communication (September 20, 2001) from the City Clerk advising that the Policy and Finance

Committee at its meeting held on September 20, 2001, referred the communication (August 7, 2001) from the Vice Chair, Toronto Police Services Board, entitled "Toronto Police Service 2001 Operating Budget Variance Report - May 31, 2001", to the Budget Advisory Committee for consideration.

The Budget Advisory Committee also had before it a report (November 12, 2001) from the Chief of Police, addressed to the Chairman and Board Members of the Toronto Police Services Board, recommending that:

- (1) the report be received for information; and
- (2) the report be forwarded to the Chief Financial Officer and Treasurer and the Policy and Finance Committee for information.

Mr. Angelo Cristofaro, Director, Finance and Administration, Toronto Police Service, appeared before the Budget Advisory Committee in connection with the foregoing matter.

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(Communication dated September 20, 2001, addressed  
to the Budget Advisory Committee  
from the City Clerk)

The Policy and Finance Committee at its meeting held on September 20, 2001, had before it a communication (August 7, 2001) from the Vice Chair, Toronto Police Services Board, providing the results of the 2001 operating budget variance report as at May 31, 2001; advising that the Service continues to monitor and control expenditures to reduce the projected shortfall of \$4.3M and is committed to delivering an effective and efficient policing operation within the approved funding level where possible; and recommending that this report be received.

The Policy and Finance Committee referred the foregoing communication to the Budget Advisory Committee for consideration.

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(Report dated August 7, 2001, addressed  
to the Policy and Finance Committee  
from the Vice Chair, Toronto Police Services Board)

Purpose:

The purpose of this report is to provide the results of the 2001 operating budget variance report as at May 31, 2001.

Financial Implications and Impact Statement:

There are no financial implications in regard to the receipt of this report.

Recommendation:

It is recommended that the Policy and Finance Committee receive this report.

Background:

At its meeting held on July 20, 2001, the Toronto Police Services Board was in receipt of a report dated July 11, 2001, from Chief of Police Julian Fantino regarding the 2001 operating budget variance report of the Toronto Police Service ending May 31, 2001.

Comments:

The Board received the foregoing report and requested that copies be provided to the City of Toronto Policy and Finance Committee and the Chief Financial Officer and Treasurer.

Conclusions:

A copy of Board Minute No. P211/01, in the form attached as Appendix "A" to this report, regarding this matter is provided for information.

Contact Name:

Chief of Police Julian Fantino, Toronto Police Service, Tel.: (416) 808-8000,  
Fax: No. (416) 808-8002.

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Appendix "A"

This is an Extract of the Minutes of the Meeting of the Toronto  
Police Services Board held on July 20, 2001

No. P211.2001 Operating Budget Variance Report – as at May 31, 2001

The Board was in receipt of the following report July 11, 2001 from Julian Fantino, Chief of Police:

Subject: 2001 Operating Budget Variance Report as at May 31, 2001

Recommendations:

It is recommended that:

- (1) the Board receive this report; and
- (2) the Board forward a copy of this report to the City Chief Financial Officer and Treasurer and the City Policy and Finance Committee.

### Background:

Toronto City Council, at its meeting of April 24, 2001, approved the Toronto Police Service (TPS) Operating Budget at a net amount of \$573.8 Million (M), an increase of 3 percent over the 2000 Net Operating Budget. The approved budget did not include a potential funding requirement of \$7.9 M for increased costs for benefits. However, the Toronto Police Service does have the opportunity to draw from the City's Reserves to accommodate any benefit expenditure increases up to \$7.9M.

### 2001 Operating Budget Variance:

As at May 31, 2001, the Toronto Police Service is projecting a year-end shortfall of \$4.3M. Details of this variance are provided below.

### Salaries (Including Premium Pay):

A savings of \$1.9 M is projected for salaries, including premium pay. This savings is attributed to a higher-than-anticipated number of uniform separations occurring earlier than originally anticipated. As at May 31, 2001, a total of 360 separations were projected for 2001 (this compares to the original budget estimate of 300). This is due mainly to members who are newly eligible for OMERS 75 factor leaving at a higher rate than last year and partially to an increase in resignations. As at May 31, 2001, there were 209 separations compared to 140 at the same point in time last year. The Toronto Police Service continues to evaluate staffing data, and future variance reports will continue to identify staffing trends, and their impact on the Service's expenditures.

### Benefits:

Current projections indicate that benefits will be overspent by \$6.3 M (which is \$1.6 M less than the original requested budget increase of \$7.9 M). The over-expenditure is comprised of \$4.9 M for medical/dental costs, \$1.2 M for Canada Pension Plan (CPP) costs and \$0.2 M for Workplace Safety Insurance Board (WSIB) costs. Medical, dental and related administrative costs have continued to increase significantly since 1999 as a result of increased numbers of drug claims, orthopedics, vision care, and psychologist and chiropractor fees. The major contribution of these is orthopedics. WSIB costs are up due to an increase in the WSIB administrative fee from 24 percent to 31.73 percent. CPP costs are up due to a 13.2 percent increase in the required contribution rate over 2000. The Toronto Police Service continues to monitor all benefit costs, as well as Clarica's administration of the benefits contract.

### Non-Salary Accounts:

Although the Toronto Police Service has re-prioritized expenditures within the existing non-salary account budgets, a minimal under-expenditure of \$0.1 M is projected for this category. Expenditures for costs related to World Youth Days, the Finance Ministers' Conference, as well as required technology infrastructure expenditures have been offset by various increases in revenues.

**Summary:**

The Service continues to monitor and control expenditures to reduce the projected shortfall of \$4.3M and is committed to delivering an effective and efficient policing operation within the approved funding level where possible. It is, therefore, recommended that the May 31, 2001 Operating Budget Variance report be received and that the Board forward a copy of this report to the City Chief Financial Officer and Treasurer and the City Policy and Finance Committee.

Mr. Frank Chen, Chief Administrative Officer, Corporate Support Command will be in attendance to answer any questions the Board may have.

The Board received the foregoing report and agreed to forward a copy to the City of Toronto Acting Chief Financial Officer and Treasurer and the Policy and Finance Committee for information.

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(Report dated November 12, 2001, addressed  
to the Chairman and Board Members,  
Toronto Police Services Board from  
the Chief of Police)

**Recommendations:**

It is recommended that:

- (1) the Board receive this report; and
- (2) the Board forward a copy of this report to the City of Toronto Chief Financial Officer and Treasurer and the Policy and Finance Committee.

**Background:**

Toronto City Council, at its meeting of April 24, 2001, approved the Toronto Police Service (TPS) Operating Budget at a net amount of \$573.8 Million (M), an increase of 3 percent over the 2000 Net Operating Budget. The approved budget did not include a potential funding requirement of \$7.9 M for increased costs for benefits. However, the Toronto Police Service does have the opportunity to draw from the City's Reserves to accommodate any benefit expenditure increases up to \$7.9M.

**2001 Operating Budget Variance:**

As at September 30, 2001, the Toronto Police Service is projecting a year-end shortfall of \$5.3M. This shortfall is unchanged from that reported to the Board at its October meeting. Details of this variance are provided below.

The recent tragic events in the United States have had an impact on TPS operations. Call outs during the events and the subsequent increase in security measures have created an additional strain on human resources, some of which have had to be met by an increased use of overtime. In addition, the Toronto Police Service has made purchases of equipment and supplies and may have to make additional purchases, to address future potential threats. Additional costs may be expected relating to the security of certain sites, such as the United States Embassy. Estimated impacts have now been included in the current projection as noted below. Long term measures to effectively deal with this threat have been included as part of the 2002 operating budget process.

#### Salaries (Including Premium Pay):

A savings of \$1.6 M is projected for salaries, including premium pay. This is \$0.3M less than reported to the Board at its October meeting.

The overall savings is attributed to a higher-than-anticipated number of uniform separations occurring earlier than originally anticipated. As at September 30, 2001, a total of 450 separations were projected for 2001 (this compares to the original budget estimate of 300 and 400 reported to the Board at its October meeting). This is due mainly to members who are newly eligible for OMERS 75 factor leaving at a higher rate than last year and partially to an increase in resignations. As at September 30, 2001, there were 376 separations compared to 237 at the same point in time last year.

Although attrition savings have increased by \$0.6M due to the increase in projected separations, these savings have been offset by other increases. The Ministry of Revenue has determined that the Toronto Police Service is responsible for remitting Employer Health Tax (EHT) on paid duty income earned by TPS employees. Although the Toronto Police Service is currently pursuing legal avenues to reverse this determination, it is likely that the Toronto Police Service will have to pay EHT retroactively to 1999 at a total cost of \$0.5M.

In addition, the Toronto Police Service has had to respond to the tragic events of September 11, 2001 and recent OCAP demonstrations by increased use of overtime resulting in an additional pressure for premium pay of \$0.4M. Year to date costs related to the September 11, 2001 events for premium pay are \$0.1M, with additional costs to year end projected at \$0.2M (total impact of \$0.3M) assuming the current requirement for intelligence gathering and provision of security. On duty costs related to September 11, 2001 are estimated at \$0.4M to date (with a further \$0.3M projected to year end). Attendance at the OCAP demonstration resulted in \$0.1M of premium pay costs (with an additional \$0.1M in on duty costs).

#### Benefits:

Current projections indicate that benefits will be overspent overall by \$5.5M (\$5.3M of which relates to the items for which no additional funds were approved in 2001) which is \$1.0M less than that reported to the Board at its October meeting. This decrease is attributed to a decrease in payments related to medical benefits (medical, dental and related costs are projecting to be \$2.6M less than the original requested budget increase of \$7.9M). The over-expenditure is

comprised of \$3.8M for medical/dental costs, \$1.2M for Canada Pension Plan (CPP) costs and \$0.3M for WSIB costs. Medical, dental and related administrative costs have continued to increase significantly since 1999 as a result of increased numbers of drug claims, orthopedics, vision care, and psychologist and chiropractor fees. However, as a result of the initiatives presented to the Board at its October meeting, the Toronto Police Service has been able to limit these cost increases. WSIB costs are up due to an increase in the WSIB administrative fee from 24 percent to 31.73 percent. CPP costs are up due to a 13.2 percent increase in the required contribution rate over 2000. The Toronto Police Service continues to monitor all benefit costs, as well as Clarica's administration of the benefits contract.

#### Non-Salary Accounts:

Non-salary accounts are projected to be overspent by \$1.4M, which is an increase of \$0.7M over the amount reported to the Board at its October meeting. This increase is primarily attributed to purchases made in response to the tragic events of September 11, 2001 in the amount of \$0.5M (e.g., hazardous materials suits and gas masks). Other expenditures, required under the provincial adequacy standards, have also been made in the amount of \$0.2M (e.g., upper body protection for members of the Public Order Unit). These costs are in addition to the mandatory infrastructure expenditures previously reported to the Board.

#### Parking Enforcement:

Toronto City Council, at its meeting of April 24, 2001, approved the TPS Parking Enforcement Operating Budget at a gross amount of \$24.9M. The original Operating Budget request in the amount of \$26.0M was submitted to the Board at its meeting of January 25, 2001. Deferral of the proposal to hire additional 48 Parking Enforcement Officers was the main reason for the reduction from the original Board approved budget. As at September 30, 2001, Parking Enforcement is projecting no year-end variance.

#### Summary of Variances:

	Savings / (Shortfall)
Staffing	\$1.6M
Funded Benefits	\$(0.2)M
Non-Salary Accounts	<u>\$1.4M</u>
Service variance before unfunded benefits	\$0.0M
Unfunded Benefits	<u>\$(5.3)M</u>
Total Shortfall	<u>\$(5.3)M</u>

#### Summary:

The Service continues to monitor and control expenditures to reduce the projected shortfall of \$5.3M and is committed to delivering an effective and efficient policing operation within the approved funding level where possible. Although the Service has been required to make expenditures to address unanticipated events, we have been able to limit the unfavourable variance to just the under-funded benefits. It is, therefore, recommended that the September 30, 2001 Operating Budget Variance report be received and that the Board forward a copy of this

report to the City of Toronto Chief Financial Officer and Treasurer and the Policy and Finance Committee.

Mr. Frank Chen, Chief Administrative Officer, Corporate Support Command will be in attendance to answer any questions the Board may have.