



## STAFF REPORT ACTION REQUIRED

### Toronto Police Service – 2013 Operating Budget Request

<b>Date:</b>	December 11, 2012
<b>To:</b>	Budget Committee, City of Toronto
<b>From:</b>	Alok Mukherjee, Chair, Toronto Police Services Board

#### **SUMMARY**

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The purpose of this report is to provide the Budget Committee with the 2013 operating budget request for the Toronto Police Service (the Service).

#### **RECOMMENDATION**

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It is recommended that the Budget Committee approve the Service's 2013 net operating budget request of \$927.8M which achieves the City's target of a 0% increase over 2012.

#### **FINANCIAL IMPACT**

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The approval of the foregoing recommendation represents a 0% increase over the 2012 net operating budget.

#### **ISSUE BACKGROUND**

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At a special meeting held on December 10, 2012, the Board was in receipt of a report dated November 23, 2012 from Chief of Police William Blair with regard to the 2013 operating budget request for the Toronto Police Service.

#### **COMMENTS**

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Following consideration of the Chief's report, the Board approved, *inter alia*, the following Motion:

THAT the Board approve a 2013 net operating budget request that achieves the City's target of a 0% increase over 2012.

The Board also agreed to forward this decision to the City's Deputy City Manager and Chief Financial Officer for information.

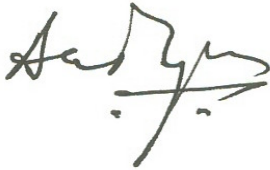
## **CONCLUSION**

A copy of Board Minute No. P299/12, in the form attached as Appendix "A", regarding this matter is provided for information.

## **CONTACT**

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

## **SIGNATURE**



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Alok Mukherjee  
Chair

## **ATTACHMENT**

Appendix A – Board Minute No. P299/12

cc. Ms. Giuliana Carbone, Deputy City Manager and Chief Financial Officer

A: TPS 2013 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 DECEMBER 10, 2012

#### #P299. TORONTO POLICE SERVICE - 2013 OPERATING BUDGET REQUEST

The Board was in receipt of the following report November 23, 2012 from William Blair, Chief of Police:

Subject: TORONTO POLICE SERVICE – 2013 REVISED OPERATING BUDGET REQUEST

#### Recommendations:

It is recommended that:

- (1) the Board approve the Toronto Police Service's 2013 net operating budget request of \$946.9 Million (M), which is \$19.1M or 2.0% over the City's 0% target;
- (2) the Board approve a revised civilian establishment of 2,061, which is a reduction of one from the current establishment;
- (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 (Service) 2013 operating budget request is a net amount of \$946.9M (\$19.1M above the City target of 0% or \$927.8M). It should be noted that the \$19.1M increase over the City's 0% target includes \$24.8M in collective agreement obligations negotiated by the Board. Excluding the collective agreement impact, the Service's budget request would have been \$5.7M or 0.6% below the City's 0% increase target.

This request excludes any 2013 impact from the Senior Officers' Organization (SOO) salary settlement, as contract negotiations between the Board and the SOO have not yet been concluded.

The 2013 revised request is \$2.3M less than the request that was presented to the Board at its November 14, 2012 meeting. This reduction was achieved through the elimination of the April 2013 uniform recruit class and adjustments to the remaining two classes in 2013. An external consultant is being hired to determine the required uniform strength

for the Service. The results are anticipated to be available for consideration by the end of March 2013. Once the consultant's findings have been reviewed, and the Board approves the Service's uniform target, the 2013 recruit classes will be revisited. If the approved revised uniform strength is less than 5,400, an appropriate in-year budget adjustment to reduce the Service's 2013 budget would be recommended at that time. If the approved revised uniform strength is higher than 5,400, the 2013 class sizes would not be adjusted, and the increased deployment target would be addressed through the 2014 and future operating budget processes.

The 2013 request does not achieve the City's 0% target increase, as meeting that target would involve significant staffing reductions. These reductions would seriously impact the Service's ability to provide adequate and effective public safety services to the City of Toronto, and would adversely affect our ability to work with our community partners and stakeholders to continue to keep Toronto as safe as possible.

A summary of the Service's 2013 net operating budget request is provided in Table 1.

**Table 1 - 2013 Budget Request Summary**

	Comparison to Target		
	\$Ms	\$ change	% change
2012 Approved Net Budget	\$933.9		
2011 and 2012 impact of Senior Officer Salary Settlement	\$1.8		
<b>2012 Adjusted Net Budget</b>	<b>\$935.7</b>		
Less Lifeguards and Crossing Guards	<b>-\$7.9</b>		
<b>2013 City Target</b>	<b>\$927.8</b>		
2013 impact of Toronto Police Association collective agreement		\$24.8	2.6%
Net impact of salary costs		<b>-\$8.1</b>	-0.9%
Negotiated benefits (includes contributions to benefit-related Reserves)		\$3.6	0.4%
Pension and statutory deductions impacts (EI, CPP, OMERS)		\$6.3	0.7%
Other impacts		<b>-\$7.5</b>	-0.8%
<b>Amount above City 0% increase target</b>		<b>\$19.1</b>	2.0%
Recovery for Lifeguards and Crossing Guards from City		<b>-\$7.9</b>	-0.8%
<b>Increase after recovery from the City</b>		<b>\$11.2</b>	1.2%
<b>2013 Adjusted Net Budget Request</b>	<b>\$946.9</b>		

The 2013 target provided by the City is \$927.8M (the 2012 approved operating budget, less the cost of lifeguard and school crossing guard programs, which will be administered by the Service and funded by the City beginning in 2013). Therefore, the Service's net operating budget request of \$946.9M is \$19.1M (or 2.0%) above the City's 0% target.

Attachment A provides a detailed summary of the information provided in the remainder of this report, and the 2014 and 2015 budget outlooks. The Service anticipates a 4.4% increase in 2014, primarily as a result of the salary settlement (3.0%). The outlooks currently reflect a 0.4% decrease in 2015. However, the current 2015 outlook does not

assume any impact from potential salary settlements, as the TPA collective agreements expire December 31, 2014.

Irrespective of the final hiring strategy in 2013, the Service will continue to face a significant budget pressure in 2013 and 2014 from the collective agreement the Board negotiated with the Toronto Police Association.

Background/Purpose:

The Service's recommended 2013 operating budget request, along with several other reports containing additional information regarding the 2013 operating budget, were considered by the Board at its November 14, 2013 meeting. The Board received these reports, and made the following motions (Min. No. P272/12 refers):

1. *“THAT the Board not approve the Chief’s budget requests for TPS and TPS-Parking Enforcement as submitted;*
2. *THAT the Chief take into consideration implementing additional measures such as the following, and any others:*
  - *no new uniform recruitment in 2013, except the class of 80 going forward, until a review has been conducted by an external expert to determine the desired uniform strength of TPS;*
  - *continue with measures such as the Chief’s Internal Organizational Review (CIOR);*
  - *review and consider all outsourcing opportunities;*
  - *consider designation of one warrant officer in each division;*
  - *consider a plan to operate premises only during the day time, such as any police divisions that do not have enough public demand after work hours, effective June 2013; and*
  - *include two Board members (Board Members Andy Pringle and Marie Moliner) to participate in the Chief’s CIOR as well as the external reviews to determine span of control and the desired uniform strength of the TPS.*
3. *THAT the Chief submit revised 2013 operating budgets for the TPS and TPS-Parking Enforcement based on the measures noted in Motion No. 2;*
4. *THAT the Board schedule a special Board meeting in December 2012 to consider the revised budgets noted in Motion No. 3 and receive deputations at that time;*

5. *THAT the Board direct the Chair to inform the City Manager of the delay in submitting the TPS and TPS-Parking 2013 operating budget requests;*
6. *THAT the Board receive the five reports noted above (two from the Chair dated October 25, 2012 and October 30, 2012 and three from the Chief of Police all dated November 01, 2012);*
7. *THAT the deputations and written submissions be received; and*
8. *THAT the Board open negotiations with the Toronto Police Association to:*
  1. *replace the current five platoon system with four platoons per division working eight and six effective June 2013; and*
  2. *eliminate or reduce the practice of two-officer patrols effective June 2013.”*

The purpose of this report is to provide the Board with the Service’s revised recommended 2013 operating budget request. The report includes information on the level of funding required to provide adequate and effective public safety services to the City of Toronto in 2013. The recommended request has been developed based on current 2013 plans, the impact of collective agreements, anticipated pressures in contractual/mandatory accounts and applying economic factors and guidelines provided by the City. The report also provides responses to the Board-recommended additional measures for consideration. These responses are reflected later in this report, in Table 5.

#### Discussion:

The sections that follow provide some brief information on the Service’s business approach and some accomplishments achieved in 2012, followed by detailed information to justify and explain the various funding requirements that make up our 2013 budget request.

#### *Continuous Improvement Initiatives*

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

In 2012, the Service has maintained effective and efficient service to the community, while managing with a decreased level of staffing. Efficiency and effectiveness reviews have continued as part of the Chief’s Internal Organizational Review (CIOR) which commenced in early 2012. These reviews are intended to identify and implement initiatives that will allow the Service to provide sustainable, efficient, effective and economical services with a lower staffing complement. Pending the result of these reviews, and those of the external consultant that will be hired to determine the uniform

strength for the Service, the 2013 operating budget request assumes an average deployment target of 5,400 officers. This deployment target will be revisited when the results from the external consultant are considered during 2013.

The Service has been committed to eliminating the need for any additional new position requests in the past few years and into the foreseeable future. This is being accomplished through the internal review of business processes, with the aim of streamlining or changing existing processes to enable the redeployment of staff time or positions. This should also assist the Service in absorbing additional workload and new resource requirements as they arise.

Technology is also being explored as an enabler to more efficient and cost-effective services with less reliance on human resources. The technological initiatives being explored will require some level of up-front investment, and in some cases, enabling legislation.

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. Other provincial grants have also subsidized our ability to increase officer presence in communities, as well as the engagement of and developing relationships with citizens and other stakeholders.

Key accomplishments in 2012 include the following.

- Prisoner Management – this initiative was approved and a phased-in implementation commenced in September 2012. It involves the transfer of prisoner management functions in divisions to court officers. A review of court officer functions was conducted to ensure the Service was focussing on the core business of court security, and some functions that court officers performed were eliminated. This freed up court officer positions that could be redeployed to the divisions to fulfil prisoner management functions (which did not require a uniform officer), which in turn has allowed the Service to redeploy police officers to the front-line;
- Computer hardware reduction initiative – the Service conducted a review of workstations and laptops, and was able to reduce this inventory by approximately 10%, therefore saving replacement and maintenance costs. A printer assessment is currently in the process of being completed and should result in a reduction in this equipment as well;
- Project Summer Safety – the seven-week initiative, rolled out at the end of July in response to several violent gang-related crimes in the City, aimed to improve safety in our communities and increase positive engagement between officers and members of the public. To assist in accomplishing this goal, the Service redeployed officers to high-priority neighbourhoods and backfilled the officers through the use of compulsory overtime. The initiative allowed the Service to deploy up to 329 officers in communities at various points in time, and proved to

be very successful in reducing crime and victimization during the term of the program;

- Crime mapping tool – a tool to monitor and track sex crimes and offenders was recognized with the Pitney Bowes Software People’s Choice Meridian Award;
- Personnel-related on-line services – the Human Resources self-serve portal has gone live, including ePay and eRecruit. Pay advices and T4s, for example, are now provided online, significantly reducing paper/envelopes and eliminating the need for the pay advices and T4s to be printed, inserted into envelopes and disseminated to members.

*Major Crime 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 almost every category, and that while the number of murders are up by four (9%), overall major crime has decreased by 10% in 2012, compared to 2011 (as of October 31, 2012).

Table 2. Major Crime Indicators - as at October 31

Offence	2010	2011		2012	
	Total	% Chg	Total	% Chg	Total
Murder	55	-22%	43	9%	47
Sex Assault	1,460	6%	1,542	-11%	1,369
Assault	14,805	-2%	14,485	-12%	12,754
Robbery	3,540	-1%	3,514	-3%	3,395
Break and Enter	6,699	-10%	6,014	-6%	5,636
Auto Theft	3,836	-9%	3,483	-15%	2,975
Theft Over	752	-9%	684	-9%	624
Total	31,147	-4%	29,765	-10%	26,800

In addition, quality of life indicators (e.g. child abuse, domestic violence, frauds) are down 14% when compared to the same period last year.

All of these indicators can and are used to measure how safe a city is, which in turn is one of the factors that impact quality of life, entertainment, economic development and tourism in a city. A safe city is 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 Toronto Police Service has and will continue to work hard with its community partners and other stakeholders to keep it that way.



### *City Target and Guidelines*

City Finance has identified a 0% increase target (at a minimum) for all Agencies, Boards, Commissions and Departments (ABCDs). During discussions of the 2013 operating budget with City Finance, the Service identified that the lifeguard and school crossing guard programs are not core policing services, and therefore should not be reflected as a cost to the Service. As a result, the 2013 budget request includes an inter-departmental recovery for these programs. This recovery reduces the Service's budget by \$7.9M. However, this amount must still be funded by the City, and therefore does not result in overall savings. As a result, the Service's target set by City Finance is \$927.8M (the 2012 approved operating budget, less the cost of lifeguard and school crossing guard programs).

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

- implementation of Core Service Review / Efficiency Review savings;
- implementation and/or follow up of the User Fee Policy;
- historical spending patterns;
- previous year target achievements (10%);
- operating impacts from capital; and
- service level reduction reversals post 2012 budget approval.

Additional, specific guidelines that pertain to the Service include:

- budget for known wage settlements;
- budget for fringe benefit requirements based on 2012 projected actual experience, not to exceed 27.40% of salaries and wages;
- adjust salary budgets for known and unplanned gapping; and
- apply economic factors provided by the City for specific accounts (e.g. gasoline, hydro).

### *2013 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 2013 operating budget request giving consideration to the Board's measures and based on the following actions and directions:

- plan for a recruit class of 80 officers in December 2012, with no uniform recruitment in 2013 until a review has been conducted by an external consultant to determine the desired uniform strength of the Service;
- reduce premium pay and non-salary related accounts as much as possible;
- develop budgets for accounts based on year-end 2011 information, year-to-date 2012 information, and known changes;
- not consider any new or enhanced services or initiatives; and
- review and minimize operating impacts from capital wherever possible.

The Service's 2013 budget request was presented and reviewed with the Board's Budget Sub-Committee (BSC).

Three preliminary meetings were held with the BSC, from April to June 2012, to discuss the preliminary 2013 request. A detailed Service budget was developed at the unit level, reviewed by respective Staff Superintendents and Directors and Command Officers, and then collectively by the Chief and Command, from April to August 2012. In September 2012, a detailed 2013 operating budget binder was provided to each Board member, the City Budget Committee members assigned to review the Service budget request, and City Finance staff. This binder provided line-by-line budgets for each unit in the Service, as well as organization charts and narratives for each unit. As part of the budget review process, seven meetings of the BSC were held, during which:

- the overall Service budget was presented and discussed;
- each Command Officer provided a presentation on their specific Command's activities, initiatives and pressures, as well as budget specifics;
- the overall line-by-line budget was reviewed and discussed;
- a presentation detailing Service revenues was provided;
- operations of selected divisions were presented and discussed; and
- options for and the ability to achieve any further significant reductions were discussed.

Answers to all of the questions and additional information requested by the BSC were provided to the members in writing. In addition, questions asked by City staff and the City Budget Chief were also provided to the BSC for their information and consideration.

The Service's recommended 2013 operating budget request, along with several other reports containing additional information regarding the 2013 operating budget, were presented to the Board at its November 14, 2012 meeting, and the motions arising from that meeting have been summarized earlier in this report.

### *2013 Operating Budget Request*

The 2013 net operating budget request of \$946.9M will result in the Service attaining an average deployed strength of 5,320 officers in 2013 (which is 80 below the level of 5,400 used in the development of the 2013 budget), as well as pay for services, supplies and equipment required to effectively support operations.

The uniform staffing deployment target approved by the Board and City Council is currently 5,604. Given the City's current financial situation, and taking into consideration anticipated staffing efficiencies arising from the CIOR, the Service's 2013 operating budget request represents the level of funding that would enable the provision of public safety services with 5,400 uniform officers. This is the level of staffing required to maintain the current level of service, and enable the Service to continue working with the community and its City partners to keep Toronto as safe a city as possible.

Figure 1 indicates that, on a gross basis, approximately 89.0% of the Service's budget is for salaries, benefits, and premium pay (court attendance, callbacks and required overtime). The remaining 11.0% is required for the support of our human resources in terms of the replacement/maintenance of the vehicles, equipment, technology and information they use, facilities they work in, mandatory training they require, etc.

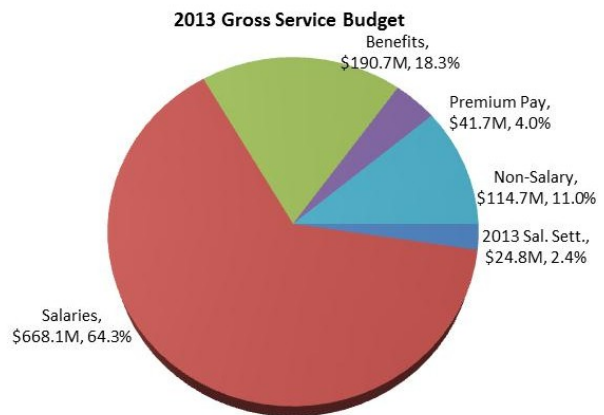


Figure 1. Overall Budget Request

Table 3 below summarizes the current 2013 request by category of increase, followed by a discussion on each category.

**Table 3 - Summary of 2013 Budget Request By Category of Increase**

	2013 Request \$Ms	\$ Increase / (Decrease) over 2013 City Target	% Increase / (Decrease) over 2013 City Target
2012 Net Budget - \$935.7M			
(a) Estimated Impact of 2013 Salary Settlement	24.8	\$24.8	2.6%
(b) Salary Requirements	668.1	-\$10.0	-1.1%
(c) Premium Pay	41.7	\$1.9	0.2%
(d) Statutory Deductions and Fringe Benefits	190.7	\$8.7	0.9%
(e) Reserve Contributions	34.6	\$1.8	0.2%
(f) Other Expenditures	80.1	\$0.3	0.0%
<b>2013 Gross Budget Request</b>	<b>\$1,040.0</b>	<b>\$27.5</b>	<b>2.9%</b>
(g) Revenues	- 85.3	-\$8.4	-0.9%
<b>Amount above target</b>		<b>\$19.1</b>	<b>2.0%</b>
(h) School crossing guard / lifeguard program	- 7.9		
<b>2013 Net Budget Request</b>	<b>\$946.9</b>		

(a) Estimated Impact of 2013 Salary Settlement

The current collective agreement with the Toronto Police Association (TPA) will expire on December 31, 2014, while the agreement with the SOO expires on December 31, 2012. The SOO contract for 2013 is still under negotiation. The 2013 operating budget request includes estimated impacts for the TPA contract, but excludes the cost impact from the SOO contract. The 2013 net impact for the TPA contract is estimated at \$24.8M. 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 budget for 2013 (exclusive of the impact of the salary settlements) is \$668.1M. This budget represents a decrease of \$10M (a 1.1% decrease over the Service's total 2012 operating budget). Table 4 provides a summary of changes in this category, each of which is discussed in detail below.

**Table 4 - Breakdown of Salary Requirements**

	<b>Change \$Ms</b>
- Human Resource strategy for uniform members	
- 2013 annualized impact of December 2012 replacements	\$5.4
- 2013 impact of 2013 replacements	\$3.0
- 2013 annualized savings from 2012 separations (projected at 175)	-\$9.9
- 2013 part-year savings from separations (180 officers)	-\$9.6
- 2012 annualized and 2013 part-year reclassification costs	\$3.7
- Impact of leap year in 2012	-\$1.7
- Net Other Changes (e.g., in-year job reclassifications, chg in leaves, etc.)	-\$1.0
<b>Total</b>	<b>-\$10.0</b>

- **Human Resource (HR) Strategy for Uniform Members:** The current Board and City approved establishment and deployed target is 5,604 (including the TAVIS-funded School Resource Officers). The Service normally plans class sizes for the three intake classes held annually by the Ontario Police College (in April, August, December) with the goal of maintaining an average deployed strength equal to the target. In light of budget pressures, the Service has not hired any uniform officers since December 2010. Since separations (retirements and resignations) have continued to occur, the year-end deployed strength for 2012 is projected to be 5,378. This is 226 officers below the approved establishment of 5,604.

Based on the Board's motions from the November 14, 2012 meeting, the Service's 2013 budget request includes a class of approximately 80 recruits in December 2012. However, the April 2013 class has been eliminated, pending the

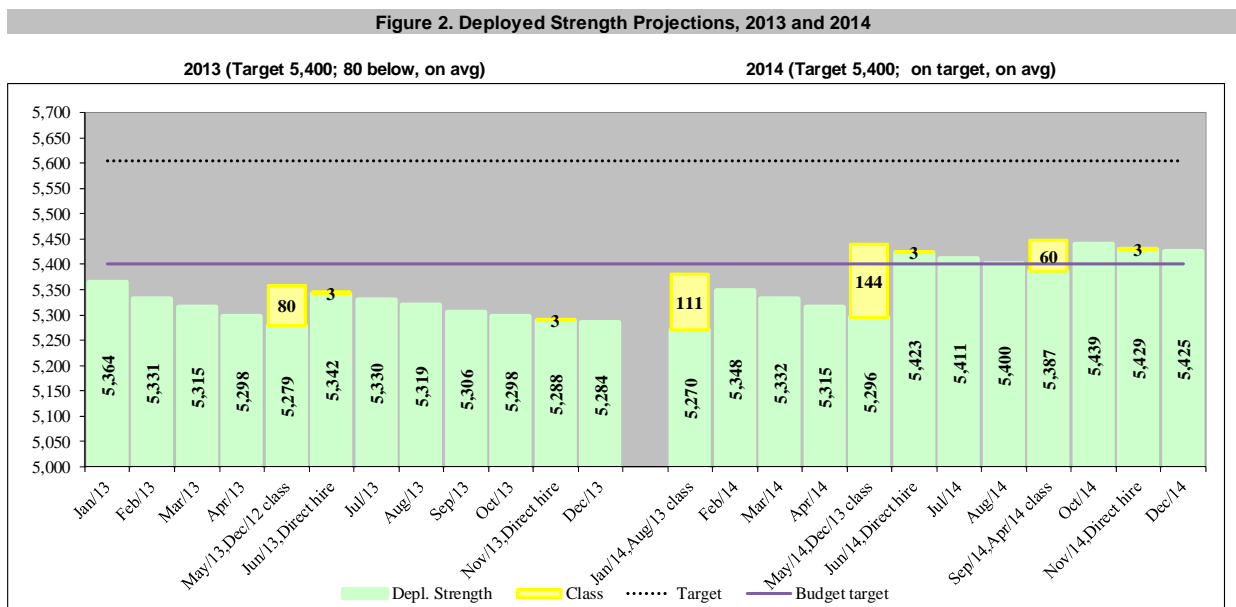
results of a review to be conducted by an external consultant to determine the uniform strength required by the Service. The Request for Proposal (RFP) for this external consultant was issued on November 12, 2012, and it is anticipated that the consultant will be chosen by mid-December 2012 and will conclude their review by the end of March 2013.

In the absence of a known target for 2013, the 2013 budget request assumes a deployment target of 5,400, and proposes recruit class sizes for August 2013 and December 2013 that would allow the Service to return to this target as quickly as possible. This hiring strategy would result in an average deployed strength of 5,320 for 2013.

The annualized cost of the December 2012 recruit class is \$5.4M. The part-year cost of the 2013 hires is \$3.0M.

2012 separations are projected at 175 (compared to 200 as budgeted for in 2012). 2013 separations are projected at 180. Resignations and retirements occur throughout the year. Given that the Service budget is based on the timing of hires and separations, the impacts from 2012 must be annualized in the following year. The 2013 annualized net impact of 2012 separations results in a budget reduction of \$9.9M. The part-year savings of 180 officers leaving in 2013 is estimated at \$9.6M.

Figure 2 depicts the net impact of separations and hires in each month for 2013 and 2014, based on the assumptions identified above. It is important to note that based on the budgeted hiring strategy, the Service will be, on average, 280 uniform officers below the approved target of 5,604 during the months from June to September 2013, and 320 officers below the approved target by year end.



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 reclassifications for officers is \$4M in 2013.

- HR Strategy for Civilian Members: The 2012 Board-approved civilian establishment is 2,062. This establishment pertains to the permanent full-time complement of the Service and excludes part-time and temporary personnel. Permanent staff for the Board office and Parking Enforcement unit are also excluded as these units have separate operating budgets.

The Facilities Management (FCM) unit currently has two vacant positions. The Service has committed to reviewing vacant positions and only request to fill critical needs. As a result, FCM conducted a review of the services they provide and how best to deliver the services. FCM has 11 established positions: 6 positions responsible for management of facility projects and renovation work (a manager, a senior project coordinator, 3 project supervisors and an asset clerk), and 5 positions providing security system, custodial and administrative services (3 custodians, a security administrator and a clerk). The review identified a new model that could deliver the required services and reduce the approved establishment by one position. This model would eliminate the three project supervisor positions, and the asset clerk, and add a second senior project coordinator and two project coordinators. This structure would more equitably distribute responsibility for major construction/renovation work between two senior project coordinators, and place responsibility for minor renovation projects with the two project coordinators. This in turn improves knowledge transfer and the ability for succession planning.

Two project supervisor positions are currently vacant, and the proposed new structure would be transitioned in two phases. The first phase would see the deletion of one project supervisor position and the change of a second project supervisor position to a senior project coordinator position. This would result in the deletion of one established position and savings of \$40,000, which has been included in the 2013 operating budget request.

Civilian separations in 2013 are estimated at 90, based on historical experience. An average 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). The filling of civilian vacancies will be delayed wherever possible, the exception being those positions that must be filled to meet a critical operational, legislative and or risk management need. Civilian gapping in 2013 is at 3.9% and represents a savings of \$7M. The gapping percentage and related savings is unchanged from 2012 and therefore there is no impact in 2013. As with 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.

- **Leap Year:** Salaries are budgeted based on the number of days in the year; therefore, any leap year budget includes a one-time increase for the extra day. The \$1.7M one-time increase for the 2012 year has been reduced in the 2013 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 a reduction of \$1.0M in 2013.

(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 3 provides a breakdown by category of premium pay.

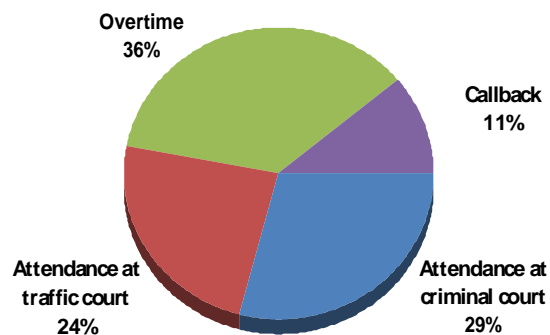


Figure 3. Premium Pay by Reason of Expenditure

The 2011 and 2012 premium pay budgets were reduced by a total of \$5.8M (14.5%) to address budget pressures. Given the Service’s goal to limit the increase to the 2013 operating budget request, the premium pay budget (excluding off-duty court attendance and grant-funded premium pay) is being reduced by a further \$0.6M. It should be noted that the combined impact of reductions from 2011 to 2013 represents a decrease of approximately 16% from 2010 (after adjusting for salary settlements, and excluding the impact of off-duty court attendance).

The Service does not budget for one-time grant funding and this is normally treated as an in-year adjustment with no net impact (one-time grant funding has only been included in the budget if the funding is used to offset the cost of permanent staff salaries and benefits). In 2012, the province announced that funding for the Toronto Anti-Violence Intervention Strategy (TAVIS) program is now permanent. As a result, the premium pay budget is increasing by \$2.5M for TAVIS-related premium pay expenditures. There is a corresponding increase in the revenue category, resulting in no net impact on the 2013 request.

Further reductions in premium pay would impact the operational effectiveness of officers, as there would be fewer available hours to complete investigative work. In addition, the Service's ability to absorb the impact of major unplanned events (e.g. demonstrations, emergency events, high profile homicide/missing persons) could be reduced. These unplanned events require the utilization of off-duty officers which results in premium pay costs. Further reductions in premium pay are therefore, not recommended.

(d) Statutory Payroll Deductions and Fringe Benefits

This category of expenditure represents an increase of \$8.7M (a 0.9% increase over the Service's total 2012 budget). As shown in Figure 4, fringe benefits for the Service are comprised of statutory payroll deductions and requirements as per the collective agreements.

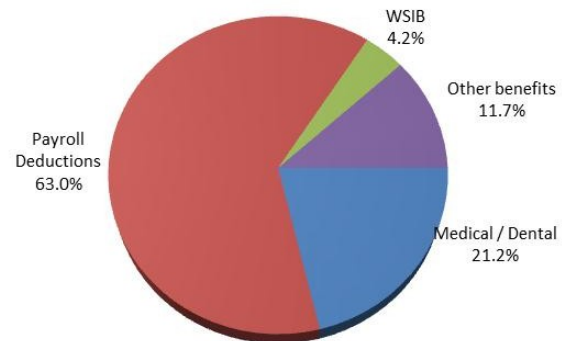


Figure 4. Breakdown of Statutory Deductions and Fringe Benefits

- Ontario Municipal Employees Retirement System (OMERS): In 2011, OMERS announced a three-year contribution rate increase for members and employers. For 2013 the cost of the rate increase is estimated at \$5.6M. It is anticipated that this is the last year for contribution rate increases.
- 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 Canada Pension Plan (CPP) and Employment Insurance (EI) are adjusted annually. It is anticipated (based on previous federal government announcements) that EI rates will be increasing in 2013, and that the Yearly Maximum Pensionable Earnings (YMPE) will be increasing slightly. Taking these changes into consideration, total costs are projected to increase by \$0.7M.
- 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, and are projected to increase by \$2.3M.
- Workplace Safety and Insurance Board (WSIB): The budget for medical, pension and administration costs for WSIB is based on the Service's historical trends for these expenditures. The 2013 budget is expected to decrease by \$0.1M.



- Net other changes to benefits: The remaining \$0.2M increase for benefits is primarily a result of changes in costs in other accounts that are administered by the Service's benefits service provider (retiree medical / dental and group life insurance), as well as some increases in other minor accounts.

(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). The total 2013 budget for contribution to reserves is \$34.6M. This budget represents an increase of \$1.8M over the 2012 contribution amount (a 0.2% increase over the Service's total 2012 operating budget). The 2013 reserve contribution increase is due to the following:

- Sick Pay Gratuity Reserve: Following a detailed review of this reserve by the City several years ago, the Service was advised that the contribution to the Sick Pay Gratuity reserve should be increased by \$6.5M annually. Based on budget discussions with City staff, this increase has been deferred in the last three years due to overall budget pressures. The Service received approval from City Council to apply a portion of its 2011 operating budget surplus to fund the required contributions for 2012 and 2013. As a result, a zero increase has been included in the 2013 budget. The outlook for 2014 includes an increase of \$6.5M. However, a request has been made to the City Manager to consider contributing \$6.5M from the Service's anticipated 2012 operating budget surplus, to defer this increase to 2015. City Finance staff have recently advised that the City Manager will consider this request in conjunction with other 2012 year-end decisions. If the City Manager supports this approach, the 2014 outlook can be reduced by \$6.5M and the pressure would be deferred to 2015. At some point, the required contribution to meet the Service's current and future sick pay gratuity obligations must be made and included in the Service's budget base. Otherwise, we are simply deferring and continually increasing the additional contributions that will be required in the future.
- Central Sick Bank Reserve: This reserve funds salaries for staff that have exhausted regular sick time and are on long-term sick leave. Funding for this reserve is dictated by the collective agreement. The most recently negotiated agreement has determined that the Board is required to fully fund this obligation. Based on projected spending and balance in this reserve, contributions for 2013 have remained the same.
- Vehicle and Equipment Reserve: This reserve is used to fund the lifecycle replacement of our fleet of vehicles, information technology equipment, and various other equipment items. Each item identified to be funded from this reserve is analyzed to determine lifespan and specific replacement requirements, which in turn determines the level of contribution required annually to enable the

replacement. The lifecycle replacement strategy for information technology-related equipment started in 2006, and one of the first steps in the strategy was to review the lifecycle of various equipment to mitigate funding increases. However, required increases to contributions for this reserve have been deferred in recent years, and it is anticipated that these increases will be an on-going pressure for the Service's operating budget until approximately 2017. While this approach will create an operating budget pressure each year, it reduces the Service's capital requirements, stabilizes expenditures in the long term, and is consistent with the City's approach for IT equipment replacement. A \$0.8M increase is budgeted for 2013 for this reserve, to ensure planned expenditures can be accommodated.

The Service is undertaking a review of its vehicle and equipment requirements to determine if the level of these assets can be further reduced and/or their lifecycle replacement further extended. Any impacts from this review will be reflected in future budget requests, in terms of reduced annual contributions to this reserve.

- Health Care Spending Account (HCSA) Reserve: This reserve has been established to fund the long-term funding requirements for the post-retirement health care benefit negotiated by the Board and the TPA/SOO in the previous collective agreements. In 2011, contributions were reduced from \$0.8M to \$0.3M due to budget pressures. In 2012, the remaining \$0.3M contribution was reduced to zero, again to address budget pressures. This short-term reduction was able to be accommodated as the HCSA was sufficiently funded at the time. However, in order to ensure the long-term viability of this reserve, a budgeted contribution of \$1.0M is required for 2013.
- Legal Reserve: This reserve has been established to fund on-going legal indemnification and other legal costs to the Service. Based on projected spending in this reserve, contributions for 2013 have remained the same.

#### (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 2012 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 \$0.3M. The following summarizes the most significant changes:

- Caretaking, Maintenance and Utility Costs for TPS facilities (increase of \$0.3M): During 2012 the City commenced a phased contracting out of custodial services at Service facilities. Part-year savings were already reflected in the 2012 operating budget and the 2013 request continues to reflect a further savings of \$0.1M. These savings have been offset by increased costs for maintenance and utilities of \$0.4M.

- Gasoline (decrease of \$0.4M): The Service obtains its gasoline requirements based on a joint contract coordinated by the City. The Service budgets for gasoline based on anticipated consumption and a cost-per-litre established by the City. The City's Emergency Medical Services (EMS) accesses the Service's fuel sites for their gasoline requirements and reimburses the Service for the actual cost of gas used. The savings in this account are a result of a budgeted decrease in EMS usage resulting in a \$0.5M savings. This savings is offset by a decrease in the revenue category (recovery from EMS), resulting in a net zero change to the total 2013 budget.
- Uniforms (increase of \$0.9M): The 2012 budget did not include any costs to outfit new recruits for police officers. The increase in 2013 is mainly a result of the costs associated with outfitting the anticipated recruit classes during 2013.
- Equipment replacement (increase of \$0.2M): The Service maintains equipment budgets for items that are not managed through the Vehicle and Equipment Reserve, either due to their specialized nature or low-cost-per-item. The increase in 2013 is to replace wireless microphones that are part of the In-Car Camera system.
- Telephone Data Lines (decrease of \$1.2M): Most of the decrease is attributable to a new telephone contract, which the Service entered into in partnership with the City of Toronto.
- Consulting (increase of \$0.8M): Consulting includes charges for various professional and technical services provided by firms or agencies external to the Service. The main increase in 2013 is related to hiring costs for new recruits (advertising, fitness testing, psychological testing etc.), the upgrade of the Computer-Aided Dispatch system (required every four years) and implementation costs related to Cogeco fibre connections.
- Courses, seminars and conferences (increase of \$0.1M): Training costs were significantly reduced as part of the 2012 budget request. A portion of the decrease related to training costs as a result of no recruits being hired in 2011 or 2012. The increase is required in 2013 to restore the funding for the anticipated recruit classes during 2013.
- Vehicles (preparation, parts, tires, and rental - decrease of \$0.3M): These accounts have been reduced based on historical spending and specific reductions where possible.
- HST on parking taxable benefit (increase of \$0.3M): The Canada Revenue Agency completed its audit of the parking taxable benefit during 2011. The Service has since been notified that the parking taxable benefit is subject to the Harmonized Sales Tax. The budgeted impact for 2013 is \$0.3M.

- Net other changes (decrease of \$0.3M): 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 and air time for cell phones, and service contracts). Unit Commanders were requested to review and reduce these budgets wherever possible, and reductions of \$0.6M have been realized across more than 100 accounts. In addition, since the TAVIS grant funding is now permanent, all costs and revenues are reflected in the Service's budget, and this has resulted in a \$0.4M increase in non-salary costs with an offsetting revenue, for no net impact.

(g) Revenue

Total revenue has been increased by \$8.4M, resulting in a 0.8% decrease over the Service's total 2012 budget.

- Provincial funding for Court Security Costs (increase of \$6.3M): 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. Based on the upload formula that was used for 2012, the Service anticipates an increase of \$6.3M for 2013.
- Gasoline recovery (decrease of \$0.5M): As discussed earlier in this report, EMS purchases gasoline from the Service. This \$0.5M increase in revenue has a net-zero impact on the Service's budget.
- Fee Changes (increase of \$0.5M): Based on 2012 projections, revenues for fees charged by the Service are anticipated to increase by \$0.5M (primarily for criminal reference checks).
- Grants (increase of \$1.6M): Funding for the Police Officer Recruitment Fund (PORF) is ending March 31, 2013, resulting in a loss of \$1M in revenue. The reduced level of hiring in 2013 is anticipated to result in a loss of \$0.5M in funding from the provincial Safer Community grant. The province has announced that TAVIS funding is now permanent, and as a result, the full \$5M is now reflected in the Service's budget (an increase of \$2.9M). Net other grant funding is anticipated to decrease by \$0.1M.
- Net other changes (increase of \$0.5M): Changes in various other accounts result in a net increase in revenues. No assumptions have been made regarding potential changes to the City by-laws requiring uniformed officers to attend construction sites or other locations. Any change to these by-laws may result in decreased revenues related to the Service's paid duty administration.

(h) Lifeguard and Crossing Guard programs (increase of \$7.9M)

In an effort to concentrate on the core functions of policing, the Service has proposed divesting itself of the lifeguard and school crossing guard programs and have the appropriate City department take ownership of these functions.

The Lifeguard program provides supervision on the beaches along the shores of Lake Ontario within the City of Toronto. The Service has been administering the program since 1982, when the Service amalgamated with the Harbour Police. For part of this time, the Service received a recovery from the City for the cost of the program; however, the Service has been financially responsible for the total program since 2001. Lifeguards are trained, equipped and supervised by the Service.

The School Crossing Guard program assists children crossing at designated locations, usually in close proximity to a school. The Service has been administering the program since 1947 and Toronto is one of the only municipalities where the police administer the School Crossing Guard program. Police officers supervise the program, determine crossing locations and relieve guards when necessary.

City staff have agreed in principal that these are not core functions of the Service. However, it has not been determined which City department would take over these functions. The Service will continue to administer these programs in the interim, and funding will be received from the City's non-program budget (a revenue increase of \$7.9M).

This chargeback reduces the Service's net operating budget request from \$954.7M to \$946.9M. However, as the cost will have to be sustained by the City, the reduction cannot be considered part of the Service's reduction target.

*Board-recommended Measures for Consideration*

The preparation of the 2013 budget request has taken into consideration the various measures proposed by the BSC and recommended by the Board. The following provides a brief response for all measures proposed by the Board at its November 14, 2012 meeting:

Table 5. TPS Responses to Board Measures for Consideration

<u>Measures</u>	<u>TPS Response</u>
<p><i>No new uniform recruitment in 2013, except the class of 80 going forward, until a review has been conducted by an external expert to determine the desired uniform strength of TPS.</i></p>	<p>The revised budget request assumes a class of 80 recruits will be hired in December 2012, no recruit class in April 2013, and revised class sizes for the August and December 2013 classes. The RFP for an external consultant to determine the number of police officers required to police Toronto has been issued, and it is anticipated that results will be available by March 31, 2013. As a result, placeholder recruit classes have been planned and budgeted for August and December 2013; the class sizes will be adjusted once the Board approves a revised deployment target, and if these adjustments result in a reduction to costs, the Service will recommend an in-year budget adjustment to reflect this adjustment.</p>
<p><i>Continue with measures such as the Chief's Internal Organizational Review (CIOR).</i></p>	<p>The CIOR continues, and any findings that would result in efficiencies and economies will be implemented as soon as possible. For example, implementation of the prisoner management initiative (which transfers prisoner management functions in divisions to court officers) began in September 2012. A review of court officer functions was conducted to ensure the Service was focussing on the core business of court security, and some functions that were previously performed by court officers were eliminated. This freed up court officer positions that could be redeployed to the divisions to fulfil prisoner management functions, which in turn has allowed the Service to redeploy police officers.</p> <p>At this time, the established uniform deployment target of 5,604 is broken down into specific positions in each of the units of the Service. The 204 positions that need to be eliminated have not yet been identified. It is the anticipated results of the CIOR (such as the redeployment of officers conducting prisoner management functions) that will allow the Service to identify these 204 position reductions.</p>

<u>Measures</u>	<u>TPS Response</u>
<i>Review and consider all outsourcing opportunities.</i>	<p>Any potential outsourcing initiatives are being considered, and pursued where deemed feasible from an operational, service, risk and financial perspective. It must be noted that outsourcing will not eliminate, but may reduce, the cost of a program. The following summarizes outsourcing initiatives considered to date:</p> <ul style="list-style-type: none"> <li>- Caretaking services – these services were outsourced by the City during 2012, and annualized savings are reflected in the 2013 operating budget;</li> <li>- Police checks – a Request For Information (RFI) for the outsourcing of police checks is in the process of being prepared and will be issued by year-end;</li> <li>- Payroll services – as reported in January 2012 to the Board, there are no benefits or savings in contracting out payroll services. At that meeting, the Board recommended that “the Board refer the foregoing report to the Chair for further analysis and report back to the Board and the City to consider during the review for shared services or outsourcing of payroll for Divisions and ABCs” (Min. P5/2012 refers);</li> <li>- Crossing Guard function – the potential contracting-out of this function will be discussed with the City, as part of the City’s determination of who will have the on-going responsibility for delivering this function;</li> <li>- Court Services – as previously reported to the Board, a Request for Expression of Interest (REOI) has been issued for partial contracting out of court services responsibilities.</li> </ul>
<i>Consider designation of one warrant officer in each division.</i>	The number of people assigned as warrant officers is based on amount of work required. The amount of work is not the same in every division.
<i>Consider a plan to operate premises only during the day time effective June 2013, such as any police divisions that do not have enough public demand after work hours.</i>	Police divisions are 24/7 operations and are expected to be available and provide services to the public during this time period. Consideration can be given to the closing of the front desks in select divisions; however, this would result in minimal staffing reductions, as the work performed by staff would still need to be conducted, and there are no positions in the divisions that are purely for reception of the public at the front desk.

<u>Measures</u>	<u>TPS Response</u>
<i>Include two Board members to participate in the Chief's CIOR as well as the external reviews to determine span of control and the desired uniform strength of the TPS (Board Members Andy Pringle and Marie Moliner).</i>	Agreed. In addition, the Service has also invited the TPA to participate.

### *2014 and 2015 Outlooks*

Attachment A provides the 2014 and 2015 outlook budgets for the Service. The Service anticipates a 4.4% increase in 2014, primarily as a result of the salary settlement (3.0%), increasing contributions to reserves (0.8%), the impact of the current hiring strategy (0.4%) and inflationary pressures in other categories (0.8%), offset by an increase in revenues (0.6%). The outlooks currently reflect a 0.4% decrease in 2015, primarily as a result of inflationary pressures (0.6%) offset by the impact of the current hiring strategy (a reduction of 0.4%) and increasing revenues (0.6%). However, the current 2015 outlook does not assume any impact from potential salary settlements (the TPA collective agreements expire December 31, 2014).

A request has been made to the City Manager to consider contributing \$6.5M from the Service's anticipated 2012 operating budget surplus to the Sick Pay Gratuity Reserve, to defer the \$6.5M pressure from 2014 to 2015. If the City Manager supports this approach, the anticipated increase in 2014 would become 3.7%, and the 2015 budget outlook would reflect an increase of 0.3% (prior to the impact of any salary settlements).

### Conclusion:

The increase over the City's 2013 target of \$927.8M is \$19.1M, or 2.0%. The 2013 revised request is \$2.3M less than the request that was presented to the Board at its November 14, 2012 meeting.

This reduction was achieved through the elimination of the April 2013 recruit class and realignment of the remaining two classes in 2013. Once the external consultant presents their findings (anticipated by the end of March 2013), and the Board approves the Service's uniform deployment target, the 2013 recruit classes will be revisited.

The Service has also considered the measures provided by the Board at its November 14, 2012 meeting. The responses to each measure suggested by the Board is provided in Table 5 of this report. While outsourcing some functions currently performed by external staff may yield some potential cost reductions, these could not be implemented in 2013. Consequently, none of these measures would result in any reductions in the 2013 operating budget request.



The budget also provides funding for the necessary supporting infrastructure (e.g., civilian staffing, equipment, services). Civilian hiring will again be deferred to the extent operationally possible in 2013. However, the Service cannot continue to not replace or significantly delay the replacement of key civilian positions without increasing legal, financial, operational and reputational risks to the Service and the Board.

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. We have also had to address and fund inflationary and other pressures, such as benefit increases, gasoline costs, etc.

The Service has and continues to promote continuous improvement and value for money thinking across the organization to help address these on-going budgetary pressures. To this end, a number of reviews and initiatives (internal and external) have been conducted over the last several years that have resulted in efficiencies, cost savings and avoidance, as well as obtaining greater value from our people and other resources. One of the main objectives of the Chief’s internal organizational review is to enable the Service to create further efficiencies that will allow us to provide sustainable, effective and value-added public safety services with an average complement of 5,400 uniform officers.

Table 6 summarizes budget increases over the last several years, and Attachment B provides more detailed information with respect to the breakdown of the overall increases.

**Table 6 – Summary of Year-Over-Year Change - Net Operating Budget (\$Ms)**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013 Req.
Net Budget	677.5	716.1	752.4	786.2	822.0	854.8	888.2	930.4	935.7	946.9
\$ Increase		38.6	36.3	33.8	35.8	32.8	33.4	42.2	5.3	11.2
Total % increase		5.7%	5.1%	4.5%	4.6%	4.0%	3.9%	4.9%	0.6%	1.2%
Collective Agreement (% impact)		3.8%	3.1%	2.8%	3.1%	2.0%	3.2%	3.5%	2.5%	2.6%
Other (% impact)		1.9%	2.0%	1.7%	1.5%	2.0%	0.7%	1.4%	-1.9%	-1.4%

Based on the above chart and the more detailed information in Attachment B, the following should be noted:

- Approximately \$213M or 79% of the total budget increase of \$269M from 2004 to 2013 (based on the recommended 2013 operating budget request) 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. As previously indicated, these significant increases, which account for most of the Service’s budget increases since 2004, have been and are beyond the control of the Service.

- \$56M or 21% is related to other non-collective agreement increases. Of this total, \$9M or 3% is related to the hiring of sworn and court officers approved by the Board and the City during this time period, due to increases in the number of court rooms by the province. The remaining \$47M or 18% is for increases 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 2004 to the requested 2013 budget average less than 1% over that period, which is below the average rate of inflation over that same period.

As previously indicated, if the collective agreement impact was excluded, the Service's operating budget request would be \$5.7M or 0.6% below the City's 0% target of \$927.8M.

In 2011 and 2012, the Service did not hire any uniform officers, deferred civilian hiring as much as possible, and reduced non-salary accounts significantly. With respect to 2013, all possible further reductions have been incorporated into the Service's recommended budget request. Any permanent staffing reductions and the continued deferral of hiring in 2013 will have significant operational, legislative, financial and risk management implications, and will impact the Service's ability to provide adequate and effective policing services. Such a reduction is therefore strongly not recommended. However, as previously noted, the Service is engaging an external consultant to determine the number of officers required to effectively police the City of Toronto.

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

**The Board was also in receipt of a Briefing Note, dated December 10, 2012, pertaining to the Toronto Police Service operating budget variance. A copy of the Briefing Note is attached to this Minute for information.**

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

- **Simon Ip, Co-Chair, 42 Division Chinese Community Liaison Committee\***
- **Ben Lau, Co-Chair, Chinese Community Consultative Committee \***
- **Osmaan Khan, Co-Chair, Muslim Community Consultative Committee \***
- **Dorothy Feenan, Civilian Co-Chair, 42 Division Community Police Liaison Committee (CPLC) \***
- **Judy Ouk, President, and Valerie Mah, Vice-President, Chinese Chamber of Commerce (East Toronto) \***
- **Rukhsana Syed \***

- **Geoff Kettel, Community Co-Chair, 53 Division Community Police Liaison Committee (CPLC) \***
- **Zul Kassamali, Member, Chief's Advisory Council & Co-Chair South & West Asian Consultative Committee**
- **Patricia Hung \***
- **Miguel Avila \***
- **Cathy Byrd \***
- **Roy Hu, Principal, Albert Campbell High School \***
- **Ruth Bell, Coordinator, Caring and Safe Schools**

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

**The Board was also in receipt of written submissions from:**

- **Mary Reilly**
- **Justin Van Dette, President, Parkview Hills Community Association**
- **Janet Sherbanowski, Executive Director, Crime Prevention Association of Toronto (CPAT)**

**Copies of the foregoing written submissions are on file in the Board office.**

**Following the deputations, Chief William Blair and Mr. Tony Veneziano, Chief Administrative Officer, responded to questions by the Board.**

**Chair Mukherjee provided comments to the Board on the Toronto Police Service 2013 operating budget request and presented the following Motions for consideration:**

- 1. THAT the Board approve the Toronto Police Service's 2013 net operating budget at an amount of \$927.8M, which achieves the City of Toronto's target;**

**To achieve this budget target,**

- 2. THAT, with the exception of communication operators, the Board direct that there be no hiring of uniform or civilian members, effective December 31, 2012, except where warranted and approved by resolution of the Board, following consideration of a detailed business case submitted by the Chief;**
- 3. THAT, the Board direct that there be no promotion of uniform or civilian members, effective December 31, 2012, except where warranted and approved by resolution of the Board, following consideration of a detailed business case submitted by the Chief;**

**The savings associated with Motions 2 and 3 are estimated to be \$6.0M.**

4. **THAT the Board direct the Chief to reduce the 2013 operating budget request for premium pay in the amount of \$1.4M;**
5.
  - a) **THAT the Board approve deferring its 2013 contribution to the City's Vehicle and Equipment Reserve Fund, in the amount of \$5.0M;**
  - b) **THAT the Board, in consultation with the Chief and the City review the current practices and guidelines with respect to vehicle replacement in time for the 2014 budget cycle; and**
6. **THAT the Board direct the Chief to find an estimated \$6.7M in additional savings, or such other amount as may be required to meet the City's target, through any other efficiencies, including the implementation of the recommendations arising from the Chief's Internal Organizational Review (CIOR), the City's efficiency initiatives, including the KPMG and Ernst & Young reviews and the recommendations from the Chair, previously approved by the Board.**

**Chair Mukherjee advised the Board that the costing of the six Motions was identified in consultation with Mr. Joe Pennachetti, City Manager, and Ms. Josie La Vita, Director, Financial Planning Division.**

**Following a discussion, the Board approved the foregoing six Motions and the following three Motions:**

7. **THAT the Board receive the Briefing Note dated December 10, 2012;**
8. **THAT the Board receive the Chief's report dated November 23, 2012, the depositions and the written submissions; and**
9. **THAT the Board forward this decision to the City's Deputy City Manager and Chief Financial Officer for information and to the City's Budget Committee for approval.**

2013 REVISED OPERATING BUDGET REQUEST - TORONTO POLICE SERVICE								
2013 Request, 2014 and 2015 Outlook								
	# unif.	# civ.	2013 Request	% chg	2014 Outlook	% chg	2015 Outlook	% chg
<b>2012 Approved Budget (City Memo)</b>	5,604	2,062	<b>933,893.0</b>					
Add Senior Officer Salary Settlement			1,769.2					
<b>2012 Approved Budget, after 2012 Senior Officer salary settlement</b>	5,604	2,062	<b>935,662.2</b>					
				2013 Req:	946,888.5	2014 Out:	988,358.9	
<b>Salary Requirements</b>								
A Annualized impact of last-year's separations			(9,893.3)	2013 sepn:	(10,123.9)	2014 sepn:	(10,123.8)	
B Annualized impact of last year's replacements			5,425.1	2013 repl:	15,705.3	2014 repl:	6,527.9	
C Savings from current year's separations			(9,571.1)	2014 sepn:	(9,052.4)	2015 sepn:	(9,084.2)	
D Cost of current year's hires			3,048.7	2014 repl:	4,227.7	2015 repl:	4,549.4	
E Annualized impact of previous year's reclassification costs			2,551.8		965.6		963.1	
F Part-year current year reclassification costs			1,133.7		2,134.0		2,799.9	
G Leap year			(1,688.4)		0.0		0.0	
L Net other (chg in retention pay, classifications, etc.)		(1)	(1,003.5)		0.0		0.0	
			<b>(9,997.0)</b>	-1.07%	<b>3,856.3</b>	0.41%	<b>(4,367.7)</b>	-0.44%
<b>Premium Pay</b>								
B Net Other			1,881.2		0.0		0.0	
			<b>1,881.2</b>	0.20%	<b>0.0</b>	0.00%	<b>0.0</b>	0.00%
<b>Fringe Benefits</b>								
A Medical / dental / admin changes			2,298.6		2,198.2		2,105.5	
B Retiree benefits			334.2		115.9		108.8	
C Benefit costs funded from Reserve (offset by draws)			104.1		0.0		0.0	
D EHT, EI, CPP, OMERS - estimated rates for budgeted salaries			676.5		75.2		(85.2)	
E OMERS - rate increase continuing in 2013			5,600.0		0.0		0.0	
G WSIB Medical, Pension, Admin			(113.0)		934.9		984.6	
H Net Other			(151.3)		18.2		(10.7)	
			<b>8,749.1</b>	0.94%	<b>3,342.4</b>	0.35%	<b>3,103.0</b>	0.31%
<b>Contributions to Reserve</b>								
A Increased contribution to Health Care Spending Account			1,000.0		100.0		100.0	
B Increased contribution to Sick Pay Credit			0.0		6,500.0		0.0	
C Increased contribution to Vehicle & Equipment Reserve			800.0		800.0		800.0	
			<b>1,800.0</b>	0.19%	<b>7,400.0</b>	0.78%	<b>900.0</b>	0.09%
<b>Other Expenditures</b>								
A Caretaking / maintenance / utilities (facilities)			251.1		1,336.7		1,403.5	
B Uniform cleaning contract			(10.5)		52.2		0.0	
C Telephone / data lines			(1,193.2)		0.0		0.0	
D Uniforms			915.1		(27.3)		100.0	
E Vehicles - prep, parts, tires			(287.1)		271.4		75.2	
F Computer maintenance			(147.0)		650.6		683.1	
G Computer hardware			(38.4)		0.0		0.0	
I Consulting (various)			773.3		0.0		0.0	
J Courses and seminars			114.3		0.0		0.0	
K Gasoline			(376.0)		359.3		377.3	
M Other equipment			237.8		0.0		0.0	
N Operating impact from capital			0.0		1,464.3		216.1	
P HST on parking taxable benefit			310.0		0.0		0.0	
Q Net other			(282.5)		43.5		45.7	
			<b>266.9</b>	0.03%	<b>4,150.7</b>	0.44%	<b>2,900.9</b>	0.29%

2013 REVISED OPERATING BUDGET REQUEST - TORONTO POLICE SERVICE									
2013 Request, 2014 and 2015 Outlook									
	# unif.	# civ.	2013 Request	% chg	2014 Outlook	% chg	2015 Outlook	% chg	
<b>Revenues</b>									
A			478.3		0.0		0.0		
B			968.3		717.5		0.0		
C			(3,051.7)		0.0		0.0		
D			(6,292.3)		(6,292.3)		(6,292.3)		
G			(99.9)		0.0		0.0		
H			(104.1)		0.0		0.0		
I			(488.6)		0.0		0.0		
J			177.2		0.0		0.0		
			<b>(8,412.8)</b>	-0.90%	<b>(5,574.8)</b>	-0.59%	<b>(6,292.3)</b>	-0.64%	
<b>Lifeguard and Crossing Guard Programs</b>									
K			(1,133.1)		0.0		0.0		
L			(6,717.9)		0.0		0.0		
			<b>(7,851.0)</b>	-0.84%	<b>0.0</b>	0.00%	<b>0.0</b>	0.00%	
<b>BUDGET INCREASE (DECREASE):</b>		0	(1)	<b>(13,563.6)</b>	-1.45%	<b>13,174.6</b>	1.39%	<b>(3,756.1)</b>	-0.38%
<b>TOTAL BUDGET REQUEST</b>		5,604	2,061	<b>922,098.6</b>		<b>960,063.1</b>		<b>984,602.8</b>	
Estimated salary settlement impact			24,789.9	2.65%	28,295.8	2.99%			
<b>TOTAL BUDGET REQUEST, including salary settlement</b>		5,604	2,061	<b>946,888.5</b>	1.20%	<b>988,358.9</b>	4.38%	<b>984,602.8</b>	-0.38%
Add-back of School Crossing Guards and Lifeguards program:			7,851.0						
Amount above City Target (including salary settlement):			19,077.3	2.04%					
Amount above City Target (excluding salary settlement):			(5,712.6)	-0.61%					

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013 Req.	2004- 2013	Avg.
Net Budget	677.5	716.1	752.4	786.2	822.0	854.8	888.2	930.4	935.7	946.9		
\$ Increase		38.6	36.3	33.8	35.8	32.8	33.4	42.2	5.3	11.2	269.4	
Total % increase		5.7%	5.1%	4.5%	4.6%	4.0%	3.9%	4.7%	0.6%	1.2%	39.8%	
Collective Agreement (\$ impact)		22.7	22.5	21.2	24.7	16.7	27.2	30.2	23.2	24.8	213.2	23.7
Hiring (\$ Impact)		0.8	5.1	12.6	4.6	1.8	3.5	0.2	-9.4	-10.0	9.2	1.0
Other (\$ impact)		15.0	8.8	0.0	6.5	14.2	2.7	11.8	-8.5	-3.6	47.0	5.2
Collective Agreement (%impact)		3.4%	3.1%	2.8%	3.1%	2.0%	3.2%	3.4%	2.5%	2.6%	31.5%	2.9%
Hiring (%Impact)		0.1%	0.7%	1.7%	0.6%	0.2%	0.4%	0.0%	-1.0%	-1.1%	1.4%	0.2%
Other (%impact)		2.2%	1.2%	0.0%	0.8%	1.7%	0.3%	1.3%	-0.9%	-0.4%	6.9%	0.7%
Collective Agreement (%of total increase)		58.8%	61.9%	62.7%	69.0%	51.0%	81.3%	71.6%	437.7%	221.4%	79.1%	
Hiring (%of total increase)		2.2%	13.9%	37.1%	12.8%	5.6%	10.5%	0.4%	-177.4%	-89.3%	3.4%	
Other (%of total increase)		39.0%	24.2%	0.1%	18.2%	43.4%	8.2%	28.0%	-160.4%	-32.1%	17.5%	

## Briefing Note – December 10, 2012

### TPS Operating Variance:

#### 2012

(In \$000s)	2010	2011	2012	2012	2012 Approved Budget vs	
	Actuals	Actuals	Approved Budget	Projected Actuals*	Projected Actual Variance	
	\$	\$	\$	\$	\$	%
<b>Gross Expenditures</b>	1,034,054.8	997,289.6	1,012,031.2	1,013,300.0	1,268.8	0.1
<b>Revenues</b>	162,020.3	90,898.8	76,369.0	85,600.0	9,231.0	12.1
<b>Net Expenditures</b>	872,034.5	906,390.8	935,662.2	927,700.0	(7,962.2)	(0.9)
<b>Approved Positions</b>	7,896.0	7,870.0	7,869.0	7,662.0	(207.0)	(2.6)

\* Based on updated year-end projections.

As of September 30, 2012, the Toronto Police Service projected a year-end net favourable variance of \$6 million or 0.6% under the 2012 Approved Net Operating Budget of \$935.662 million. However, **more recent year-end projections indicate a year-end net favourable variance of \$7.962 million or 0.9%.**

#### 2011

Toronto Police Service reported a **net favourable variance of \$23.099 million or 2.5% of the 2011 Approved Net Operating Budget of \$929.490 million.** The year-end variance is comprised of \$0.574 million from lower than budget expenditures and \$22.526 million from higher than budget revenues. The favourable revenue variance is due mainly to reversal of prior year's contingencies and liabilities and unbudgeted grant funding.

Significant revenue items include the reversal of the allowance for doubtful accounts related to the 2012 G20 of \$8.000 million, reversal of medical/dental liabilities of \$3.300 million, reversal of payroll liabilities of \$2.400 million, and \$4.100 million in additional one time Toronto Anti-Violence Intervention Strategy (TAVIS) and Youth In Policing Initiative (YIPI) grant funding.

The Sick Leave Reserve Fund is currently under funded. Accumulated sick time credits payable to Toronto Police Service personnel upon retirement is a major pressure on the reserve fund and recent contributions have been significantly less than draws, it is therefore recommended that \$6.500 million of the Toronto Police Services' surplus be allocated to the Sick Leave Reserve Fund. This is in addition to the \$6.50 million which was contributed previously for 2011.

#### 2010

Toronto Police Services reported a **favourable year-end net expenditure variance of \$16.177 million or 1.8% below the 2010 Council Approved Net Operating budget.** TPS had an unfavourable variance of \$7.8 million in salaries and benefits due to fewer than anticipated separations, additional premium pay required for Court Services and Communications, as well as higher employee health costs and OMERS contributions. This was offset by a favourable variance of \$8.3 million for materials, equipment and services as a result of lower than budgeted fuel prices, savings in several computer maintenance agreements, caretaking and utilities, and other services such as contracted services, public relations and HST rebate and the recovery



of \$4.4 million for salary and benefit expenditures from the G8/G20 Summits. In addition, the post year-end analysis of the Toronto anti-Violence Intervention Strategy (TAVIS) and Police Officer Recruitment Fund (PORF) balances against the new PSAB guidelines concluded that the balances no longer meet the deferred revenue definition; therefore deferred revenue of \$11.3 million is taken into income for 2010.

## 2009

TPS reported a **favourable 2009 year-end net expenditure variance of \$2.483 million (0.3 per cent) below the 2009 Approved Operating Budget of \$854.799 million.** The favourable variance was primarily the result of savings experienced in benefits and gasoline costs, arising from lower than anticipated inflationary increases.

## 2008

Toronto Police Services had a **favourable net variance of \$13.447 million** primarily due to \$12.800 million in liabilities which were brought into income as one-time revenue following the successful resolution of recent arbitration decisions in cases of litigation with the Toronto Police Association. Additional savings primarily in salaries and benefits are the result of higher than anticipated resignations and retirements of uniformed Officers. The Service, on average, was slightly below its authorized strength of 5,510 Officers during 2008, the Service has adjusted recruitment class sizes to ensure they maintain their authorized strength in 2009.

## 2007

The Toronto Police Service had a **favourable net variance of \$6.8 million or 4.6% of the 2007 Approved Budget primarily** as the result of higher than planned one-time revenues as well as expenditure savings from some delays in the opening of new Provincial courtrooms, delays in the hiring process and attrition of current court officers.

## 2006

The TPS reported a **year-end net favourable variance of \$6.1 million or 0.8% of the 2006 Approved Operating Budget.** This net favourable variance was primarily attributed to: lower than expected salary & benefit costs (increased separations and their timing throughout 2006 combined with hiring delays \$3.4 million); lower IT maintenance costs (\$2.3 million), lower legal indemnification of officers costs (\$1.2 million), and higher than planned revenues (Safer Communities Grant Program \$1.2 million, prisoner transportation recoveries and paid duty administrative fees \$0.6 million). The favourable variances were somewhat offset by: higher than budgeted salary costs for Court security staff due to an increase in the trial hours per day and longer pre-trial hearings (\$1.4 million); and, higher than planned non-salary costs (fuel, officer name tag requirement, etc. \$1.0 million).

## 2005

The TPS reported a **net under expenditure of \$6.2 million or 0.9 percent**. This surplus is mainly the result of lower than planned salary expenditures due to the timing and increased number of separations lower than planned medical and dental costs that have increased at a lower rate than expected in 2005, and higher than planned revenues (primarily one-time revenues from Federal and Provincial funding for special services).

## 2004 (Includes the Board)

**The Toronto Police Service surplus of \$1.6 million was mainly due to realizing higher than planned revenues.**

## 2003 (Includes the Board)

**The Toronto Police Service had a surplus of \$1.3 million or 0.2 percent at year-end** due to cost-containment initiatives and reduced discretionary expenditures.

## 2002 (Includes the Board)

**Toronto Police Service had a year-end deficit of \$1.2 million.** This over spending resulted from the impact of a higher than budgeted salary settlement for the 2002 to 2004 collective agreement. The estimated net incremental impact of the collective agreement on 2002 expenditures was \$18.8 million. The Operating Budget already included a provision of \$14.6 million for salary increases, which resulted in a shortfall of \$4.2 million. The Toronto Police Services Board had requested that Council approve a \$4.2 million draw from the City to cover the shortfall, but the City had no contingency funds available to meet that request. The Toronto Police Service was able to offset most of the shortfall through savings in staffing (\$0.7 million), benefits (\$0.3 million) and non-payroll expenditures (\$1.8 million).

## TPS Premium Pay

2010		2011		2012		2013	
Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
\$45.6	\$46.1	\$42.7	\$42.1	\$39.9	\$30.0 (as at Aug. 31/12)	\$40.1 (including salary settlement)	

## Premium Pay Utilization

