



NIAGARA REGIONAL POLICE SERVICE

Police Services Board Report

PUBLIC AGENDA

Subject: Financial Variance Overview for the Year Ending December 31, 2023

Report To: Chair and Members, Niagara Police Services Board Finance Committee

Report Date: 2024-02-02

Recommendation(s)

That subject to the approval by the Regional Municipality of Niagara (Region) Council of the Consolidated Regional Year End Transfer Report, the Niagara Police Services Board (Board):

- 1) Approves the transfer of \$21,212.00 from the Ontario Police Video Training Alliance (OPVTA) Reserve Fund mitigating a deficit in the current year operations in accordance with the Niagara Region Reserve and Reserve Funds Policy C-F-013.
- 2) Approves the transfer of \$47,120.06 to the Police Vehicle and Equipment Replacement Reserve Fund to return the surplus proceeds from sale of assets in accordance with the Niagara Region Procurement By-Law No. 02-2016 and Tangible Capital Asset Policy C-F-003.
- 3) Approves the transfer of \$1,909,651.54 to the Police Contingency Reserve Fund to fund one-time 2024 expenditures related to the implementation of the Community Safety and Policing Act, 2019 (CSPA).
- 4) Approves that the Niagara Regional Police Service and Board's remaining operating surplus before indirect allocations of \$1,771,646.43 be transferred to the Region and be used to mitigate any levy program deficits in accordance with the Niagara Region Operating Surplus/Deficit Policy C-F-022.

Key Facts

- The purpose of this report is to provide an analysis of the 2023 year end financial results of the Service and Board as per the Financial Reporting, Control and Procurement of Goods and Services By-Law 384-2019.

- The Region requires that all operating departments and Agencies, Boards, and Commissions (ABCs) report on variances between actual operating results and approved budgets as part of the year end results and transfer report to Council.
- For the year ending December 31, 2023, the Service and Board have a combined net expenditure, before indirect allocations surplus, of \$3,707,206.03 from normal operations.

Financial Considerations

In accordance with Reserve and Reserve Funds Policy C-F-013, “ABCs making recommendations for reserve transactions outside approved budgets to their respective Boards, must first consult with the Niagara Region’s Treasurer to gain agreement on the recommendations. Reference to the Treasurer’s review should be made in all ABC reports referencing reserve transactions.”

Approval of recommendation 1 provides for the transfer of \$21,212.00 of reserve funds from the OPVTA reserve, mitigating the deficit in OPVTA operations for 2023. The recommended transfer has been approved by the Region Treasurer.

Approval of recommendation 2 provides for the transfer of \$47,120.06 of surplus proceeds of sale of capital vehicles to the Police Vehicle and Equipment Replacement capital reserve. In accordance with Procurement By-Law No. 02-2016, “the respective capital reserve shall be credited with the net proceeds, if any, from the disposal of surplus assets unless otherwise agreed upon.” This recommended transfer has been approved by the Region Treasurer.

Approval of recommendation 3 provides for the transfer of \$1,909,651.54 to the Police Contingency reserve to fund one-time 2024 expenditures related to the implementation of the CSPA, that will be enacted on April 1, 2024. The announcement regarding the implementation of the new Act was made on December 18, 2023, and as such, expenditures were not known during the 2024 budget process. This recommended transfer has been approved by the Region Treasurer. To utilize these funds in 2024, a budget amendment will be completed, which will require the approval of the Board and Regional Council, as well as public notice.

It is recommended that the remaining consolidated Service and Board surplus of \$1,771,646.43 be transferred to the Region to allow Council to consider the full impact of all consolidated levy results and direct any remaining surplus/deficit in accordance with the Region’s Operating Surplus/Deficit Policy C-F-022. At the time of Q3 reporting of the consolidated levy budget, Region staff reported the levy programs were operating at a net forecasted deficit. The Region’s Operating Surplus/Deficit Policy C-F-022 outlines that any surpluses from levy programs will be used first to offset any consolidated levy deficits prior to considering recommendations for unbudgeted reserve transactions.

Analysis

The year end variance overview provides a synopsis of the combined financial operations for the Service and the Board for the period ending December 31, 2023. As detailed in Appendix 1, the Service and Board have a combined Net Expenditure Before Indirect Allocations surplus of \$3,707,206.03, which represents 2.1% of the total budget.

The table below summarized the year end surplus:

	Surplus/(Deficit)
Niagara Regional Police Service	\$ 3,780,842.17
Police Service Board	(73,636.14)
Service and Board Net Expenditure Before Indirect Allocations	\$ 3,707,206.03

There are several events that occurred since the approval of the 2023 budget, which culminated into the year end surplus. The main contributors were an overall savings to salary and benefits resulting from a lag in recruitment to fill both uniform and civilian vacancies, which was partially offset by an increased usage of overtime to cover vacancies in key operational areas. Further, savings experienced in budgeted fuel rate and consumption, maintenance agreements, and vehicle maintenance and leases, due to supply shortages, have also contributed to the surplus.

The Board's surplus from normal operations of \$75,394.84 was mainly attributable to a favourable variance in legal and consulting expenses. However, a year end accrual for a contingent liability regarding a retroactive pay for Board Member remuneration, currently under review, was recorded and resulted in a Net Expenditure Before Indirect Allocations deficit of \$73,636.14.

The following variance analysis provides a synopsis of the financial activity within each object of expenditure as reported in Appendix 2:

Compensation:

For the year ending December 31, 2023, compensation costs were below the approved budget by \$2,881,487.27, which represents 1.6% of the total compensation budget. The following items were the main drivers that contributed to the surplus position in this category.

Uniform salaries and wages were below the approved budget by \$690,351.35. This favourable variance is the result of vacancies and the lengthy lag time required to fill permanent uniform positions. The Service started 2023 with approximately 11 vacancies, which increased further due to retirements during the year. Recruitments of new hires and currently serving officers allowed the Service to end the year with no vacancies remaining. Savings in salaries from these vacancies are partially offset by an increased dependency on overtime, to fill operationally essential shifts on the frontline.

Civilian salaries and wages were below the approved budget by \$1,208,629.78. This favourable variance is the result of a lag in recruitment for several highly specialized senior civilian positions. While these positions were vacant for most of the year, the Service has filled all positions in the third quarter of 2023 and the first quarter of 2024.

Benefits and WSIB were below the approved budget by \$1,486,449.44. This favourable variance is mainly the result of rate savings in Long Term Disability (LTD) Benefits and OMERS savings due to the vacancies noted above. These savings were partially offset by overages in WSIB expenditures based on claims experienced during the year.

The overall favourable variance in compensation is partially offset by additional compensation being above the approved budget by \$682,468.98. This is the result of salary related contingent liabilities recorded at year end, which includes a retroactive pay that is under review and a provision for an on-going WSIB appeal, which will be retroactively applied to past years if successful.

Administrative:

For the year ending December 31, 2023, administrative costs were above the approved budget by \$234,265.69, which represents 5.5% of the total administrative budget.

This unfavourable variance is mainly the result of overages in staff development and employee medical expenses. Staff development overages are a combined result of increased travel and meals costs experienced with a return to in-person conferences and seminars following COVID-19. Increased hotel and meal expenses to attend the Ontario Police College for courses, other than the recruit program, often occurred due to limited availability for lodging at the college. Lodging at the college has been reserved for the recruit program, which expanded in 2023 to include a fourth intake, along with increased class sizes. Also, there was an increase in Canadian Police College course fees due to the correction of an administrative error where prior year invoices were not received.

Employee medical expenses have increased based on current recruitment requirements for constables, special constables, auxiliary police, and communicators. Medical testing involves both psychological and physical testing for new recruits, as well as psychological safeguarding programs for existing service members.

These overages were partially offset by savings in third party consulting services, monthly cell phone charges due to the timing of the rollout of the connected officer program, and contract savings in Niagara Regional Broadband Network (NRBN) data lines.

Operational and Supply:

For the year ending December 31, 2023, operational and supply costs were below the approved budget by \$11,504.06, which represents 0.4% of the total operational and supply budget.

This favourable variance is the result of savings experienced in investigation expenses, due to fewer special investigative projects initiated in 2023, offset by overages in uniform expenses required to outfit new constable recruits.

Occupancy and Infrastructure:

For the year ending December 31, 2023, occupancy and infrastructure costs were below the approved budget by \$81,589.18, which represents 21.8% of the total occupancy and infrastructure budget.

This favourable variance is the result of savings in minor building renovations based on fewer projects completed during the year than planned.

Equipment, Vehicles, and Technology:

For the year ending December 31, 2023, equipment, vehicles, and technology costs were below the approved budget by \$1,040,837.36, which represents 11.1% of the total equipment, vehicles, and technology budget.

The favourable variance in minor equipment and equipment maintenance of \$424,150.81 is the result of savings in purchases for minor equipment across the Service, as well as savings in equipment maintenance agreements within the Technology Services Unit. Minor equipment replacement requirements are assessed by each department within the Service, and equipment is replaced on an as needed basis. The savings in equipment maintenance resulted from a detailed review of Technology Services' storage solutions. At the time of preparation of the 2023 budget, it was expected that the Service would be required to switch to a consumption model storage solution, however it was determined that an enterprise storage server, purchased through the 2024 capital budget, provided a greater financial and operational benefit to the Service.

The favourable variance in gasoline is mainly the result of rate savings experienced between the budgeted fuel rate of \$1.76 and the average actual fuel price for January to December 2023 of \$1.54.

The favourable variance in vehicle maintenance is mainly the result of savings in vehicle leases due to supply chain issues causing delays and shortages, as well as some savings in vehicle parts supply, in Fleet, based on current year maintenance requirements.

Intercompany Charges:

For the year ending December 31, 2023, intercompany charges were below the approved budget by \$130,460.52, which represents 5.8% of the total intercompany charges budget.

Intercompany charges represent expenses incurred for services provided by the Region, with the annual budget being determined by the Region. The unfavourable variance was the result in an overage of vehicle and equipment repairs, completed by the Region on Service vehicles. Expenditures were in line with prior years and the 2024 budget has been updated accordingly.

Revenues and Recoveries:

For the year ending December 31, 2023, revenues and recoveries were above the approved budget by \$56,241.74, which represents 0.3% of the total revenue budget to date.

In January 2023, the Ministry of Solicitor General announced Court Security and Prisoner Transportation (CSPT) 2023 annual grant funding of \$7,338,474.39, an increase of \$894,870.74 from the previous year and the 2023 budget.

Fees for service were under budget by \$855,959.85, mainly determined by a \$634,319.00 revenue shortfall from the City of Niagara Falls (City) for casino funding. The City transfers 18% of casino funding to a maximum of \$4,200,000.00 per annum to the Service. The City received a total of \$19,809,337.00 in funding from the Ontario Lottery and Gaming Corporation in 2023 and as such, the Service receives \$3,565,681.00 for this period. Additionally, special duty fees for service were \$214,976.50 below budget. Special duties are only completed when frontline staffing levels allow.

Conclusion:

The detailed variance analysis has been prepared based on results of operations as of December 31, 2023. The Service experienced a budget surplus of \$3,780,842.17 from normal operations, combined with a Board deficit of \$73,636.14, for an overall net surplus of \$3,707,206.03. This surplus will mitigate 2024 budget pressures related to the implementation of the CSPA with the remainder being transferred to the Region in accordance with the Operating Surplus/Deficit Policy C-F-022.

Alternatives Reviewed

The included recommendations include three reserve transfers, as well as a transfer to the Region.

Alternatives to these recommendations are for the Board to:

1. Approve a combination of the reserve transfers but not all; or
2. Recommend additional reserve transfers outside of those proposed by Service Staff.

Relationship to Police Service/Board Strategic Priorities

To comply with the provisions of By-Law 384-2019 - Financial Reporting, Control and Procurement of Goods and Services in the Niagara Regional Police Service.

Relevant Policy Considerations

- Section 289 of the Municipal Act requires municipalities to prepare a balanced budget that includes all expenditures and revenues for the taxation year.
- By-Law 384-2019 - Financial Reporting, Control and Procurement of Goods and Services in the Niagara Regional Police Service.
- By-Law No. 02-2016 – A By-Law to define the procurement policies and procedures for the Regional Municipality of Niagara.
- C-F-002 - Niagara Region Operating Surplus/Deficit Policy.
- C-F-013 – Reserve and Reserve Funds Policy.

Other Pertinent Reports

8.16.2023.06.22 Financial Variance Overview for the Period Ending March 31, 2023
8.10.2023.09.28 Financial Variance Overview for the Period Ending June 30, 2023
8.5 2023.11.23 Financial Variance Overview for the Period Ending September 30, 2023

This report was prepared by Courtney Woods, Financial Planning Coordinator, Finance Unit, and reviewed by Laura Rullo, Manager, Finance Unit and Mario Lagrotteria, Superintendent, Corporate Services. Recommended by Luigi Greco, Acting Deputy Chief, Support Services.



Submitted by:

Luigi Greco, #9366
Acting Deputy Chief of Police

Appendices

Appendix 1 2023 Operating Statement of Revenue and Expenses

Appendix 2 2023 Operating Statement by Object of Expenditure Sub-Category

Niagara Regional Police Service and Board

Appendix 1: 2023 Operating Statement of Revenue and Expenses

Object of Expenditure	2022 Jan. - Dec. Actual	2023 Jan. - Dec. Actual	2023 Jan. - Dec. Budget	Variance Surplus / (Deficit)	%
Gross Expenditures					
Compensation	170,453,194	176,242,127	179,123,614	2,881,487	1.6%
Administrative	3,781,305	4,493,476	4,259,210	(234,266)	(5.5%)
Operational & Supply	2,564,826	2,681,118	2,692,622	11,504	0.4%
Occupancy & Infrastructure	168,998	293,411	375,000	81,589	21.8%
Equipment, Vehicles & Technology	7,259,269	8,318,751	9,359,588	1,040,837	11.1%
Financial Expenditures	2,567	(273)	-	273	0.0%
Intercompany Charges	(1,975,900)	(2,108,964)	(2,239,424)	(130,461)	5.8%
Transfers To/From Reserve Funds	3,470,000	3,955,000	3,955,000	0.01	0.0%
	185,724,259	193,874,646	197,525,610	3,650,964	1.9%
Revenues					
Provincial Grants	(10,021,691)	(11,051,240)	(10,195,162)	856,078	(8.4%)
Fees for Service	(4,964,458)	(4,936,930)	(5,792,890)	(855,960)	14.8%
Other Revenues	(3,353,513)	(3,735,927)	(3,679,803)	56,124	(1.5%)
	(18,339,661)	(19,724,097)	(19,667,855)	56,242	(0.3%)
Net Expenditures Before Indirect Allocations	\$ 167,384,597	\$ 174,150,550	\$ 177,857,756	\$ 3,707,206	2.1%

Niagara Regional Police Service and Board

Appendix 2: 2023 Operating Statement By Object of Expenditure Sub-Category

	2022 Jan. - Dec. Actual	2023 Jan. - Dec. Actual	2023 Jan. - Dec. Budget	Variance Surplus / (Deficit)	%
Gross Expenditures					
Compensation					
Uniform Salaries & Wages	94,509,831	97,597,682	98,288,034	690,351	0.7%
Civilian Salaries & Wages	33,869,199	35,273,755	36,482,385	1,208,630	3.3%
Benefits & WSIB	36,409,376	38,190,387	39,676,837	1,486,449	3.8%
Additional Compensation	4,455,897	4,197,457	3,514,988	(682,469)	(19.4%)
Special Duty	396,498	224,936	392,412	167,476	42.7%
Sick Leave Payout	812,393	757,909	768,959	11,050	1.4%
	170,453,194	176,242,127	179,123,614	2,881,487	1.6%
Administrative					
External Professional Services	873,683	1,081,865	1,188,150	106,285	9.0%
Staff Development	1,094,703	1,398,689	1,086,665	(312,024)	(28.7%)
Office, Advertising, Travel	511,671	651,985	553,325	(98,660)	(17.8%)
Telephone & Communications	1,019,326	988,227	1,108,226	119,999	10.8%
Licensing & Permits	80,851	82,220	102,846	20,626	20.1%
Employee Medicals	121,787	173,955	89,900	(84,055)	(93.5%)
General Administrative Costs	79,283	116,534	130,098	13,564	10.4%
	3,781,305	4,493,476	4,259,210	(234,266)	(5.5%)
Operational & Supply					
Program Specific Supplies & Materials	1,339,928	1,239,858	1,243,302	3,444	0.3%
Uniforms	770,900	1,044,033	757,770	(286,263)	(37.8%)
Investigation Expense	340,421	269,794	567,950	298,156	52.5%
Other Expenses	113,577	127,432	123,600	(3,832)	(3.1%)
	2,564,826	2,681,118	2,692,622	11,504	0.4%
Occupancy & Infrastructure					
Property Leases	105,449	99,885	106,900	7,015	6.6%
Property & Infrastructure Maintenance	63,549	193,525	268,100	74,575	27.8%
	168,998	293,411	375,000	81,589	21.8%
Equipment, Vehicles & Technology					
Minor Equipment & Equipment Maintenance	1,860,305	1,957,244	2,381,395	424,151	17.8%
Gasoline	1,882,898	1,650,371	2,188,300	537,929	24.6%
Vehicle Maintenance	1,017,896	1,192,825	1,314,300	121,475	9.2%
Computer Licences & Support	2,498,170	3,518,311	3,475,593	(42,718)	(1.2%)
	7,259,269	8,318,751	9,359,588	1,040,837	11.1%
Financial Expenditures	2,567	(273)	-	273	0.0%
Intercompany Charges	(1,975,900)	(2,108,964)	(2,239,424)	(130,461)	5.8%
Transfers To/From Reserve Funds	3,470,000	3,955,000	3,955,000	0	0.0%
Total - Gross Expenditures	185,724,259	193,874,646	197,525,610	3,650,964	1.9%
Revenues					
Provincial Grant Funding	(10,021,691)	(11,051,240)	(10,195,162)	856,078	(8.4%)
Fees For Service	(4,964,458)	(4,936,930)	(5,792,890)	(855,960)	14.8%
Other Revenue	(3,353,513)	(3,735,927)	(3,679,803)	56,124	(1.5%)
Total - Revenues	(18,339,661)	(19,724,097)	(19,667,855)	56,242	(0.3%)
Net Expenditures Before Indirect Allocations	\$ 167,384,597	\$ 174,150,550	\$ 177,857,756	\$ 3,707,206	2.1%