

HAMILTON POLICE SERVICES BOARD

- INFORMATION -

DATE: June 11, 2020
REPORT TO: Chair and Members
Hamilton Police Services Board
FROM: Eric Girt
Chief of Police
SUBJECT: *2019 Year-End Budget Variance Report*
PSB 20-046

BACKGROUND:

The Hamilton Police Service (HPS) completed its 2019 year-end process. This includes a detailed analysis and comparison between actual-to-budget and actual-to-actual comparison of revenues and expenditures for the year ending December 31, 2019. The Budget Variance Report is attached as Appendix A.

HPS is audited by the City of Hamilton's independent external auditors (currently KPMG), as part of the City's annual year-end audit. This audit for HPS is included in the City's annual financial statements.

2019 Year-End Results

The 2019 HPS net approved Operating Budget was \$165,096,070. The total expenditures of \$177,896,780 are offset by \$12,800,710 in total revenues.

In 2019, an agreement between HPSB and the Hamilton Police Association for a new Collective Agreement from January 1, 2018 to December 31, 2020, was reached. All retro payments related to the terms of the agreement were paid and/or accrued as at December 31, 2019.

In 2020, there is a tentative Collective Agreement between the HPSB and the Senior Officers Association (SOA). The SOA has ratified the tentative agreement and is awaiting the Board's ratification. All retro payments related to the terms of a tentative agreement have been accrued in 2019.

The 2019 HPS actual year-end position resulted in a favorable Operating Budget variance (surplus) of \$1,425,221 (0.86% of total net budget). The details are summarized below.

Revenue – Total Favourable Variance \$68,644

Overall, HPS realized a total net favourable revenue variance of \$68,644. This variance is due

to greater than anticipated revenue in Police Clearances, Paid-Special Duty, Police Fees and Other miscellaneous revenues.

In 2019, the Provincial Government reviewed all policing grants and as a result, HPS received less than anticipated revenue for the Community Safety & Policing (CSP) grant (reduction of \$602K). However, this reduction in CSP monies was offset by greater than anticipated revenue from other Provincial grants such as ROPE, Victim Quick Response Program, Cannabis Enforcement, Civil Remedies, Human Trafficking and Ontario Cannabis Legalization Implementation Fund.

Expenditures – Total Favourable Variance \$1,356,576

The HPS realized a total surplus in operating expenditures of \$1,356,576 in 2019. Several of the highlighted areas are as follows:

Employee Related Costs – \$367,412

The net favorable variance in employee related costs is due to savings in salaries, OMERS and employee benefits due to gapping.

However, the savings in salary are offset by greater than anticipated costs in overtime and part-time wages. Members on maternity or parental leave, WSIB and LTD and members who have retired/resigned, are replaced by part-time members (for civilians) and over-time is incurred (for sworn positions).

In addition, greater than anticipated member retirements/resignation, sick bank and vacation payouts also offset savings in employee related costs. 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 Collective Agreements.

Financial/Legal Charges – (\$145,725) over expenditure is due to Board related legal fees, which include legal opinions, discipline hearings, grievance/arbitration, independent reviews, human rights complaints and SIU investigations.

Material and Supplies - \$647,631 net savings is due to less than anticipated costs in ammunition, uniforms and clothing, Part VI monitoring contracts operational expenses, equipment/supplies and repairs in communications.

Vehicle Expenses – \$184,081 net savings is due to less than anticipated fuel costs and vehicle repair.

Buildings and Grounds – \$279,330 net savings is due to less than anticipated costs with respect to horticultural services, all utilities, and telephone charges.

Consulting – (\$12,576) over-expenditure is attributed the Deputy Chief of Police hiring process in 2019.

Contractual – \$27,446 net savings is due to less than anticipated cellular phone charges, advertising and promotions.

Agency and Support Payments - \$5,000 savings is due to monies not being requested in 2019.

Reserves/Recoveries/Cost Allocations - \$3,976 savings is due to less than anticipated charges for postage/courier.

The 2019 HPS budget included contributions from the Police Vehicle Reserve and the Police Capital Reserve of \$125,000 and \$175,000, respectively. Due to the overall net surplus, this contribution was not required and, as a result, remained in the respective reserve account. The 2019 continuity schedule for the HPS Reserves is shown in Appendix B.

Conclusion

The HPS 2019 budget surplus was \$1,425,221 (0.86% of the total net budget).

The City auditors, KPMG, have concluded their field audit, including HPS, and are in the process of finalizing the City's 2019 Consolidated Financial Statements. At the date of this report, the City's Finance department has confirmed there are no questions, issues or adjustments required for HPS.

In accordance with the "Operating Budget Surplus/Deficit Policy", the City's Finance Department closed the 2019 HPS operating budget surplus of \$1,425,221 to the Police Tax Stabilization Reserve; a standard operating procedure at year-end.



Eric Girt
Chief of Police

EG/J. Randazzo

Attachments: *Appendices A-B*

cc: Frank Bergen, Deputy Chief – Operations
Ryan Diodati, Deputy Chief – Support
Anna Filice, Chief Administrative Officer
John Randazzo, Director – Finance

Hamilton Police Service**Appendix A**

Budget Variance Report

Year Ended December 31, 2019

YTD Budget % : 100.00%

	Approved Budget	Actual	Variances	% Spent
Revenues				
Grants and subsidies	\$ 9,483,120	\$ 9,417,003	\$ (66,118)	99.30%
Fees and general revenues	2,707,210	3,141,973	434,763	116.06%
Reserves/Capital recoveries	610,380	310,378	(300,002)	50.85%
Total revenues	\$ 12,800,710	\$ 12,869,354	\$ 68,644	100.54%
Expenses				
Employee Related Costs	\$ 159,352,440	\$ 158,985,028	\$ 367,412	99.77%
Financial/Legal Charges	369,040	514,765	(145,725)	139.49%
Materials and supplies	6,536,670	5,889,039	647,631	90.09%
Vehicle expenses	2,075,000	1,890,919	184,081	91.13%
Buildings and grounds	2,287,600	2,008,270	279,330	87.79%
Consulting expenses	42,600	55,176	(12,576)	129.52%
Contractual expenses	775,950	748,504	27,446	96.46%
Agencies and support payments	42,300	37,300	5,000	88.18%
Reserves/Recoveries	4,211,370	4,207,392	3,978	99.91%
Cost allocation	1,087,680	1,087,682	(2)	100.00%
Capital Financing	1,116,130	1,116,128	2	100.00%
Total expenses	\$ 177,896,780	\$ 176,540,204	\$ 1,356,576	99.24%
Total Net Expenditure	\$ 165,096,070	\$ 163,670,849	\$ 1,425,221	99.14%

**Hamilton Police Service
Summary of Reserve Balances
2019 Reserve Activity**

Appendix B

Reserve Number	Reserve Name	Balance Dec 31/2018	Transfers To(+)	Interest Earned(+)	Transfers From (-)	Balance December 31/2019
104055	Tax Stabilization - Police	1,405,921	1,425,221 (6)	25,890	(1,055,515) (3)	1,801,516
104056	Police ISD Forensic Building	152,797		-	(152,797) (5)	-
110020	Police Vehicle Replacement	148,646	2,596,970 (1)	44,121	(1,504,172) (2)	1,285,564
110065	Police Capital Expenses	489,387	674,815 (4)	19,367		1,183,569
112029	Vacation Liability Reserve	1,537,937		39,149		1,577,086
112030	Sick Leave Police	6,405,326		163,052		6,568,378
112225	Rewards - Police Board	200,316		5,099		205,415
22218-000100	OMERS Type III (see note below)	585,947		14,916		600,862
TOTAL RESERVES		\$ 10,926,276	\$ 4,697,005	\$ 311,594	\$ (2,712,484)	\$ 13,222,392

- (1) - \$2,040,005 transfer as per Board approved 2019 Police Operating Budget for vehicle purchases, upfitting and robot
- \$350,000 transfer from Tax Stabilization reserve as per approved allocation of 2018 surplus (PSB 19-072)
- \$206,965 represents recovery from the City's Risk Management for the replacement of the Police Vehicles
- (2) - transfer to fund Police vehicle purchases and upfitting in 2019 to Police Vehicle Capital Project account.
- (3) - transfer of approved allocation of 2018 surplus per PSB 19-072 to:
 - 2019 Operating Budget:** \$5,700 - Embossing Machine; \$64,000 HPS Recruiting & Branding
 - Police Capital Reserve:** \$635,815 & **Police Vehicle Reserve:** \$350,000
- (4) - \$635,815 transfer from Tax Stabilization reserve as per approved allocation of 2018 surplus (PSB 19-072)
- \$39k transfer from the Police Expenditure Capital Project for items no longer needed (\$25k - Equipment Asset Management Lease; \$14k - Board Room Furniture)
- (5) - transfer of interest income and close out the Police ISD Forensic Building Reserve to the Police Investigative Serv HQ Capital Project
- (6) - 2019 Operating Surplus \$1,425,221

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.