

HAMILTON POLICE SERVICES BOARD

- INFORMATION -

DATE: 2018 June 21

REPORT TO: Chair and Members
Hamilton Police Services Board

FROM: Eric Girt
Chief of Police

SUBJECT: *2017 Year-End Budget Variance Report*
PSB 18-081

BACKGROUND:

The Hamilton Police Service (HPS) has completed its 2017 year-end process; the detailed actual-to-budget and actual-to-actual analysis of revenues and expenditures for the year ended December 31, 2017. Budgeted Variance Report is attached (Appendix A).

Historically, HPS has been audited by the City of Hamilton's independent external auditors (currently KPMG) as part of the City's annual year-end audit and its operations consolidated into the City of Hamilton's annual financial statements.

The City's General Issues Committee (FCS 15081) approved a separate annual audit of HPS Schedule of Operations in addition to the City's historical annual consolidated audit for 2015 and 2016 fiscal years. No audit findings were identified by KPMG.

In August 2017, the City's Audit, Finance, and Administration Committee (AF&A, report FCS 17073), approved the recommendation "that the Police Services audit of operations be removed from the schedule of required annual audits". Since HPS is "consolidated into the City of Hamilton's annual financial statements and are part of the City's audit", and "no audit findings" were identified for 2015 and 2016, the "additional audit is not required". HPS will continue to be audited as part of the City's annual consolidated audit for 2017 and future years.

2017 Year-End Results

The 2017 Hamilton Police Service Operating Budget was approved at \$157,333,370 which is comprised of \$168,403,238 in total expenditures, offset by \$11,069,868 in total revenues.

The current Collective Agreements expired on December 31, 2017. All retro payments related to the terms of the Collective Agreements were paid and/or accrued in 2017.

The 2017 Hamilton Police Service actual year-end position resulted in a favorable Operating Budget variance (a surplus) of \$611,711 (0.39% of total budget). The favorable variance details are summarized below.

Revenue – Favourable Variance \$164,975

Overall, HPS realized a total net favourable revenue variance of \$164,975. This variance is mostly attributed to greater than anticipated revenue in Police Clearances, Paid-Special Duty, Police fees and False Alarm fees. These increases were offset with decreases in General Occurrences/ID Photos, Tow Fees and Sale of Accident Reports.

The Hamilton Police Service received the sixth year of the Provincial Court Security upload in 2017. The Court Security upload is the result of the Provincial government initiative to help offset the cost of municipal court security services through a phased-in upload over seven (7) years that began in 2012. These monies are directly applied against court security costs incurred each year.

HPS continues to take advantage of Provincial and Federal funding initiatives to address operational, training and equipment needs. Unbudgeted/unanticipated funding increases were realized in Proceeds of Crime, Victims Quick Response, Repeat Offender Parole Enforcement (ROPE), Prisoner Transportation, Youth in Policing (YIPI), Crisis Support for Emergency Situations, Hate Crime and Extremism, Witness Protection, Intelligence and Federal Prostitution Exit Support Service grants. In addition, HPS received monies from the Department of Justice Canada for Victims and Survivors of Crime Week. These grant monies are offset with direct expenditures from their respective programs.

In addition, HPS incurred reductions in Firearms grant and OPC secondment revenue as a result of staffing changes in those positions.

Expenditures – Total Favourable Variance \$446,736

The Hamilton Police Service realized a total surplus in operating expenditures of \$446,736 in 2017. Several of the highlighted areas are as follows:

Employee Related Costs – Over Expenditure (\$31,196)

The net unfavorable variance in Employee Related Costs can be attributed to greater than anticipated sick bank and vacation payouts due to member retirements/resignations and part-time wages. These over-expenditures were mostly offset by savings in full-time salary costs due to maternity/parental leave, LTD, and gapping.

The sick bank and vacation payouts fluctuate each year based not only on the number of retirements/resignations, but also on employees' accumulated sick bank balances and earned/untaken vacation entitlements as negotiated in the current Collective Agreements.

Members on maternity/parental leave, WSIB, and LTD are replaced by part-time members (for civilian positions, overtime for sworn positions) and therefore, savings of full-time salaries are realized for members on maternity/parental leave and LTD.

Financial/Legal Charges – (\$60,653) over expenditure is mainly attributed to a discipline hearing, grievance/arbitration, human rights complaints, SIU investigations and Board related legal services.

Material and Supplies - \$383,694 net savings is mainly attributed to savings in the OPP monitoring contract with additional net savings in operational expenses, repairs and supplies.

In 2017, the City of Hamilton, including HPS, was subject to an HST audit by Canada Revenue Agency (CRA). HPS was assessed for non-collection of HST at source (plus interest) for the years 2014-2016 in towing fees, photo ID, accident reports, and miscellaneous revenue. As a result of the assessment, HPS notified customers and began applying HST in December 2017. Efforts are being made in attempt to recover some of the assessed amounts. This assessment has been netted against the savings.

Vehicle Expenses - \$128,540 net savings is mainly attributed to outsourced repairs. A significant portion of vehicle repair expenses was eligible under vehicle warranty, thus, there was no cost for these repairs to HPS. In addition, the tender on Original Equipment Manufacturer's (OEM) parts yielded significant savings in auto part purchases.

Buildings and Grounds – (\$121,040) over-expenditure is mostly attributed to higher than anticipated costs in hydro and telephone. The transition to the VOIP telephone system was implemented in stages (completed in summer 2017) and, thus, HPS continued to incur old system telephone costs until the VOIP implementation was fully completed. These over-expenditures were offset with savings in horticultural services, building repairs and heating fuel.

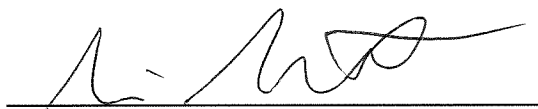
Consulting – (\$27,351) over-expenditure is attributed to professional fees for the hiring process of senior positions within the Service for the Deputy Chief of Police and the Chief Administrative Officer.

Contractual - \$168,415 savings is attributed mostly to cellular phones, air card rentals, photocopier rentals and contractual services. New corporate contracts were negotiated which resulted in significant savings.

The 2017 HPS budget included contributions from the Police Tax Stabilization Reserve of \$75,000, the Police Vehicle Reserve of \$125,000, and the Police Capital Reserve of \$288,500 as sources of revenue. Due to the overall net surplus, these contributions were not required and, as a result, remained in their respective reserve accounts. The 2017 continuity schedule for the Hamilton Police Reserves is shown in Appendix B.

Conclusion

In accordance with the "Operating Budget Surplus/Deficit Policy", the City of Hamilton Finance Department closed the 2017 HPS operating budget surplus of \$611,711 to the Police Tax Stabilization Reserve; a standard operating procedure at year-end.



Eric Girt
Chief of Police

EG:JR

Attachments: *Appendices A-B*

cc: Anna Filice, Chief Administrative Officer
John Randazzo, Chief Accountant – Finance

Hamilton Police Service
 Budget Variance Report
 Year Ended December 31, 2017

Appendix A

YTD Budget % : 100.00%

	Annual Budget	2017 Actual	Available Balance	% Spent
	A	B	C=A-B	B/A
Revenues				
Grants and subsidies	\$ (7,583,824)	\$ (7,986,118)	402,294	105.30%
Fees and general revenues	(2,686,844)	(2,938,021)	251,177	109.35%
Reserves/Capital recoveries	(799,200)	(310,703)	(488,497)	38.88%
Total revenues	(11,069,868)	(11,234,843)	164,975	101.49%
Expenses				
Employee related costs	150,960,457	150,991,653	(31,196)	100.02%
Materials and supplies	5,887,543	5,503,848	383,695	93.48%
Vehicle expenses	1,997,000	1,868,460	128,540	93.56%
Buildings and grounds	2,426,494	2,547,534	(121,040)	104.99%
Consulting expenses	27,600	54,951	(27,351)	199.10%
Contractual expenses	793,590	625,175	168,415	78.78%
Agencies and support payments	34,300	34,300	-	100.00%
Reserves/Recoveries	4,297,084	4,290,755	6,329	99.85%
Cost allocation	660,250	660,252	(2)	100.00%
Capital financing	1,027,200	1,027,200	-	100.00%
Financial/Legal charges	291,720	352,373	(60,653)	120.79%
Total expenses	168,403,238	167,956,502	446,736	99.73%
Total Net Expenditure	\$ 157,333,370	\$ 156,721,659	\$ 611,711	99.61%

Hamilton Police Service Summary of Reserve Balances 2017 Reserve Activity

Appendix B

Reserve Number	Reserve Name	Balance		Transfers		Interest Earned(+)	Transfers		Balance Dec 31/2017
		Dec 31/2016		To(+)			From (-)		
104055	Tax Stabilization - Police	490,755	(3)	985,049		16,422	(6)	(551,272)	940,954
104056	Police ISD Forensic Building	6,639,262				150,123			6,789,385
110020	Police Vehicle Replacement	1,601,502	(1)	1,702,600		43,861	(2)	(2,084,593)	1,263,370
110065	Police Capital Expenses	1,100,192				24,877			1,125,069
112029	Vacation Liability Reserve	1,466,930				33,169			1,500,099
112030	Sick Leave Police	6,109,589				138,146			6,247,735
112210	Provision Police Litigation	259,851					(4)	(259,851)	-
112220	Police Special Events	113,487					(5)	(113,487)	-
112225	Rewards - Police Board	181,509				4,104			185,613
22218-000100	OMERS Type III (see note below)	558,893				12,637			571,531
TOTAL RESERVES		\$ 18,521,971		\$ 2,687,649		\$ 423,340		\$ (3,009,204)	\$ 18,623,756

- (1) - transfer to Vehicle Reserve from Police 2017 Approved Operating Budget for vehicle purchases and upfitting, PSB 16-134
- (2) - transfer from Vehicle Reserve to Police Capital Fund (WIP Accounts) for approved Police vehicle purchases and upfitting
- (3) - 2017 Operating Surplus \$611,711 and funds transferred from closed reserve accounts as per HPS Board approval. (1) \$259,851 and (2) \$113,487 [see items (4) and (5)]
- (4) - reserve closed out, approved funds allocated to reserve 104055, as per the HPS Board approval PSB 17-080
- (5) - reserve closed out, approved funds allocated to reserve 104055, as per the HPS Board approval PSB 17-080
- (6) - funds transferred to 2017 Operating Budget for legal indemnification, as approved by the HPS Board PSB 17-095

Note - OMERS Type III account represents the unused portion plus accumulated interest of the OMERS Type III surplus that was divided with the Hamilton Police Association, Senior Officers Association, the Chief and Deputies in 1997. These funds must be used in accordance with the agreement signed by the parties stated above. The monies must be used for specific improvements for the service and / or front line staff.