



Re: EX9.13

**STAFF REPORT
ACTION REQUIRED**

Toronto Police Service – 2015 Operating Budget Adjustments and Operating Budget Variance Report Ending May 31, 2015

Date:	August 17, 2015
To:	Budget Committee, City of Toronto
From:	Andy Pringle, Chair, Toronto Police Services Board

SUMMARY

The purpose of this report is to provide the Budget Committee with the Toronto Police Service's 2015 operating budget adjustments and operating budget variance report for the period ending May 31, 2015.

RECOMMENDATION

It is recommended that the Budget Committee approve an increase to the 2015 budgeted contribution to the Toronto Police Service Vehicle & Equipment Reserve of \$120,000 (net zero impact).

FINANCIAL IMPACT

At its February 13, 2015 meeting, the Toronto Police Services Board (Board) approved the Toronto Police Service's (Service) revised budget request of \$952.7 Million (M) (Min. No. P24/15 refers). Toronto City Council, at its March 11, 2015 meeting, approved the Service's 2015 operating budget at the same amount. At the time the Service's budget was approved, the impact from the collective agreement negotiations between the Toronto Police Association (TPA) and the Board was not known, and was therefore not included in the budget request.

TPA Salary settlement:

The Board, at its May 14, 2015 meeting, requested the approval of a transfer of \$17.8M to the Toronto Police Service's 2015 net operating budget from the City's Non-Program operating budget, with no incremental cost to the City, to reflect the salary and benefit impact of the now-ratified contract with the TPA (Min. No. P126/15 refers).

It should be noted that the Senior Officers Organization (SOO) collective agreement with the Board also expired on December 31, 2014. Any additional funds required in 2015 as a result of a new collective agreement, will be requested once an agreement is ratified.

City-requested increase to Insurance Reserve:

The Service was recently been notified by City Finance staff of a further \$1.4M allocation from the Insurance Reserve Fund to the Service’s 2015 operating budget. As a result of the reallocation, the Service budget has been restated upwards by \$1.4M. However, this change does not result in additional available funds to the Service, as there will be a corresponding charge from the City related to the Service’s contribution to the insurance reserve.

	<u>2015 Budget</u>	<u>Comments</u>
Board approved Feb. 13/15	\$952.7	
Toronto Police Association Salary Settlement	\$17.8	Board approved adjustment May14/15
Insurance Reserve Fund	<u>\$1.4</u>	Notification from City Finance
2015 Revised Net Operating Budget	\$971.8	

Increased contribution to Vehicle & Equipment Reserve for e-ticketing:

The e-ticketing project, which replaced manual provincial offences ticket writing with an electronic system, was completed in 2013. An operating budget impact of \$150,000 to maintain the printers, was included in the operating budget. At the time the 2015 operating budget was prepared, there were still ongoing discussions as to the maintenance strategy and it was subsequently determined that a significant portion of the funds should be contributed to the Vehicle & Equipment Reserve to fund future lifecycle replacements of the e-ticketing devices in 2018 and then again in 2023.

As a result, the Service is requesting a \$120,000 increase in the contribution to the Vehicle & Equipment Reserve budget. There is no impact on the 2015 operating budget as a result of this adjustment as the Service will transfer funding from the original operating budget maintenance account, to cover the required contribution.

ISSUE BACKGROUND

At its meeting on July 16, 2015, the Board was in receipt of a report dated July 02, 2015 from Chief of Police Mark Saunders with regard to the Service’s 2015 operating budget adjustments and operating budget variance report for the period ending May 31, 2015.

COMMENTS

The Board approved the Chief’s report and agreed to forward a copy of this report to the City of Toronto’s Deputy City Manager and Chief Financial Officer for information and for inclusion in the variance reporting to the City’s Budget Committee.

CONCLUSION

A copy of the Chief's report is contained in Board Minute No P188/15. A copy of Board Minute No. P188/15, in the form attached as Appendix "A" to this report, is provided for information.

CONTACT

Andy Pringle, Chair
Toronto Police Services Board
Telephone No. 416-808-8080
Fax No. 416-808-8082

SIGNATURE

Andy Pringle
Chair

ATTACHMENT

Appendix A – Board Minute No. P188/15

- cc. Mr. Rob Rossini, Deputy City Manager and Chief Financial Officer
- a: 2015 operating budget adjustments and operating budget variance report for the period ending may 31

APPENDIX "A"

THIS IS AN EXTRACT FROM THE MINUTES OF THE PUBLIC MEETING OF THE TORONTO POLICE SERVICES BOARD HELD ON JULY 16, 2015

#P188 TORONTO POLICE SERVICE – 2015 OPERATING BUDGET ADJUSTMENTS AND OPERATING BUDGET VARIANCE REPORT – FOR THE PERIOD ENDING MAY 2015

The Board was in receipt of the following report July 02, 2015 from Mark Saunders, Chief of Police:

Subject: 2015 OPERATING BUDGET ADJUSTMENTS AND OPERATING BUDGET VARIANCE REPORT FOR THE TORONTO POLICE SERVICE – PERIOD ENDING MAY 31, 2015

Recommendations:

It is recommended that:

- (1) the Board request that the City's Budget Committee approve an increase to the 2015 budgeted contribution to the Toronto Police Service Vehicle & Equipment Reserve of \$120,000 (net zero impact); and
- (2) the Board forward a copy of this report to the City of Toronto's (City) Deputy City Manager and Chief Financial Officer for information and for inclusion in the variance reporting to the City's Budget Committee.

Financial Implications:

At its February 13, 2015 meeting, the Toronto Police Services Board (Board) approved the Toronto Police Service's (Service) revised budget request of \$952.7 Million (M) (Min. No. P24/15 refers). Toronto City Council, at its March 11, 2015 meeting, approved the Service's 2015 operating budget at the same amount. At the time the Service's budget was approved, the impact from the collective agreement negotiations between the Toronto Police Association (TPA) and the Board was not known, and was therefore not included in the budget request.

TPA Salary settlement:

The Board, at its May 14, 2015 meeting, requested the approval of a transfer of \$17.8M to the Toronto Police Service's 2015 net operating budget from the City's Non-Program operating budget, with no incremental cost to the City, to reflect the salary and benefit impact of the now-ratified contract with the TPA (Min. No. P126/15 refers).

It should be noted that the Senior Officers Organization (SOO) collective agreement with the Board also expired on December 31, 2014. Any additional funds required in 2015 as a result of a new collective agreement, will be requested once an agreement is ratified.

City-requested increase to Insurance Reserve:

The Service was recently been notified by City Finance staff of a further \$1.4M allocation from the Insurance Reserve Fund to the Service's 2015 operating budget. As a result of the reallocation, the Service budget has been restated upwards by \$1.4M. However, this change does not result in additional available funds to the Service, as there will be a corresponding charge from the City related to the Service's contribution to the insurance reserve.

	<u>2015 Budget</u>	<u>Comments</u>
Board approved Feb. 13/15	\$952.7	
Toronto Police Association Salary Settlement	\$17.8	Board approved adjustment May14/15
Insurance Reserve Fund	<u>\$1.4</u>	Notification from City Finance
2015 Revised Net Operating Budget	\$971.8	

Increased contribution to Vehicle & Equipment Reserve for e-ticketing:

The e-ticketing project, which replaced manual provincial offences ticket writing with an electronic system, was completed in 2013. An operating budget impact of \$150,000 to maintain the printers, was included in the operating budget. At the time the 2015 operating budget was prepared, there were still ongoing discussions as to the maintenance strategy and it was subsequently determined that a significant portion of the funds should be contributed to the Vehicle & Equipment Reserve to fund future lifecycle replacements of the e-ticketing devices in 2018 and then again in 2023.

As a result, the Service is requesting a \$120,000 increase in the contribution to the Vehicle & Equipment Reserve budget. There is no impact on the 2015 operating budget as a result of this adjustment as the Service will transfer funding from the original operating budget maintenance account, to cover the required contribution.

Background/Purpose:

The purpose of this report is to request an increase to the Service's contribution to the vehicle and equipment reserve and provide the Board with the Service's projected year end variance as at May 31, 2015.

Discussion:

As at May 31, 2015, a \$3.3M unfavourable variance is anticipated. This amount is \$1.1M more than reported to the Board for the previous quarter (Min. No. P126/15 refers).

The following chart summarizes the variance by expenditure and revenue category. Details of each major expenditure category and revenue are discussed in the sections that follow. In addition, the Service has outlined steps being taken to reduce the deficit, while balancing operational needs and public safety concerns.

Category	2015 Budget (\$Ms)	Actual to May 31/15 (\$Ms)	Projected Year- End Actual (\$Ms)	Fav / (Unfav) (\$Ms)
Salaries	\$741.0	\$271.3	\$741.9	(\$0.9)
Premium Pay	\$41.0	\$12.2	\$43.0	(\$2.0)
Benefits	\$198.8	\$79.7	\$199.2	(\$0.4)
Materials and Equipment	\$23.5	\$8.4	\$23.5	\$0.0
Services	\$105.3	\$27.9	\$105.3	\$0.0
Total Gross	\$1,109.6	\$399.5	\$1,112.9	(\$3.3)
Revenue	(\$137.8)	(\$29.6)	(\$137.8)	\$0.0
Total Net	\$971.8	\$369.9	\$975.1	(\$3.3)

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:

An unfavourable variance of \$0.9M is projected in the salary category, which is \$0.7M more favourable than previously reported.

Expenditure Category	2015 Budget (\$Ms)	Actual to May 31/15 (\$Ms)	Projected Year- End Actual (\$Ms)	Fav / (Unfav) (\$Ms)
Uniform Salaries	\$563.1	\$208.1	\$565.0	(\$1.9)
Civilian Salaries	\$177.9	\$63.2	\$176.9	\$1.0
Total Salaries	\$741.0	\$271.3	\$741.9	(\$0.9)

As a result of lower than anticipated separations at the end of 2014, uniform staffing levels at year-end 2014 were higher than assumed at the time the 2015 budget was prepared by the Service and approved by the Board. The higher than anticipated staffing resulted in continuing annualized salary costs. In addition, actual separations to the end of May 2015 are also less than had been estimated. At this time, the Service is projecting 150 separations for the year, compared to the 180 included in the 2015 budget. The Service reduced the size of the April 2015 class to compensate for the higher year-end staffing levels and has reduced the August class size to take into account the projected reduced separations during 2015. Actual separations are monitored monthly and will continue to be reported in future variance reports.

Civilian salaries are projecting favourably as the Service is behind schedule in its attempts to fill newly created positions resulting from previously approved civilianization initiatives as well as existing position vacancies. However, due to the critical nature of these positions, the Service has been utilizing premium pay to keep up with the workload and ensure critical services are not impacted.

Premium Pay:

An unfavourable variance \$2.0M is projected in the premium pay category, which is \$1.0M more than previously reported.

Expenditure Category	2015 Budget (\$Ms)	Actual to May 31/15 (\$Ms)	Projected Year-End Actual (\$Ms)	Fav / (Unfav) (\$Ms)
Court	\$11.4	\$4.1	\$11.4	\$0.0
Overtime	\$6.5	\$2.4	\$6.7	(\$0.2)
Callback	\$4.7	\$2.4	\$6.1	(\$1.4)
Lieutime Cash Payment	<u>\$18.4</u>	<u>\$3.3</u>	<u>\$18.8</u>	<u>(\$0.4)</u>
Total Premium Pay	<u>\$41.0</u>	<u>\$12.2</u>	<u>\$43.0</u>	<u>(\$2.0)</u>

Approximately \$1M of the variance is the result of additional premium pay required as units address critical workload issues resulting from a significant number of civilian staff vacancies across the Service. Civilian overtime and call-backs are authorized where required to ensure deadlines are met, to maintain service levels and workload that must be addressed, and to ensure risk is mitigated and additional hard dollar costs are avoided. As vacancies are filled, the Service will place less reliance on premium pay, where possible. At this time, the projected premium pay variance has been offset by a corresponding savings in civilian salaries.

The Service continues to strictly monitor and control premium pay. Uniform 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). It must be noted, however, that premium pay is subject to the exigencies of policing and uncontrollable events can have an impact on expenditures.

It is important to note that the Service is expecting additional pressures on premium pay as a result of the pre-Pan/Parapan Games Economic and Climate Change Summits. The “International Economic Forum of the Americas” was originally scheduled for October, while the “Climate Summit of the Americas” was originally to be in Ottawa. Organizers rescheduled both summits for July 7 to 10, 2015 in order to take advantage of the momentum building up to the actual Games. The Service’s activities to address safety and security requirements for these two events are planned to begin on July 4 and end on July 11, 2015, and will be based on the threat level and environment for these events. Costs are currently estimated to be up to \$1M.

The Province has confirmed that the additional policing costs associated with these Summits will not be covered by the Games Cost Contribution Agreement. As a result, the Service will have to deal with an estimated \$1M cost pressure, to ensure public order and safety are maintained during these unexpected pre-PanAm Games events.

Benefits:

An unfavourable variance of \$0.4M is projected in the benefits category. This is \$0.4M less favourable than previously reported.

Expenditure Category	2015 Budget (\$Ms)	Actual to May 31/15 (\$Ms)	Projected Year-End Actual (\$Ms)	Fav / (Unfav) (\$Ms)
Medical / Dental	\$39.5	\$12.0	\$40.3	(\$0.8)
OMERS / CPP / EI / EHT	\$127.7	\$56.8	\$127.7	\$0.0
Sick Pay / CSB / LTD	\$18.1	\$6.9	\$18.1	\$0.0
Other (e.g., WSIB, life ins.)	\$13.5	\$4.0	\$13.1	\$0.4
Total Benefits	\$198.8	\$79.7	\$199.2	(\$0.4)

Year to date medical/dental costs are trending higher than expected at this time. As a result, the Service is currently projecting a \$0.8M unfavourable variance in this category. Service staff is currently monitoring and analysing this account, and will update the Board in the next variance report.

In addition, the Service is projecting a \$0.4M surplus for WSIB costs.

Materials and Equipment:

A net zero variance is projected in this category.

Expenditure Category	2015 Budget (\$Ms)	Actual to May 31/15 (\$Ms)	Projected Year-End Actual (\$Ms)	Fav / (Unfav) (\$Ms)
Vehicles (gas, parts)	\$10.8	\$3.7	\$10.8	\$0.0
Uniforms	\$3.8	\$1.4	\$3.8	\$0.0
Other Materials	\$5.1	\$1.6	\$5.1	\$0.0
Other Equipment	\$3.8	\$1.7	\$3.8	\$0.0
Total Materials & Equipment*	\$23.5	\$8.4	\$23.5	\$0.0

* Approx. \$0.5M is attributed to grant-funded expenditures (revenue budget has been increased by same amount)

The Service obtains gasoline through consolidated procurement with the City. The budget for gasoline is based on estimated consumption and a cost per litre as provided by City Finance. The estimated price per litre was lowered from \$1.20 to \$0.95 as a result of an overall decline in gas prices during the budget preparation and approval period. At this time, no variance from budget is projected. Since gas prices can fluctuate significantly, this account will continue to be

monitored closely.

Services:

A net zero variance is projected in this category.

Expenditure Category	2015 Budget (\$Ms)	Actual to May 31/15 (\$Ms)	Projected Year- End Actual (\$Ms)	Fav / (Unfav) (\$Ms)
Legal Indemnification	\$5.1	\$3.2	\$5.1	\$0.0
Uniform Cleaning Contract	\$1.3	\$0.3	\$1.3	\$0.0
Courses / Conferences	\$1.7	\$0.3	\$1.7	\$0.0
Clothing Reimbursement	\$1.5	\$0.0	\$1.5	\$0.0
Computer / Systems Maintenance	\$15.4	\$12.3	\$15.4	\$0.0
Phones / cell phones / 911	\$5.4	\$1.9	\$5.4	\$0.0
Reserve contribution	\$38.0	\$0.0	\$38.0	\$0.0
Caretaking / maintenance utilities	\$19.6	\$4.1	\$19.6	\$0.0
Other Services	<u>\$17.3</u>	<u>\$5.8</u>	<u>\$17.3</u>	<u>\$0.0</u>
Total Services*	<u>\$105.3</u>	<u>\$27.9</u>	<u>\$105.3</u>	<u>\$0.0</u>

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

The Service has limited control over the costs of legal indemnifications as these expenses are the result of defence costs for officers involved in criminal or civil proceedings, the outcomes of which cannot be predicted. In order to deal with this uncertainty, the 2015 approved budget included a \$580,000 contribution to the Legal Reserve and a \$742,100 draw for costs of independent legal services.

Normally, fluctuations in legal spending are dealt with by increasing or decreasing the budgeted reserve contribution in future years' operating budgets. However, due to the magnitude of the pressure this year, the Board approved a request to City Council to increase the legal expense and draw budget by \$5.0M, resulting in a net zero change (Min. No. P126/15 refers). This increase will be utilized only to the amount required based on expenditures submitted to and approved by the Board for payment. Should these trends continue, the Service may be required to increase its contribution to the legal reserve in future budget submissions.

Revenue:

A net zero variance is projected in this category, which is \$0.4M less favourable than previously reported.

Revenue Category	2015 Budget (\$Ms)	Actual to May 31/15 (\$Ms)	Projected Year- End Actual (\$Ms)	Fav / (Unfav) (\$Ms)
Recoveries from City	(\$18.4)	(\$2.3)	(\$18.4)	\$0.0
CPP and Safer Comm'y grants	(\$15.2)	(\$0.4)	(\$15.2)	\$0.0
Other Gov't grants	(\$30.8)	(\$10.8)	(\$30.8)	\$0.0
Fees (e.g., paid duty, alarms, ref.)	(\$12.2)	(\$4.4)	(\$12.2)	\$0.0
Secondments	(\$2.6)	(\$0.8)	(\$2.6)	\$0.0
Draws from Reserves	(\$24.2)	\$0.0	(\$24.2)	\$0.0
Other Revenues (e.g., pris return)	(\$9.7)	(\$2.4)	(\$9.7)	\$0.0
Paid Duty - Officer Portion	(\$24.7)	(\$8.5)	(\$24.7)	\$0.0
Total Revenues	(\$137.8)	(\$29.6)	(\$137.8)	\$0.0

The Community Policing Partnership (CPP) and Safer Community grants are tied to staffing levels. Previously, as a result of the lower than anticipated attrition described above, the Service was projecting a small favourable variance from the Safer Community Grants; however, with the reduction of the August class size, the Services is now projecting a net zero variance for the Safer Community grant.

Steps Being Taken to Reduce the Deficit:

The Service has already started taking steps to reduce the deficit projected against the 2015 budget. The April class size, originally scheduled for 42 recruits, was reduced by eight, to take into account the eight fewer separations at the end of 2014. Furthermore, the August class, originally scheduled for 74 recruits, was reduced by 30, to take into account lower than anticipated 2015 separations.

In addition, the Service is embarking on a full review of spending plans for all unit budgets to identify areas where expenditure avoidance or postponement is possible. It should be noted, however, that these efforts may only result in one-time cost avoidance and are likely not sustainable beyond the current year.

Conclusion:

As at May 31, 2015, the Service is projecting an unfavourable variance of \$3.3M. This projection is based on an analysis of expenditures incurred to May 31, 2015, as well as a projection of lower than anticipated uniform separations in 2015.

Monitoring and management of operating funds remains a top priority for the Service. A review is currently being conducted by all commands to identify areas that can be reduced, in order to make up for the deficit projected at this time. The Board will be kept apprised through future variance reports.

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

The Board approved the foregoing report.

Moved by: J. Tory