

Report to / Rapport au:

**OTTAWA POLICE SERVICES BOARD
LA COMMISSION DE SERVICES POLICIERS D'OTTAWA**

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Submitted by / Soumis par:

Chief of Police, Ottawa Police Service / Chef de police, Service de police d'Ottawa

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SUBJECT: FINANCIAL STATUS REPORT – FOURTH QUARTER 2020

OBJET: RAPPORT D'ÉTAPE FINANCIER DU QUATRIEME TRIMESTRE 2020

REPORT RECOMMENDATIONS

That the Ottawa Police Services Board receive this report for information.

RECOMMANDATIONS DU RAPPORT

Que la Commission de services policiers d'Ottawa prenne connaissance du présent rapport à titre d'information.

BACKGROUND

The 2020 Fourth Quarter Financial Report presents the year-end financial position of the Ottawa Police Service and outlines the operational issues that affected the Service's finances in 2020. The final results are subject to external audit.

DISCUSSION

The Covid 19 pandemic created unprecedented financial pressure on the Ottawa Police Service (OPS) in 2020 that will carry over into the next fiscal year. These significant financial pressures were met with equally significant management interventions to ensure that the OPS remains fiscally responsible during the pandemic.

These management interventions included the following:

- A no travel order;
- Discretionary spending freeze;
- Employee transfer and temporary assignment freeze;
- Enhanced overtime reporting and controls to limit usage; and
- Annual leave utilization strategy.

These management interventions, combined with the additional revenue received from the province to offset pandemic-related costs, enabled the OPS to end 2020 in virtually a balanced budget position from operations with a minimal deficit of \$0.006 million. This is in line with the financial status updates provided throughout 2020. The OPS was able to offset total operating budget pressures for 2020, in the amount of \$12.6 million.

The police tax levy reflects the costs which are under the Board's control, as well as those that are not but are required for tax-related purposes. In 2020, a deficit of \$1.099 million was recorded in these tax-related accounts due to the police share of remissions and supplementary assessments. These tax-related accounts are budgeted and managed by City staff. The non-departmental taxation accounts, which are beyond the control of the Board, were in a deficit position of \$1.099 million. As a result of the above, the total OPS budget was in a total deficit position of \$1.105 million for 2020.

Each of the significant variances is summarized in Table 1 and discussed in more detail below.

Identified Pressures & Solutions

a) Non Covid19 Expenditures

There were four operational issues that were unrelated to the pandemic that resulted in pressures of \$5 million. The first item is legal and insurance costs which total \$3.4 million; the second item is WSIB at \$1.0 million; and the third item is fleet maintenance which had a year-end pressure of \$0.4 million. The last operational item related to OPS priorities around the Neighbourhood Resource Teams (NRTs), Sexual Harassment and Workplace Violence (SHWV) Project and the creation of the Respect, Values and Inclusion (RVI) Directorate. These priorities required a \$0.2 million investment in 2020.

b) Total Revenue Pressures

The revenue shortfall totaled \$4.0 million in 2020. The revenue deficit is comprised of the

Pressures	(\$000)
Non COVID19 Expenditures	(5,000)
Total Revenue Pressures	(4,000)
COVID19 Expenditures	(3,600)
Total Pressures	(12,600)
Solutions	
Discretionary	5,900
COVID19 Funding	3,600
Non-Discretionary	3,100
Total Solutions	12,600
Surplus (Deficit) from Operations	-
Non-Departmental Taxation	(1,100)
Total OPS (Deficit)	(1,100)

following revenue categories: user fees, which include background checks and false alarm fees (\$2.0 million), grant revenue (\$0.7 million), red light camera revenue (\$0.6 million) and airport contract revenue (\$0.7 million).

c) COVID 19 Expenditure Pressures

The OPS also experienced significant expenditure pressures due to the pandemic totalling \$3.6 million. This deficit is mainly attributed to the additional personal protective equipment and decontamination steps taken to protect our members and the public and increased overtime related specifically to the pandemic.

d) Discretionary Solutions

The pandemic required considerable management interventions in order to remain fiscally responsible. Those interventions resulted in \$5.9 million in discretionary solutions. The spending freeze avoided \$3.9 million in services, supplies and equipment-related costs. The no travel order saved another \$1.6 million, and a variety of other management interventions resulting in the remaining \$0.4 million of solutions.

e) Covid19 Funding

The Provincial government provided additional funding to the City of Ottawa to help municipalities cover the additional costs they were incurring in relation to personal protective equipment (PPE) and enhanced cleaning protocols. The portion of that funding that was allocated to the OPS was \$3.6 million.

f) Non-Discretionary Solutions

Non-discretionary solutions totaled \$3.1 million in savings. The largest expenditure savings related to a reduction in employer benefits that totaled \$1.5 million. The impacts related to the pandemic such as the virtual Canada Day celebration, court and front desk closures contributed to \$0.7 million in overtime savings. The remaining \$0.9 million in savings arose from lower than expected fuel prices and some facilities related savings.

g) Non - Departmental Tax Related Accounts

Police costs and revenues have been separated into a singular city-wide police tax levy for many years. The police tax levy reflects the costs which are under the Board's control as well as those that are not but are required for tax-related purposes. In 2020, a deficit of \$1.099 million was recorded in these tax-related accounts due to the police share of remissions and supplementary assessments. These tax-related accounts are budgeted and managed by City staff. The OPS and the Board have no control over this aspect of the police tax rate.

Net Position

The OPS ended the year with a total deficit of \$1.105 million. This number results from combining the deficit from police operations of \$0.006 million with the deficit of \$1.099 million in the taxation accounts. The total deficit will be funded from the City's Tax Stabilization Reserve.

Quarterly Reporting Requirements

Section 2(e) of the Board's Policy BC-2 on Monitoring Requirements requires the Chief to provide the Board with information on specific operational issues. With respect to financial reporting, these requirements include:

- Document 1 provides the 4th Quarter Financial Report – Summary by Directorate.
- Document 2 provides a list of all contracts awarded under delegated authority by the Chief that exceed \$25,000 in the period of October to December 2020. In total, \$1.2 million in purchase orders were issued under delegated authority in the Fourth Quarter. The breakdown of these purchase orders, by category, is shown in Table 2. Expenditure definitions are included in Document 2 for reference.

Table 2 Summary by Type Contracts Awarded Under Delegated Authority		
Type	Amount (\$)	Percentage (%)
Goods & Supplies	568,529	46%
Information & Technology	507,172	41%
Fleet & Equipment	173,671	13%
Facilities & Construction	0	0%
Professional Services	0	0%
Consulting Services	0	0%
Total	1,249,372	100%

- Document 3 provides a summary of the OPS capital budget works in progress and indicates those which will be closed or projects where funding will be returned to source. It enables the Chief Administrative Officer to close capital projects and or return funds to the originating sources and fund any deficits.

- Document 4 on Board Policy CR-8 – “The Acceptance of Donations, Gifts, Loans and Sponsorships”: Section 6 and 7 of the policy requires that the Chief report to the Board all donations, gifts, loans and sponsorships valued at over \$500 as part of the quarterly process and that all that are valued over \$50 be properly documented. This document isn’t being produced this year since the OPS did not hold their annual gala but rather received only one donation of \$100 directly from Sylvia Herzog.

FINANCIAL IMPLICATIONS

As outlined in the report.

SUPPORTING DOCUMENTATION

Document 1: 4th Quarter Financial Report – Summary by Directorate

Document 2: Purchase Orders Issued Under Delegated Authority

Document 3: Capital Budget Works in Progress

CONCLUSION

The OPS generated, in essence, a balanced budget from police operations in 2020. The organization was able to successfully offset \$12.6 million in operational pressures through the early intervention of spending controls by management and the assistance from the province of the additional grant funding to help offset the incremental pandemic costs.

When the deficit of \$1.099 million in the taxation accounts is taken into account, there is a combined operating and taxation deficit of \$1.105 million for the police tax rate. The total deficit will be funded by the City’s Tax Stabilization Reserve.