



STAFF REPORT ACTION REQUIRED

Toronto Police Service – 2013 Operating Budget Variance Report for the Period Ending May 31, 2013

Date:	August 30, 2013
To:	Budget Committee, City of Toronto
From:	Alok Mukherjee, Chair, Toronto Police Services Board

SUMMARY

The purpose of this report is to provide the Budget Committee with the 2013 operating budget variance report for the Toronto Police Service (TPS) for the period ending May 31, 2013.

RECOMMENDATION

It is recommended that the Budget Committee approve a budget transfer of \$778,500 to the TPS's 2013 net operating budget from the City's Non-Program operating budget, with no incremental cost to the City, to fund the cost of the 2013 portion of the arbitrated collective agreement with the Toronto Police Senior Officers' Organization.

FINANCIAL IMPACT

The Toronto Police Services Board (Board), at its December 10, 2012 meeting, approved the TPS 2013 operating budget at a net amount of \$927.8M, which was \$19.1M less than the budget recommended by the TPS (Min. No. P299/12 refers). Subsequently, Toronto City Council, at its January 15 and January 16, 2013 meeting, approved the TPS's 2013 operating budget at the same amount.

On June 13, 2013, the Board received an Interest Arbitration Award pertaining to the renewal of the collective agreements for the uniform and civilian Senior Officers' Organization (SOO) bargaining units. The impact of this agreement on the 2013 operating budget is \$778,500. City Finance staff have confirmed that the funding to cover this award has been provided for in the City's non-program expenditure budget, and this transfer would be at no incremental cost to the City. This adjustment will result in a revised 2013 net operating budget of \$928.6M.

Table 1 summarizes the reductions implemented by the Board as well as the impact of the SOO Arbitration Award:

Table 1. Summary of Board-Recommended Reductions

(\$000s)		Net Expenditures
2013 Budget Recommended to Board		\$946.9
<u>Board motions:</u>		
Freeze all hiring in 2013 (civilian hiring with Board approval)	-\$6.0	
Additional premium pay reduction	-\$1.4	
Reduction in Reserve contributions	-\$5.0	
Unallocated reduction	-\$6.7	
		-\$19.1
2013 Board-Recommended Budget		\$927.8
Senior Officer Arbitration Award		\$0.8
2013 Revised Budget		\$928.6

ISSUE BACKGROUND

At its meeting on August 13, 2013, the Board was in receipt of a report dated July 03, 2013 from William Blair, Chief of Police, with regard to the TPS's 2013 operating budget variance report for the period ending May 31, 2013.

COMMENTS

The Board approved the report 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.

CONCLUSION

A copy of the Chief's report dated July 03, 2013 is contained in Board Minute No. P189/13. A copy of Board Minute No. P189/13, in the form attached as Appendix "A" to this report, is provided for information.

CONTACT

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

Alok Mukherjee
Chair

ATTACHMENT

Appendix A – Board Minute No. P189/13

cc. Mr. Rob Rossini, Deputy City Manager and Chief Financial Officer

A: 2013 tps operating budget variance ending may 31

APPENDIX "A"

THIS IS AN EXTRACT FROM THE MINUTES OF THE PUBLIC MEETING OF THE TORONTO POLICE SERVICES BOARD HELD ON AUGUST 13, 2013

#P189. TORONTO POLICE SERVICE: OPERATING BUDGET VARIANCE FOR THE PERIOD ENDING MAY 31, 2013

The Board was in receipt of the following report July 03, 2013 from William Blair, Chief of Police:

Subject: OPERATING BUDGET VARIANCE REPORT FOR THE TORONTO POLICE SERVICE – PERIOD ENDING MAY 31, 2013

Recommendations:

It is recommended that:

- (1) the Board request the City of Toronto Budget Committee to approve a budget transfer of \$778,500 to the Toronto Police Service's 2013 net operating budget from the City's Non-Program operating budget, with no incremental cost to the City, to fund the cost of the 2013 portion of the arbitrated collective agreement with the Toronto Police Senior Officers' Organization; and
- (2) the Board forward a copy of this report to the City's Budget Committee and the City's Deputy City Manager and Chief Financial Officer for information.

Financial Implications:

The Toronto Police Services Board (Board), at its December 10, 2012 meeting, approved the Toronto Police Service (Service) 2013 operating budget at a net amount of \$927.8M, which was \$19.1M less than the budget recommended by the Service (Min. No. P299/12 refers). Subsequently, Toronto City Council, at its January 15 and January 16, 2013 meeting, approved the Service's 2013 operating budget at the same amount.

On June 13, 2013, the Board received an Interest Arbitration Award pertaining to the renewal of the collective agreements for the uniform and civilian Senior Officers' Organization (SOO) bargaining units. The impact of this agreement on the 2013 operating budget is \$778,500. City Finance staff have confirmed that the funding to cover this award has been provided for in the City's non-program expenditure budget, and this transfer would be at no incremental cost to the City. This adjustment will result in a revised 2013 net operating budget of \$928.6M.

Table 1 summarizes the reductions implemented by the Board as well as the impact of the SOO Arbitration Award:

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(\$000s)		Net Expenditures
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		-\$19.1
2013 Board-Recommended Budget		\$927.8
Senior Officer Arbitration Award		\$0.8
2013 Revised Budget		\$928.6

Background/Purpose:

The purpose of this report is to provide information on the Service's 2013 projected year-end variance.

Discussion:

As at May 31, 2013, an unfavourable variance of \$2.1M is anticipated.

The following chart summarizes the variance by expenditure and revenue category. The budget and projection have been adjusted to reflect the impact of the SOO Arbitration Award, with no net impact on the Service variance. Details of each major expenditure category and revenue are discussed in the sections that follow.

Category	2013 Budget (\$Ms)	Actual to May 31/13 (\$Ms)	Projected Year- End Actual (\$Ms)	Fav / (Unfav) (\$Ms)
Salaries	\$684.7	\$261.4	\$682.6	\$2.1
Premium Pay	\$41.7	\$11.7	\$41.7	\$0.0
Benefits	\$192.3	\$77.5	\$190.9	\$1.4
Materials and Equipment	\$23.1	\$11.1	\$22.6	\$0.5
Services	\$87.4	\$21.6	\$87.2	\$0.2
Total Gross	<u>\$1,029.2</u>	<u>\$383.3</u>	<u>\$1,025.0</u>	<u>\$4.2</u>
Revenue	(\$93.9)	(\$20.1)	(\$94.3)	\$0.4
Total Net	<u>\$935.3</u>	<u>\$363.2</u>	<u>\$930.7</u>	<u>\$4.6</u>
Unspecified Reduction	(\$6.7)	\$0.0	\$0.0	(\$6.7)
Remaining Net	<u>\$928.6</u>	<u>\$363.2</u>	<u>\$930.7</u>	<u>(\$2.1)</u>

It is important to note that expenditures do not all follow a linear pattern and therefore year-to-date expenditures cannot be simply extrapolated to year-end. Rather, the projection of expenditures to year-end is done through an analysis of all accounts, taking into consideration factors such as expenditures to date, future commitments expected and spending patterns. In addition, the Service receives significant amounts of in year grant funding and the revenue and expense budgets are adjusted when receipt of funds is confirmed.

Salaries:

The salary budgets include the \$6.0M reduction approved by the Board. A favourable variance of \$2.1M is projected in the salary category. This variance is \$0.6M more favourable than previously reported.

Expenditure Category	2013 Budget (\$Ms)	Actual to May 31/13 (\$Ms)	Projected Year- End Actual (\$Ms)	Fav / (Unfav) (\$Ms)
Uniform Salaries	\$520.4	\$200.2	\$519.8	\$0.6
Civilian Salaries	\$164.3	\$61.2	\$162.8	\$1.5
Total Salaries	<u>\$684.7</u>	<u>\$261.4</u>	<u>\$682.6</u>	<u>\$2.1</u>

At this time, the Service is projecting 165 separations for the year, compared to the 180 included in the 2012 budget. Year-to-date experience and projected less-than-budgeted attrition in 2013 is currently projected to result in a \$0.2M unfavourable variance. Actual separations are monitored monthly and will continue to be reported on in future variance reports.

The Service is experiencing an increased number of members on unpaid leaves (e.g. maternity, parental) compared to what had been estimated in the 2013 budget, leading to a favourable variance of \$0.8M. As a result, uniform salaries are projected to be \$0.6M favourable by year-end.

As part of the budget approval, the Board directed that, with the exception of communication operators, there be no civilian hiring except where warranted and approved by resolution of the Board, following a detailed business case submitted by the Chief. The Board's direction has resulted in a very significant reduction in hires in 2013. The time required to fill positions has been extended due to the need to obtain Board approval to start the hiring process for any vacancies, and for the appointment or promotion of the successful candidate(s). In addition, the number of civilian separations to date is higher than what had been assumed for the 2013 budget. As a result, the Service is projecting a \$1.5M surplus in the civilian salaries area. Similar to the uniform category, civilian attrition is monitored monthly and vacancies will continue to be reviewed and reported on.

The increasing number of uniform and civilian vacancies throughout the Service is placing an ever-increasing strain on remaining staff. Staff are required to take on responsibilities left unfulfilled by vacant positions. Overburdened staff results in an increased risk of errors, omissions and missed opportunities, which could in turn lead to unnecessary or avoidable costs, and impact negatively on the Service's ability to maintain public confidence and accountability. Continued vacancies, and the Service's inability to fill these vacancies, are also negatively impacting on the well-being of some employees, and the general morale of staff is declining.

Premium Pay:

The premium pay budgets include the \$1.4M reduction approved by the Board. The Service is doing its best to achieve a net zero variance in premium pay spending, taking into account the Board's \$1.4M reduction in this area. However, it is important to note that premium pay is subject to the exigencies of policing and uncontrollable events can have an impact on premium pay costs. A net zero variance is projected in the premium pay category at this time, unchanged from what had been reported in the last variance report.

Expenditure Category	2013 Budget (\$Ms)	Actual to May 31/13 (\$Ms)	Projected Year- End Actual (\$Ms)	Fav / (Unfav) (\$Ms)
Court	\$12.9	\$4.8	\$12.9	\$0.0
Overtime	\$5.2	\$1.8	\$5.2	\$0.0
Callback	\$5.6	\$1.8	\$5.6	\$0.0
Lieutime Cash Payment	\$18.0	\$3.3	\$18.0	\$0.0
Total Premium Pay	\$41.7	\$11.7	\$41.7	\$0.0

The Service continues to carefully monitor and control premium pay. Overtime is authorized by supervisory personnel based on activities for protection of life (i.e., where persons are at risk), protection of property, processing of arrested persons, priority calls for service (i.e., where it would be inappropriate to wait for the relieving shift), and case preparation (where overtime is required to ensure court documentation is completed within required time limits).

Benefits:

A favourable variance of \$1.4M is projected in the benefits category. This is \$1.4M more favourable than previously reported.

Expenditure Category	2013 Budget (\$Ms)	Actual to May 31/13 (\$Ms)	Projected Year- End Actual (\$Ms)	Fav / (Unfav) (\$Ms)
Medical / Dental	\$40.7	\$11.4	\$39.9	\$0.8
OMERS / CPP / EI / EHT	\$120.7	\$55.0	\$120.7	\$0.0
Sick Pay / CSB / LTD	\$16.8	\$7.2	\$16.8	\$0.0
Other (e.g., WSIB, life ins.)	<u>\$14.1</u>	<u>\$3.9</u>	<u>\$13.5</u>	<u>\$0.6</u>
Total Benefits	<u>\$192.3</u>	<u>\$77.5</u>	<u>\$190.9</u>	<u>\$1.4</u>

Medical/dental costs have been lower than expected for the first five months of this year. As a result, the Service is currently projecting a \$0.8M favourable variance in this category. Various “other” benefits are projecting a \$0.6M surplus.

Materials and Equipment:

A favourable variance of \$0.5M is projected in this category. This is \$0.5M more favourable than previously reported.

Expenditure Category	2013 Budget (\$Ms)	Actual to May 31/13 (\$Ms)	Projected Year- End Actual (\$Ms)	Fav / (Unfav) (\$Ms)
Vehicles (gas, parts)	\$13.3	\$5.4	\$12.8	\$0.5
Uniforms	\$3.0	\$2.5	\$3.0	\$0.0
Other Materials	\$4.6	\$2.1	\$4.6	\$0.0
Other Equipment	<u>\$2.2</u>	<u>\$1.1</u>	<u>\$2.2</u>	<u>\$0.0</u>
Total Materials & Equipment*	<u>\$23.1</u>	<u>\$11.1</u>	<u>\$22.6</u>	<u>\$0.5</u>

** Approx. \$0.2M is attributed to grant-funded expenditures (revenue budget has been increased by same amount)*

The favourable variance is due to savings projected for gasoline. The Service is closely monitoring the cost of fuel and its impact on the budget. The Service obtains gasoline through a consolidated procurement with the City. The Service budgets based on the cost per litre as provided by City Finance. Although gas prices have increased recently, prices to date this year have been less than budgeted.

Services:

The budget for the Service’s contribution to the Vehicle and Equipment Reserve has been reduced by \$5M, as approved by the Board. A \$0.2M favourable variance is projected in this category. This is \$0.2M more than previously reported.

Expenditure Category	2013 Budget (\$Ms)	Actual to May 31/13 (\$Ms)	Projected Year- End Actual (\$Ms)	Fav / (Unfav) (\$Ms)
Legal Indemnification	\$0.6	\$0.2	\$0.6	\$0.0
Uniform Cleaning Contract	\$1.4	\$1.2	\$1.4	\$0.0
Courses / Conferences	\$1.3	\$0.4	\$1.3	\$0.0
Clothing Reimbursement	\$1.6	\$0.0	\$1.6	\$0.0
Computer / Systems Maintenance	\$11.4	\$9.7	\$11.4	\$0.0
Phones / cell phones / 911	\$5.8	\$1.9	\$5.8	\$0.0
Reserve contribution	\$29.8	\$0.0	\$29.8	\$0.0
Caretaking / maintenance utilities	\$20.8	\$0.0	\$20.8	\$0.0
Other Services	<u>\$14.7</u>	<u>\$8.2</u>	<u>\$14.5</u>	<u>\$0.2</u>
Total Services	<u>\$87.4</u>	<u>\$21.6</u>	<u>\$87.2</u>	<u>\$0.2</u>

It is important to note that the Service is currently working with City Finance and reviewing the Vehicle and Equipment Reserve with respect to planned spending, to determine whether the Board's reduction can be accommodated and what the resultant impacts will be. Reserve expenditures are reflected in the Service's capital budget, and any impacts will be reported on in future capital variance reports.

Projected savings in the "other services" category are a result of the Service's initiative to reduce spending where operationally feasible.

Revenue:

A favourable variance of \$0.4M is projected in this category. This is \$0.2M more than previously reported.

Revenue Category	2013 Budget (\$Ms)	Actual to May 31/13 (\$Ms)	Projected Year- End Actual (\$Ms)	Fav / (Unfav) (\$Ms)
Recoveries from City	(\$20.9)	(\$3.8)	(\$20.9)	\$0.0
CPP and Safer Comm'y grants	(\$14.3)	\$0.0	(\$14.3)	\$0.0
Other Gov't grants	(\$18.4)	(\$6.9)	(\$18.4)	\$0.0
Fees (e.g., paid duty, alarms, ref.)	(\$11.3)	(\$3.8)	(\$11.7)	\$0.4
Secondments	(\$3.8)	(\$1.6)	(\$3.8)	\$0.0
Draws from Reserves	(\$17.5)	\$0.0	(\$17.5)	\$0.0
Other Revenues (e.g., pris return)	<u>(\$7.7)</u>	<u>(\$4.0)</u>	<u>(\$7.7)</u>	<u>\$0.0</u>
Total Revenues	<u>(\$93.9)</u>	<u>(\$20.1)</u>	<u>(\$94.3)</u>	<u>\$0.4</u>

The favourable variance in the "Fees" category is based on the actual experience to date and projecting this to year-end using historical patterns.

Unspecified Budget Reduction

The Board's approval of the Service's 2013 operating budget included an unspecified reduction of \$6.7M. The Board indicated that this \$6.7M was to be achieved through any efficiencies, including the implementation of the recommendations arising from the Chief's Internal Organization Review (CIOR), the City's efficiency initiatives, including the KPMG and Ernst & Young reviews, and the recommendations from the Chair that were previously approved by the Board.

It is anticipated that the CIOR will yield some efficiencies, but no specific savings for 2013 are anticipated. The City Manager has advised that he does not anticipate any savings to the Service will arise from shared services studies in 2013. As the year progresses, the Service's financial situation will be carefully monitored and any areas that can be reduced, either one time or as sustainable reductions, will be identified to the Board through the variance reporting process.

Conclusion:

As at May 31, 2013, the Service is projecting an unfavourable variance of \$2.1M. The \$6.7M Board-approved reduction continues to be classified as unspecified. Some one-time savings that have been achieved to date have helped to cover some of the \$6.7 million reduction. However, much of these savings are not sustainable and will result in budget pressures in 2014. Every effort will continue to be made to identify one-time and or sustainable savings to achieve the Board-approved budget.

It is important to note that the requirement to obtain approval by resolution of the Board to fill any civilian positions has significantly delayed the number of backfills and promotions in the Service. In addition, the number of civilian separations is higher than anticipated. Although this has provided the Service with some one-time budget savings, it is having a detrimental impact on operations and staff. The Service is doing its best to provide required services and support with the ever-increasing number of vacancies. However, the risk of activities not being fulfilled, services delayed and errors and omissions occurring, continues to grow. Furthermore not filling key vacancies is not sustainable in the longer-term.

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

The Board approved the foregoing report.

Moved by: F. Nunziata