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## 2016 OPERATING BUDGET BRIEFING NOTE

### Toronto Police Service – Line by Line Detailed Expenditures for Training, Conferences and Office Supplies & Increase for Services and Rents from 2014 to 2016

**Issue/Background:**

At a meeting of the City Budget Committee on January 11, 2016 a briefing note as follows was requested:

That the Chair, Toronto Police Services Board provide a Budget briefing note to the Budget Committee on:

- a) Line by line detailed expenditures for training, conferences and office supplies
- b) An explanation and line by line detailed expenditures of \$7 million increase for services and rents from 2014 to 2016

**Key Points:**

- a) **Line by line detailed expenditures for training, conferences and office supplies:**

**Training/Conferences**

At the meeting of the City Budget Committee, Budget Committee members noted that in BN#1 – Nov 12 regarding Specific Expenditure Accounts, details of the Training/Conferences cost category show Sept. YTD actuals (\$1,037,953) that are less than half of the projected year-end balance (\$2,362,700). Members asked how the actual expenditures will reach the projected balance within the remaining 3 months to year-end? Also, why is the 2016 Request more than the 2013 and 2014 actual spending?

DESCRIPTION	2013 Actuals	2014 Actuals	2015 Plan	2015 YTD Sep 30th	2015 Projected Actuals	2016 Request	2016 Request vs 2015 Plan
Training/Conferences	1,627,483	1,841,325	2,318,300	1,037,953	2,362,700	2,260,600	(57,700)

Training and conference costs include charges associated with training and development of staff through courses, workshops and seminars, as well as courses held by the Canadian, Ontario and OPP Police Colleges. Training is required for recruits, as well as for members that move within the Service due to promotions and redeployments. External specialized training varies according to the specialized unit and is required to develop staff skills, to meet mandatory training

requirements and to maintain expert witness status, where applicable. The Service also utilizes eLearning, where possible, to reduce course delivery costs and member time away from front-line duties.

The spending pattern of the training/conferences account is not uniform throughout the year. Spending is historically lower in earlier months and higher in the latter months. In 2014, 45% of spending on training and conferences occurred in the last quarter. Units hold off on discretionary expenditures at the beginning of the year where possible, given that the budget is not yet approved by Council. Also, training dates may occur later in the year and invoices, paperwork and payments lag behind the training dates. Actual expenditures to December 31, 2015, before final invoices and year-end adjustments are \$1.9M. Although \$2.3M in training and conferences were planned for 2015, many members who were expected to attend training and conferences were not able to attend, as they were required for Pan Am security services. This resulted in overall lower expenditures for training and conferences than planned. The 2016 Request is slightly lower (\$58K) than 2015 plan. In comparison with 2014, the higher requirement in the 2016 Request enables the Service to provide training to address recommendations in various reports (e.g. Iacobucci – Dealing with Persons in Crisis; Police and Community Engagement Review - PACER), training for the newly formed Computer Cyber Crime Unit and to meet commitments to training to promote and ensure the mental health and well-being of members.

**Office Supplies**

At the meeting of the City Budget Committee, Budget Committee members noted that in BN#1 – Nov 12 regarding Specific Expenditure Accounts, details of the Office Supplies cost category show Sept. YTD actuals (\$792,299) that are less than half of the projected year-end balance (\$1,738,200). Members asked how the actual expenditures will reach the projected balance within the remaining 3 months to year-end? Also, why is the 2016 Request more than the 2013 and 2014 actual spending?

DESCRIPTION	2013 Actuals	2014 Actuals	2015 Plan	2015 YTD Sep 30th	2015 Projected Actuals	2016 Request	2016 Request vs 2015 Plan
Office Supplies	1,500,905	1,362,381	1,741,800	792,299	1,738,200	1,678,700	(63,100)

The spending pattern of the office supplies account is not uniform throughout the year. Spending is historically lower in earlier months and higher in the latter months. Members hold off on discretionary expenditures at the beginning of the year where possible, given that the budget is not yet approved by Council. In 2015, discretionary expenditures were also deferred, where possible, due to concerns regarding the Service’s then-projected deficit position. Also, earlier in the year members utilize supplies in stock from expenditures made close to the previous year’s end. In 2014, 46% of spending on office supplies occurred in the last quarter. The actual expenditure to December 31, 2015, before final invoices and year-end adjustments are factored in, is \$1.4M. The 2016 Request is based on historical expenditures plus known specific needs or pressures that have been justified in budget development. In 2016, there is an increased cost for toners of \$160K due to the use of multi-functional devices that are now producing photocopies rather than photocopiers that were previously rented (this is offset by a decrease in photocopier

rental). This represents a majority of the increase in office supplies for 2016 over the 2014 actual expenditure. The 2016 Request for office supplies is slightly lower (\$63K) than the 2015 plan.

**b) An explanation and line by line detailed expenditures of \$7 million increase for services and rents from 2014 to 2016:**

**Services & Rents**

At the meeting of the City Budget Committee, Budget Committee members noted that in the City Analyst Notes for the Toronto Police Service’s 2016 Operating Budget, Appendix 2 – 2016 Preliminary Operating Budget by Expenditure Category, the chart shows a 2016 Budget for Services & Rents category of expenses. Members asked what is included in Services & Rents and why the 2016 request is \$7M more than the 2014 Actual?

Category of Expense (\$000's)	2014	2014	2015	2015	2016	2016 Change from		Plan	
	Budget	Actual	Budget	Projected	Budget	2015 Approved		2017	2018
	\$	\$	\$	\$	\$	\$	%	\$	\$
Services & Rents	38,003.8	36,217.3	62,565.9	69,304.1	43,303.8	(19,262.1)	(30.8%)	46,234.7	50,028.1

\* Based on the 2015 9-month Operating Variance Report

Note: The City Analyst notes include PanAm expenditures in the 2015 Budget and 2015 Projected Actual figures; hence, the 2015 figures are higher than other years

The Services & Rents category of expense includes expenditures for professional and/or other services. Examples of Services & Rents include legal services, uniform cleaning contract, maintenance of computer equipment and rental of vehicles and equipment.

The increase in the 2016 Services & Rents budget over the 2014 actual is due primarily to an increase in:

- a) Legal Indemnification Costs/Inquests ; and
- b) Computer Maintenance costs

The above two areas represent an increase of approximately \$7.4M in the 2016 Budget over the 2014 Actual expenditures in the “Services & Rents” category.

Explanation of increases:

a) Legal Indemnification Costs/Inquests - \$1.7M increase in 2016 budget over 2014 actuals

The Service must pay costs related to the indemnification of police officers for necessary and reasonable legal costs that are incurred in defence of the member, under certain circumstances, in accordance with the Uniform Officer Collective Agreement. The police officer is indemnified if the member is charged with, but found not guilty of, a criminal or statutory offence, because of acts done in the performance, in good faith, of his or her duties. Reasonable legal costs are also covered for a member who has been subject to a criminal investigation (and not charged) because of acts done in the performance, in good faith, of his or her duties or for a member that incurs legal costs for any interview during the course of a Provincial Special Investigations Unit (SIU) investigation.

During 2015, there was considerable focus and resources to clean up a backlog of outstanding legal indemnification files. As a result, the 2015 full year cost is forecasted at approximately \$5.7M, compared to a budget of only \$0.6M. It is anticipated that in 2016, the backlog will continue to be cleared, resulting in legal indemnification costs estimated at \$2.6M. The 2016 estimate would exceed the 2014 cost of \$0.9M by \$1.7M. It should be noted that the legal indemnification costs are funded from a legal reserve. There is a draw amount that offsets these expenditures, as well as a reserve contribution made annually to the reserve through the operating budget to fund the expenditures.

The Service is working collaboratively with the Toronto Police Association (TPA) to develop a more efficient process in which claims are administered once they have been submitted for payment. Although this will allow the Service and Board to expedite payment more quickly, ensuring that files are reasonably up to date and a backlog is avoided, overall costs still remain unpredictable as they are based on situations which cannot be anticipated or planned.

To help mitigate the cost, the Board has negotiated with the TPA, a matrix of hourly rate caps that legal firms can charge for these services.

b) Computer Maintenance costs - \$5.7M increase in 2016 budget over 2014 actuals

Computer maintenance contracts are not based on prior year costs and an inflation rate, but rather on contracts specifically covering systems utilized by the Service at a point in time. Contracts are either proprietary or obtained through a competitive process, so the market drives the prices of these contracts, not necessarily the inflation rate. Cost increases in the 2016 budget are attributed to new contract prices and new additional systems and related equipment that require ongoing maintenance and support.

The following highlights where the costs have increased significantly:

- eJust (\$600k) – annualized cost of new maintenance contract for electronic disclosure system; the bulk of the 2014 cost was funded from the capital budget as part of the IRIS project
- Versadex (\$700k) – new maintenance contract for the Service’s new operational system; the bulk of the 2014 cost was funded from the capital budget as part of the IRIS project
- Passport (\$550k) – new server maintenance contract price increase, as well as increase in number of licences
- Cisco Router (\$400k) – maintenance for additional phones, routers, servers, firewalls and higher prices
- Toronto Radio Infrastructure Project (TRIP) (\$1M) – this is a new joint Toronto Fire, Paramedic Services and Police Service maintenance contract, that resulted from the implementation of a new radio communications infrastructure system in 2015
- Voice Over Internet Protocol (VOIP) (\$200k) – 2014 cost was only a portion of the year; the increased maintenance costs associated with this new telephone system are offset by decreased phone costs
- Microsoft Agreement (\$600k) – increased annual cost and increase in number of licences utilized by the Service

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