



STAFF REPORT ACTION REQUIRED

Toronto Police Service – 2011 Operating Budget Submission

Date:	January 12, 2011
To:	Budget Committee, City of Toronto
From:	Alok Mukherjee, Chair, Toronto Police Services Board

SUMMARY

The purpose of this report is to provide the City of Toronto Budget Committee with the 2011 operating budget submission for the Toronto Police Service (Service).

RECOMMENDATION

It is recommended that the Budget Committee approve a 2011 net operating budget request of \$905.9 million (M), excluding the impact of any 2011 labour contract settlements, an increase of \$17.7M or 2.0% over the 2010 net approved budget.

FINANCIAL IMPACT

The Toronto Police Service's 2011 operating budget request is \$905.9M net (\$977.9M gross). This is an increase of \$17.7M (2.0%) over the 2010 net approved budget of \$888.2M.

The current contracts with the Toronto Police Association and the Toronto Police Senior Officers' Organization expired on December 31, 2010. The 2011 budget request does not include any provision for the impact of new labour contracts which are expected to be completed in 2011.

ISSUE BACKGROUND

At a special meeting held on January 5, 2011, the Board was in receipt of a report dated December 22, 2010 from William Blair, Chief of Police, recommending the approval of a 2011 net operating budget request of \$914.9M, excluding the impact of any 2011 labour contract settlements, an increase of 26.7M or 3.0% over the 2010 net approved budget. The Board referred the report to the Board's Budget Sub-Committee for further review and requested that, following the Budget Sub-Committee's review, it be re-considered at another special Board meeting to be scheduled no later than January 11, 2011.

Following a Budget Sub-Committee meeting that was held on January 10, 2011, Chief Blair provided a report dated January 11, 2011 containing a revised Toronto Police Service 2011 operating budget request of \$905.9M, excluding the impact of any 2011 labour contract settlements, an increase of \$17.7M, or 2.0% over the 2010 net approved budget.

COMMENTS

At a special meeting held on January 11, 2011, the Board considered Chief Blair's report dated January 11, 2011.

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

- Miguel Avila*; and
- John Sewell*.

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

Mr. Tony Veneziano, Chief Administrative Officer, was in attendance and responded to questions by the Board about the revised 2011 operating budget submission.

Mr. Veneziano said that the revised operating budget submission is \$9.0M lower than the previous budget request submitted to the January 5, 2011 meeting of the Board, and that approximately \$17.0M in reductions have been achieved since the beginning of the Service's 2011 operating budget process.

Chief Blair advised the Board that the deferral of uniform and civilian hiring would be for the 2011 budget year only, and that he will ensure the deferral will not compromise the safety of the citizens in Toronto.

The Board commended Chief Blair, Mr. Veneziano and the Finance and Administration staff for their efforts in reducing the budget request by working diligently to identify the additional efficiencies and it expressed appreciation to Chief Blair for his exemplary leadership and understanding of the challenges that the City of Toronto is experiencing.

The Board approved the Chief's report dated January 11, 2011 and agreed to forward a copy of the report to the City's Deputy City Manager and Chief Financial Officer for information and to the City's Budget Committee for approval.

The Board also approved the following Motions:

1. THAT the Board receive the deputations and the written submissions from Mr. Avila and Mr. Sewell; and

2. THAT the quarterly operating budget variance reports that are submitted to the Board in 2011 include the impact, if any, of the deferral of uniform and civilian hiring on the Toronto Police Service.
3. THAT the Board receive the Chief's report dated December 22, 2010.

CONCLUSION

Copies of the Chief's reports dated December 22, 2010 and January 11, 2011 are contained in Board Minute No. P13/11. A copy of Board Minute No. P13/11, in the form attached as Appendix "A" to this report, is provided for information.

CONTACT

Chief of Police William Blair
Toronto Police Service
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SIGNATURE

Alok Mukherjee
Chair

ATTACHMENT

Appendix A – Board Minute No. P13/11

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

A: 2011tps operating budget.doc

APPENDIX "A"

THIS IS AN EXTRACT FROM THE MINUTES OF THE SPECIAL PUBLIC MEETING OF THE TORONTO POLICE SERVICES BOARD HELD ON JANUARY 11, 2011

#P13 TORONTO POLICE SERVICE – 2011 OPERATING BUDGET SUBMISSION

At a special meeting held on January 5, 2011, the Board was in receipt of a report dated December 22, 2010 from William Blair, Chief of Police, containing the Toronto Police Service 2011 operating budget submission. The Board referred the report to the Board's Budget Sub-Committee for further review and requested that, following the Budget Sub-Committee's review, it be re-considered at another special Board meeting to be scheduled no later than January 11, 2011 (Min. No. P5/11 refers).

A copy of the Chief's report dated December 22, 2010 follows:

Subject: TORONTO POLICE SERVICE - 2011 OPERATING BUDGET REQUEST

Recommendations:

It is recommended that:

- (1) the Board approve a 2011 net operating budget request of \$914.9 million (M), excluding the impact of any 2011 labour contract settlements, an increase of \$26.7M or 3.0% over the 2010 net approved budget;
- (2) the Board approve the addition of one civilian position and deletion of one uniform position, for a revised civilian establishment of 2,068 and a revised uniform establishment of 5,587;
- (3) the Board forward a copy of this report to the City's Deputy City Manager and Chief Financial Officer for information; and
- (4) the Board forward a copy of this report to the City Budget Committee for approval.

Financial Implications:

The Toronto Police Service's 2011 operating budget request is \$914.9M net (\$986.9M gross). This is an increase of \$26.7M (3.0%) over the 2010 net approved budget of \$888.2M.

A summary of the Service's 2011 net operating budget request is provided in Table 1. The current contracts with the Toronto Police Association and Toronto Police Senior Officers' Organization expire on December 31, 2010. The 2011 budget request does not include any provision for the impact of new labour contracts which are expected to be completed in 2011. Table 1 reflects the 2011 operating budget request in comparison to the approved 2010 operating budget.

Table 1 - 2011 Budget Request Summary

	Comparison to 2010 Approved Net Budget	
	\$Ms*	% change
2010 Approved Net Budget	\$888.2	
2010 Salary Settlement impact (annualization)	\$6.0	0.7%
Other Collective Agreement impacts (e.g., reclass'n, medical, dental)	\$11.7	1.3%
Pension and statutory deductions impacts (EI, CPP, OMERS)	\$7.4	0.8%
Other impacts	\$1.6	0.2%
Sub-total of increases	\$26.7	3.0%
2011 Net Budget Request	\$914.9	3.0%

**amounts exclude impacts from 2011 labour contract settlements*

The Service's 2011 Operating Budget request contains no new uniform or civilian positions. Collective agreement obligations and higher statutory deductions requirements account for 94% (\$25.1M) of the increase over 2010. The remaining \$1.6M (6%) is required for contributions to reserves and to cover non-salary related increases and requirements.

Background/Purpose:

This report provides the Board with information on the Service's 2011 net operating budget request for consideration and approval. The budget request is the result of detailed reviews conducted by both the Service and the Board's Budget Sub-Committee, and reflects the level of funding required to deliver adequate and effective policing services to the City of Toronto.

Information on the 2011 operating budget request is provided within the following categories.

- Continuous Improvement Initiatives
- Key Crime and Other Indicators
- City Guidelines
- 2011 Operating Budget Development Process
- 2011 Operating Budget Request

Discussion:

Continuous Improvement Initiatives:

Managing for value has and will continue to be promoted across the Service to ensure the greatest return is provided on the City's investment in public safety. To this end, the Service is continually looking for ways to improve the delivery of policing and support services, as well as management practices.

Activities performed by uniform positions are regularly reviewed, and civilianization is implemented where appropriate. This year, an Information Technology (IT) auditor position was established in the Service's Audit and Quality Assurance unit by civilianizing a uniform position. This will help ensure the Service has a dedicated, trained IT auditor to evaluate the effectiveness, security and control over the Service's IT projects and infrastructure.

The Service has committed to reduce or eliminate new position requests for the foreseeable future. This will be accomplished through the internal review of business processes, with the aim of streamlining or changing existing procedures to enable the redeployment of staff time or positions. This will also help the Service absorb additional workload and new resource requirements as they arise. Through this process, the Service has been able to eliminate six additional civilian positions that were originally included in the 2011 budget request, as operating impacts from the In-Car Camera and Human Resource Management System (HRMS) Additional Functionality capital projects.

The Service is also in the process of conducting an asset management review, to confirm that equipment (e.g., workstations, printers, radios, etc.) is appropriately deployed and necessary, based on current requirements. This review will identify any opportunities for redeployment or rationalization of the existing inventories, and help minimize or eliminate new requests.

Provincial funding has also been leveraged to ensure the Service is able to continue the Toronto Anti-Violence Intervention Strategy (TAVIS), including the placement of dedicated School Resource Officers in various high schools. Federal funding from the Police Officer Recruitment Fund (PORF) has provided funding for 40 officers, and has been used to fund part of the dedicated policing unit for the City's transit system. The Operational System Support Group (OSSG) continues to analyze and improve key business/operational processes, and assist in the development of a new records management system to satisfy front-line and management information requirements.

Key Crime and Other Indicators:

Seven major crime indicators are used as a key barometer of crime within the City. Table 2 indicates that major crime is down in every category (except murders), and that overall crime has decreased by 7% in 2010, compared to 2009 (as of November 30, 2010).

Table 2 Major Crime Indicators – As at November 30

Offence	2008		2009		2010	
	% chg	Total	% chg	Total	% chg	Total
Murder	-15%	67	-19%	54	7%	58
Sexual Assault	2%	1,540	-2%	1,503	-9%	1,368
Assault	-5%	16,671	-4%	15,996	-4%	15,305
Robbery	-4%	4,052	-3%	3,912	-2%	3,850
Break and Enter	-11%	8,497	-6%	7,951	-8%	7,345
Auto Theft	-22%	6,142	-18%	5,023	-18%	4,119
Theft Over	-6%	943	-8%	865	-13%	752
Total	-9%	34,912	-7%	35,304	-7%	32,797

Provincial Offences Tickets have increased by 3.5% when compared to 2009 (598,424 issued as of November 30, 2010). Calls for service increased by 0.5% in 2010 (578,094 to the end of November) compared to 2009. Overall arrests are down 0.5% (51,248 by the end of November 2010). Investigated public complaints have increased by 74% (681 as of the end of November 30, 2010). The City has experienced five more fatal vehicle collisions (a total of 18) but 11 fewer pedestrian/cyclist fatalities (a total of 18), when compared to the same period in 2009. Absenteeism continues to be on the decline for both uniform and civilian members in the Service.

City Guidelines:

Each year the City issues general guidelines for budget development. The 2011 guidelines provided to City departments as well as Agencies, Boards and Commissions include the following general principles:

- Focus on implementing existing priorities within the base budget, and introduce no new initiatives;
- Achieve established reduction targets of a minimum of 5% of the 2009 Net Operating Budget in 2011;
- Review all services for efficiency, service level standards, and changes in relevance, in particular, for service efficiencies and relevance; and
- Maintain 2010 gapping rates for both 2011 and 2012, and review all vacancies.

2011 Operating Budget Development Process:

The development of the Service's 2011 operating budget commenced with specific instructions to all Service units to only consider increases if absolutely necessary (i.e., increases that are contractual in nature, a result of annualization, or an impact from the implementation of an approved capital project). Requests for new initiatives were not to be put forward unless they resulted in a net benefit to the Service by saving money, avoiding cost increases, increasing the efficiency and cost effectiveness of existing resources, or mitigating a significant risk. No requests for new positions were to be considered.

The Service develops its budget from a zero starting point wherever possible. A zero-based approach is used to develop all salary budgets, based on existing staff, approved staffing levels for both uniform and civilian positions, and anticipated attrition, hiring, leaves, etc. Salary-related benefits are calculated according to standard formulae, and estimates for accounts such as contracted/consulting services, maintenance services, equipment, and training and development, where the need and funding level required could change from year to year, are zero based. The remaining portion of the budget is developed based on historical actual experience, need and current information.

The Service's budget development and review process ensures that the budget request is fiscally responsible and addresses service demands. The 2011 funding requirements have been prepared by the respective Command areas, and reviewed in detail by each respective Command Officer and the Service's Budgeting and Control unit. The overall funding request and key line item information (increases and decreases) were then presented to, reviewed and approved by the Chief and Command.

In addition to the Service's internal budget review process, and consistent with previous years, the Board's Budget Sub-Committee (BSC) was provided with a line-by-line budget request and completed a detailed review of each Command's budget, as well as centralized accounts, over a series of five meetings.

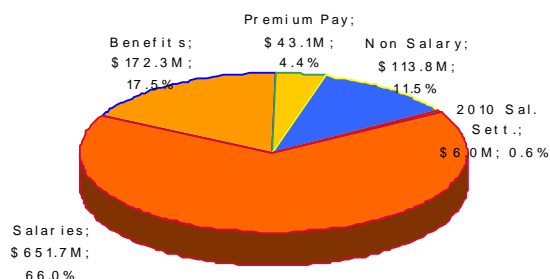
The Service's initial 2011 request was \$922.6M, a 3.9% increase over 2010. During the period of reviews with the Command, BSC and City staff, the following reductions (totalling \$7.7M) were achieved:

- \$2.3M was reduced as a result of more up-to-date information made available during the process: \$1.7M reduction in caretaking/maintenance/utilities, and \$0.6M reduction in computer maintenance;
- during deliberations with the BSC, the Chair requested further review of several areas, and this resulted in reductions of \$1.2M: \$0.7M reduction in the Service's premium pay request; \$0.3M reduction in training; and \$0.2M reduction to consulting services;
- a further review of all 2011 requirements allowed the Service to reduce budgets in various accounts, for a total of \$0.2M, and to eliminate the request for six additional positions that had been previously identified and approved as operating impacts from capital projects implemented. The Service has committed to reassign resources internally to meet these additional requirements. The funding request for these positions has been reduced by \$0.2M (\$0.3M remains to allow for the provision of required services until redeployment of responsibilities can be fully accomplished); and
- as part of the City staff budget review, the City Manager requested that the Service examine the potential of further reducing the 2011 budget request by \$3.8M. This reduction combined with the other previously identified reductions would result in a net operating budget request of \$914.9M, a 3% increase over the 2010 approved budget. In light of the City's financial pressures, the \$3.8M reduction has been included in the Service's 2011 budget request, and every effort will be made to achieve this reduction in 2011.

2011 Operating Budget Request:

The 2011 operating budget request of \$986.9M (gross) and \$914.9M (net) includes the funding required to maintain an average deployed strength of 5,598 officers (which is 19 below the deployment target of 5,617), as well as services and equipment required to effectively support operations. Funding levels in the various non-salary accounts have been adjusted to reflect historical spending patterns and justified need, and one-time costs incurred in the previous year have been eliminated.

Breakdown of 2011 TPS Gross Budget Request



2011 Total Budget Request is \$986.9M (gross) or \$914.9M (net) (excludes impact of 2011 salary settlement)

Figure 1 - Overall Budget Request

Figure 1 indicates that, on a gross basis, 88.5% of the Service’s budget is for salaries and benefits. The remaining 11.5% is required for the support of our human resources in terms of the vehicles, equipment and information they use, facilities they work in, and training they require.

Further information on the Service’s 2011 Operating Budget is available on the Toronto Police Services Board’s website. Table 3 below summarizes the current 2011 request by category of increase, followed by a discussion on each category.

Table 3 - Summary of 2011 Budget Request By Category of Increase

	Request \$Ms*	Change \$Ms	% Increase / (Decrease) over 2010 Total Approved Budget
2010 Approved Net Budget - \$888.2M			
(a) Annualized Impact of Salary Settlement	\$6.0	\$6.0	0.7%
(b) Salary Requirements	\$651.7	\$9.2	1.0%
(c) Premium Pay	\$43.1	\$0.2	0.0%
(d) Statutory Deductions and Fringe Benefits	\$172.3	\$12.1	1.4%
(e) Reserve Contributions	\$31.2	\$1.5	0.2%
(f) Other Expenditures	\$82.6	\$1.0	0.1%
2011 Gross Budget Request	\$986.9	\$30.0	3.4%
(g) Revenues	<u>-\$72.0</u>	<u>-\$3.3</u>	<u>-0.4%</u>
2011 Net Budget Request	\$914.9	\$26.7	3.0%

*amounts exclude impacts from 2011 labour contract settlements

(a) Annualized Impact of 2010 Salary Settlement

The 2008-2010 contract included staggered (January 1st, July 1st and December 1st) salary increases in 2010. As a result of these staggered increases, there is an annualized impact in 2011 of \$6.0M. The current contracts with the Toronto Police Association and Toronto Police Senior Officers' Organization expire on December 31, 2010. The 2011 budget request does not include any impact of new labour contracts, which are expected to be completed in 2011.

(b) Salary Requirements

The total salary budget for 2011 (exclusive of the annualized impact of the salary settlement) is \$651.7M. This budget represents an increase of \$9.2M (a 1.0% increase over the Service's total 2010 operating budget). The 2011 salary budget is based on the following:

- Human Resource (HR) Strategy for Uniform Members: During 2010 budget deliberations, the Board confirmed a uniform establishment of 5,588, and a target deployment number of 5,618 (to reflect 30 TAVIS-funded School Resource officers). During 2010, one uniform position was civilianized to enable the establishment of an information technology auditor in the Audit and Quality Assurance unit. This reduced the approved uniform establishment to 5,587 and deployment target to 5,617.

HR projects the number of officers that are anticipated to retire or resign in 2011-2013. This information is then used to plan class sizes for the three intake classes held annually by the Ontario Police College (April, August, December), with the goal of maintaining an average deployed strength of 5,617 officers. This deployment target will not be achieved in 2011, as uniform hiring was reduced and deferred in 2010 to address budget pressures. The 2011 budget assumes the average deployment number in 2011 will be 5,598 officers, an increase from 5,578 budgeted in 2010, but still below the authorized target of 5,617.

2011 separations are projected at 220; and 2011 hires are projected at 233. The impact of the 2011 HR strategy (part-year savings of those leaving through the year, and the part-year costs of those being hired through the year), has the net effect of reducing the Service's budget by \$4.4M in 2011.

Separations are monitored on a monthly basis to allow the Service to adjust its hiring projections as required. Based on actual experience, the Service will revise its projected hiring needs as required throughout 2011.

Given that the Service budget is based on actual salary levels as well as the timing of hires and separations, these impacts must be annualized in the following year. The 2011 annualized net impact of 2010 hires and separations is an increase of \$4.1M.

In addition, officers are hired at a recruit salary rate, and continue to move up through the ranks. This creates annual budget pressures until officers become first-class constables (a four-and-a-half year process from date of hire). The cost of these reclassifications in 2011 is \$8.4M.

- HR Strategy for Civilian Members: The current Board-approved civilian establishment is 2,068 positions (the 2010-approved establishment of 2,067 increased by one to reflect the civilianization of one position). This establishment pertains to the permanent full-time complement of the Service (including court security officers), but excludes members of the Board office, the Parking Enforcement unit, part-time and temporary personnel.

Civilian vacancies are replaced as they occur, and a six-month salary gap is assumed for each anticipated vacancy (with the exception of positions that must be fully staffed, such as Communication Operators and Court Officers). Civilian gapping in 2011 is at 3.6% (unchanged from 2010). 2011 projected civilian separations are estimated at 90, based on previous separation experience. As with the uniform personnel, civilian separations are monitored very closely and the Board will be updated on any significant change to this estimate through the budget variance reports.

Civilian salaries change annually based on anticipated increments, and the annualization of previous years' decisions, as well as any changes in trends regarding separations and leaves. Civilian salaries are increasing by \$1.1M in 2011, primarily resulting from increments and the annualization of 11 revenue-funded Court Officer positions approved in 2010.

(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 callbacks (e.g., when an officer is required to work additional shifts to ensure appropriate staffing levels are maintained or for specific initiatives). Figure 2 provides a breakdown by category of premium pay.

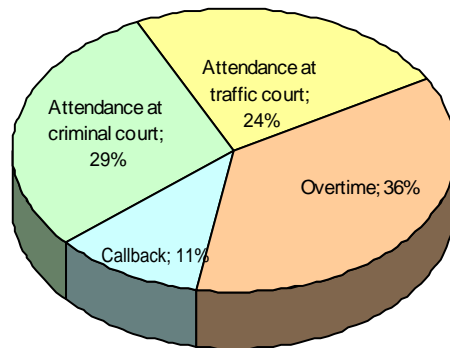


Figure 2 – Premium Pay by Reason for Expenditure

The total premium pay budget for 2011 (exclusive of the annualized impact of the salary settlement) is \$43.1M. This budget represents an increase of \$0.2M (0.03% increase over the 2010 total budget). The 2011 budget request for premium pay is based on anticipated 2010 requirements taking into account prior years' spending history, estimated changes in activity levels and Service initiatives that may impact the requirement for premium pay. The \$0.2M increase is attributed to an increase in the court budget related to off-duty court attendance. In 2006, the Service and the City embarked on an initiative whereby officers required to attend Provincial Offences Act (POA) court are scheduled to do so off duty, to ensure officers are able to attend court as required. This initiative is fully funded by revenue from the City of Toronto's Court Services, and there is a corresponding increase of \$0.2M in the revenue category (discussed later in this report), resulting in no net impact on the overall Service budget.

(d) Statutory Deductions and Fringe Benefits

This category of expenditure represents an increase of \$12.1M (a 1.4% increase over the Service's total 2010 budget). As shown in Figure 3, fringe benefits for the Service are comprised of statutory deductions and requirements as per the collective agreements.

- Ontario Municipal Employees Retirement System (OMERS): The contribution rate for OMERS will be increasing by 1% of salaries effective January 2011. As a result the OMERS budget will require an additional \$6.9M in 2011.
- Other Payroll Deductions: Other statutory payroll deductions (EI, CPP and EHT) are based on specific formulae that are affected by gross salaries. The rates for CPP and EI are adjusted annually, and in 2011, both of these costs have increased. Total costs are projected to increase by \$0.6M.
- Medical/dental costs: The budget for these costs is based on the cost of drugs and services as well as utilization rates. In 2011, these costs are projected to increase by \$1.5M. These increases are based on the average increase experienced over the last four years and, as in previous years, are substantially less than the increase projected by the benefits insurance industry.
- Workplace Safety and Insurance Board (WSIB): Medical, pension and administration costs for WSIB are projected to increase by \$0.5M in 2011. The budget for these accounts is based on the Service's historical trends for these expenditures.

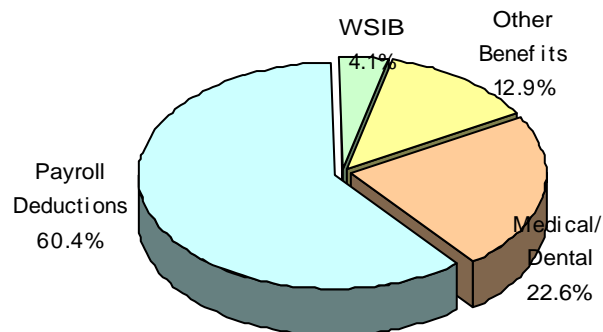


Figure 3 - Breakdown of Statutory Deductions and Fringe Benefits

- Net other changes to benefits: The remaining \$2.6M increase is for benefits funded by reserves, and is offset through an increase in revenue (draws from Reserves).

(e) Reserve Contributions

The Service contributes to reserves and reserve funds through provisions from its operating budget. All reserves and reserve funds are established by the City. The City manages the Sick Pay Gratuity and Insurance reserves, while the Service manages the remainder.

The Service projects the long-term requirements of its various reserves with the goal of achieving stable contribution levels for the long term. Two reserves (the Vehicle and Equipment and the Health Care Reserve) continue to require increases to their contribution levels. The Vehicle and Equipment Reserve is used to fund the lifecycle replacement of our fleet of vehicles, information technology equipment, and various other equipment items. The 2011 contribution for this reserve is increasing by \$1.1M and, based on current projections, will stabilize in 2013. The Health Care Spending Reserve is used to fund the post-retirement health care benefit negotiated in the 2008-2010 collective agreements. The 2011 contribution for this reserve is increasing by \$0.1M. It is anticipated that this contribution will continue to increase at a modest rate for several years into the future.

The Central Sick Bank Reserve funds salaries for staff that have exhausted regular sick time and are on long-term sick leave. Funding for this reserve has historically been dictated by the Collective Agreement and is currently being negotiated between the Toronto Police Association and the Board. Pending any resolution to this issue, funding for this reserve is being managed to ensure sufficient funds are in the reserve to pay out anticipated costs in 2011. Accordingly, contributions have been increased in 2011 by \$0.3M.

It should be noted that no provision has been included in this budget request for increased contributions required to the Sick Pay Gratuity Reserve. Following discussions with City staff, the additional \$6.5M that the City has advised should be contributed annually to this reserve, has been deferred due to the financial constraints the City is facing.

(f) Other Expenditures

The remaining expenditure categories include the materials, equipment and services required for day-to-day operations. Wherever possible, accounts within this category have been flat-lined to the 2010 level. Increases have only been included if they are a result of a contractual obligation, an impact from a completed capital project, and/or based on actual historical experience. One-time reductions have been taken into account where applicable. The total increase for these expenditures is \$1.0M (a 0.1% increase over the Service's total 2010 budget). The following summarizes the most significant changes:

- Caretaking, Maintenance and Utility Costs for TPS facilities (increase of \$0.5M): The City initially estimated that a \$2.2M increase would be required to this budget. However, after discussions between Service and City staff to determine appropriate service levels for caretaking and maintenance, the initial increase was reduced by \$1.7M. The

remaining increase of \$0.5M is due mainly to increased costs for salary settlement increases for City staff, and increases in utility costs.

- Computer Maintenance (decrease of \$0.6M): The Service has been moving gradually from a lease to a purchase strategy for IT-related equipment replacement, and the Service no longer has any computer lease contracts. As computer equipment is purchased (either for replacement, or as a result of new system implementation), maintenance contracts are entered into. Procurement processes conducted in 2010 have resulted in favourable maintenance contracts and expenditures for 2011, resulting in a decrease of \$0.6M to the 2011 operating budget request for these requirements.
- Telephone and Data Lines (increase of \$0.7M): The cost for voice lines is projected to increase as a result of some moves and construction (for example, additional lines in the Major Incident Command Centre (MICC) and the new 11 Division facility). In addition, the 2011 budget includes the impact of additional line costs for the transition period during which the Service is moving from leased data lines to TPS-owned fibre, or to Cogeco leased fibre.
- Vehicle maintenance (decrease of \$0.3M): Total budgets related to vehicle preparation, maintenance, parts and rental have been decreased based on a lower estimated average repair costs for Service vehicles.

Operating impact from Capital (increase of \$0.6M): When the capital budget is prepared, estimated operating budget impacts are included as part of the business case, and are identified to the Board during its consideration and approval of each project in the Capital Program. The majority of the operating impact from capital projects in 2011 relates to the In-Car-Camera project. On-going costs will be incurred for the installation and maintenance of the in-car cameras. When the In-Car Camera project started, a requirement of five civilian positions was identified to address the increased workload from and on-going support required for this new system. However, as previously indicated in this report, the Service has reviewed its processes and reassigned responsibilities internally to meet these additional requirements. As a result, the operating impact for this project has been reduced to \$0.5M, for materials and services to maintain this system. The Service has also removed its request for one additional position related to HRMS Additional Functionality project. Other operating impacts from capital include the on-going maintenance costs for the MICC and TPS Links.

- Net other changes to expenditures (\$0.1M): Various other accounts are increasing or decreasing by small amounts, due to known changes or based on historical trends, with an overall impact of \$0.1M.

(g) Revenue

All revenue accounts have been analyzed and adjusted to reflect 2010 experience and/or known changes in 2011. Total revenue has been increased by \$3.3M, resulting in a 0.4% decrease over the Service's total 2010 budget. The following outlines the most significant changes:

- Loss of one-time funding (\$1.1M decrease): The Service deployed officers to the Winter Olympics in Vancouver in 2010. The RCMP reimbursed the Service for the cost of the officers provided, resulting in a one-time revenue amount of \$1.1M. Loss of this one-time revenue in 2010 is now creating a 2011 pressure.
- Off-Duty POA Court Attendance (\$0.2M increase): As discussed in the premium pay section of this report, there is an anticipated increase in City recoveries for this initiative, in the amount of \$0.2M.
- Draw from Reserves (\$2.5M increase): This draw has a net-zero impact as there is a corresponding increase in the estimated expense in the fringe benefits area, discussed earlier in this report.
- Other Revenue (\$1.7M increase): Various other revenue accounts have been adjusted based on 2010 experience (e.g., paid duties, city recoveries). This has resulted in increased revenue of \$0.4M.

The 2010 approved budget included a one-time unallocated reduction of \$5.9M (Min. No. P58/10 refers). \$3.4M of this unallocated reduction was allocated to salaries, and was accomplished through the reduction and deferral of recruit classes in 2010. The remaining \$2.5M remained unallocated in the Service's revenue accounts. This year, following a meeting with the City Manager and in light of the City's financial pressures, the Service has agreed to a \$3.8M additional reduction. This reduction has been allocated as an increase to the revenue accounts until the Service can better determine how to achieve the reduction. This results in a net revenue increase of \$1.3M over 2010.

Conclusion:

The Toronto Police Service's 2011 net operating budget request of \$914.9M is \$26.7M or 3.0% higher than the 2010 net operating budget of \$888.2M. The 2011 budget request includes the funding required to achieve an average deployed strength of 5,598 officers, up from 5,578 budgeted in 2010, but still below the deployment target of 5,617, as well as the necessary supporting infrastructure (e.g., civilian staffing, equipment, services). No new uniform or civilian positions have been included in the budget request. Funding levels in the various non-salary accounts have been adjusted to reflect historical spending patterns and justified need, and one-time costs incurred in the previous year have been eliminated. The current collective agreements expire December 31, 2010, and the 2011 budget request does not include the impact of these labour contracts which are expected to be completed in 2011.

It is important to note that 94% (or \$25.1M) of the total budget increase over 2010 is required to fund collective agreements obligations (\$11.7M), the annualization of staggered 2010 cost of living increases (\$6.0M) and higher statutory deductions (in particular increased OMERS contributions - \$6.9M). The remaining 6% (\$1.6M) is required to fund increased contributions to reserves and other non-salary-related expenditures, as well as changes to revenues.

This budget request has been reviewed in detail by the Service and the Board's Budget Sub-Committee. All opportunities for reductions have been incorporated and the budget being presented to the Board for approval represents the funding level required to provide adequate and effective public safety services to the City. Operational and management processes will continue to be reviewed to identify any possible efficiencies and ensure risks are properly mitigated, such that the greatest value is achieved from the resources and funds allocated to the Service.

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

Following a Budget Sub-Committee meeting that was held on January 10, 2011, Chief Blair provided a report dated January 11, 2011 containing a revised Toronto Police Service 2011 operating budget submission to the Board for its special meeting on January 11, 2011. A copy of the revised 2011 operating budget submission follows:

Subject: TORONTO POLICE SERVICE 2011 OPERATING BUDGET – REVISED REQUEST

Recommendations:

It is recommended that:

- (1) the Board approve a revised 2011 net operating budget request of \$905.9 million (M), excluding the impact of any 2011 labour contract settlements, an increase of \$17.7M or 2.0% over the 2010 net approved budget;
- (2) the Board forward a copy of this report to the City's Deputy City Manager and Chief Financial Officer for information; and
- (3) the Board forward a copy of this report to the City Budget Committee for approval.

Financial Implications:

The Toronto Police Service's revised 2011 operating budget request is \$905.9M net (\$977.9M gross). This is an increase of \$17.7M (2.0%) over the 2010 net approved budget of \$888.2M.

The current contracts with the Toronto Police Association and Toronto Police Senior Officers' Organization expired on December 31, 2010. The 2011 budget request does not include any provision for the impact of new labour contracts which are expected to be completed in 2011.

Background/Purpose:

At its meeting on January 5, 2011, the Board considered a report from the Chief of Police on the Service's 2011 operating budget request. The Board deferred approval of the Service's request and referred it to the Board's Budget Sub-Committee for further review. It also requested that "the Chief of Police provide a detailed report with a line-by-line breakdown of the portion (2.8%) of the 3.0% recommended increase that is related to contractual obligations and that the report also include the costs associated to cleaning and caretaking services" (Min. No. P5/2011 refers).

This report responds to the Board's request for the breakdown of the budgetary increase over 2010. It also provides information on the allocation of the \$3.8M reduction included in the 2011 request submitted to the Board on January 5, 2011, and recommends an additional reduction to the Service's 2011 budget request.

Information in response to the Board's request on cleaning and caretaking services is provided in a separate report to the January 11, 2011 meeting of the Board.

Discussion:

The Service's operating budget process started in May, 2010. The operating budget was premised on:

- maintaining the Service' approved establishment of strength for both uniform and civilian positions;
- no additional uniform or civilian positions;
- no new initiatives unless they saved money, mitigated a significant risk or resulted in additional cost avoidance or other efficiencies; and
- keeping non-salary requirements to an absolute minimum.

The Service's budget process included various reviews by the Command and the Board's Budget Sub-Committee. Various adjustments were made to the Service's initial request as a result of these reviews.

In addition, the Service's request was reviewed by City staff, including the City Manager and the City's Deputy City Manager/Chief Financial Officer. At a budget review wrap-up meeting on November 19, 2010, the City Manager asked the Service to consider reducing its request by a further \$3.8M. The Chief agreed with the City Manager's request and directed that it be incorporated into the Service's operating budget request to the Board, on the understanding that it would be achieved without staffing implications. The budget presented to the Board at its January 5, 2011 meeting included this \$3.8M reduction as an unallocated amount.

The meetings with City staff also included a discussion of the implications of reducing the Service's budget by 5%. As in previous years, the Service advised the City Manager that a reduction of this magnitude would necessitate significant staffing reductions, which could not be achieved without layoffs.

Breakdown of the 3.0% Recommended Increase:

As reported to the Board at its January 5, 2011 meeting, the Service's 2011 Operating Budget request increased by \$26.7M or 3% over the approved 2010 operating budget. This increase was comprised of:

- \$25.1M (or 2.8%) that is required to meet the Service's collective agreement obligations and increased statutory deductions and pension requirements; and
- \$1.6M (or 0.2%) to meet the Service's other non-salary requirements.

Table 1 provides a breakdown of these amounts, in response to the Board's motion:

Table 1. Breakdown of \$26.7M increase in 2011 Budget (\$Ms)

	2011 Request	% chg over total 2010 approved
Current Collective Agreement / Legislative Requirement Impacts:		
- 2010 Salary Settlement impact (annualization)	5,980.6	0.67%
- Impact of 2010 and 2011 hires and separations	(364.5)	-0.04%
- Impact of 2010 and 2011 uniform reclassifications	8,429.5	0.95%
- Other salary impacts (maternity, parental, increments, etc.)	1,102.5	0.12%
- Negotiated benefits pressures	2,479.1	0.28%
- 2011 OMERS rate increase	6,327.8	0.71%
- remaining payroll deductions (EI, CPP, EHT, base OMERS rate)	1,083.7	0.12%
- Uniform cleaning vouchers	21.0	0.00%
Sub-total	25,059.7	2.82%
Other Impacts		
- Contribution to Vehicle & Equipment Reserve	1,200.0	0.14%
- Other expenditures (e.g.caretaking, contracts)	974.4	0.11%
- Other revenues	(574.2)	-0.06%
	1,600.2	0.18%
TOTAL	26,659.9	3.00%

Table 2 provides a breakdown of the previously unallocated \$3.8M budget reduction, for the Board's information:

Table 2. Summary of Reductions to Attain \$3.8M

Category of Accounts	<u>Reduction to Attain \$3.8M (\$)</u>	<u>%age of All Reductions During Review Process</u>
Books & Magazines	24,300	25.0%
Advertising	9,000	10.0%
Public Relations / Promotions	51,100	15.0%
Miscellaneous Materials	39,000	10.0%
Membership Fees	28,200	20.0%
Office Supplies	85,800	5.0%
General Equipment	68,200	10.0%
Training (conferences, courses, seminars)	400,000	21.8%
Computer maintenance	300,000	8.1%
Benefits (medical / dental)	500,000	1.3%
Premium Pay	1,900,000	6.6%
Tenant Renovations	100,000	11.2%
Consulting / Contracted Services	100,000	11.9%
Miscellaneous Revenues	<u>194,400</u>	n/a
	3,800,000	

Further Budget Reductions:

In addition to the \$3.8M reduction, the Chief has directed that uniform and civilian hiring be deferred. This results in a savings of \$7.6M in 2011.

The Service will also reduce its original request for reserve contributions by \$1.4M.

These two actions result in a total reduction of \$9M to the Service's original submission to the Board on January 5, 2011.

Conclusion:

This report provides the information requested by the Board with respect to the Service's 2011 operating budget request. The report also provides an allocation of the previously unallocated \$3.8M budget reduction, and recommends a further \$9M reduction for the Board's consideration. The revised 2011 operating budget request of \$905.9M is provided in Table 3 below.

Table 3 - Revised 2011 Toronto Police Service Budget Request

	Comparison to 2010 Approved Net Budget	
	\$Ms*	% change
2010 Approved Net Budget	\$888.2	
2010 Salary Settlement impact (annualization)	\$6.0	0.7%
Other Collective Agreement impacts (e.g., reclass'n, medical, dental)	\$11.7	1.3%
Pension and statutory deductions impacts (EI, CPP, OMERS)	\$7.4	0.8%
Other impacts	\$1.6	0.2%
Sub-total of increases	\$26.7	3.0%
2011 Net Budget Request as submitted to Jan 5/11 Board meeting	\$914.9	3.0%
Further reduction directed by Chief	-\$9.0	-1.0%
Revised 2011 Net Budget Request	\$905.9	2.0%

**amounts exclude impacts from 2011 labour contract settlements*

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

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

- **Miguel Avila***; and
- **John Sewell***.

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

Mr. Tony Veneziano, Chief Administrative Officer, was in attendance and responded to questions by the Board about the revised 2011 operating budget submission.

Mr. Veneziano said that the revised operating budget submission is \$9.0M lower than the previous budget request submitted to the January 5, 2011 meeting of the Board, and that approximately \$17.0M in reductions have been achieved since the beginning of the Service's 2011 operating budget process.

Chief Blair advised the Board that the deferral of uniform and civilian hiring would be for the 2011 budget year only, and that he will ensure the deferral will not compromise the safety of the citizens in Toronto.

The Board commended Chief Blair, Mr. Veneziano and the Finance and Administration staff for their efforts in reducing the budget request by working diligently to identify the additional efficiencies and it expressed appreciation to Chief Blair for his exemplary leadership and understanding of the challenges that the City of Toronto is experiencing.

The Board approved the Chief's report dated January 11, 2011 and agreed to forward a copy of the report to the City's Deputy City Manager and Chief Financial Officer for information and to the City's Budget Committee for approval.

The Board also approved the following Motions:

- 1. THAT the Board receive the depositions and the written submissions from Mr. Avila and Mr. Sewell; and**
- 2. THAT the quarterly operating budget variance reports that are submitted to the Board in 2011 include the impact, if any, of the deferral of uniform and civilian hiring on the Toronto Police Service.**
- 3. THAT the Board receive the Chief's report dated December 22, 2010.**