

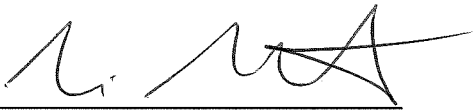
HAMILTON POLICE SERVICES BOARD

- RECOMMENDATION -

DATE: 2019 July 18
REPORT TO: Chair and Members
Hamilton Police Services Board
FROM: Eric Girt
Chief of Police
SUBJECT: *2018 Year-End Surplus Allocation Plan*
PSB 19-072

RECOMMENDATION:

That the Hamilton Police Service Board (Board) approve the Allocation Plan for the 2018 Operating Budget favorable variance (surplus) of \$1,055,515.



Eric Girt
Chief of Police

FINANCIAL / STAFFING / LEGAL IMPLICATIONS:

FINANCIAL – See details in Appendix A

STAFFING – n/a

LEGAL – n/a

BACKGROUND:

The purpose of this report is to provide the Board with information and obtain approval for the re-allocation and transfer of the 2018 year-end operating surplus as detailed below.

In accordance with the “Operating Budget Surplus/Deficit Policy”, the City of Hamilton Finance Department closed the 2018 Hamilton Police Service’s (HPS) Operating Budget surplus of \$1,055,515 to the Police Tax Stabilization Reserve; a standard operating

procedure at year-end. Based on operational requirements, the following allocation plan is proposed:

2018 Operating Surplus: \$1,055,515

1. Embossing Machine - \$5,700

The embossing machine used by the Records branch for the purpose of certifying Police Record Checks as original documents has broken down and cannot be repaired as the most critical part is no longer available on the market. The machine was purchased in 2014 and has exceeded the manufacturer's expected useful life. The Records branch is in dire need to replace the current machine so the branch can continue providing embossed Police Record Checks.

2. HPS Recruiting and Branding - \$64,000

With the approval of the new sworn positions in 2019, as well as, the significant number of current vacancies and anticipated member retirements, HPS needs to hire sworn Officers for the front line. HPS competes with other police services in the province facing the same challenges.

The requested funds will be used towards a recruitment campaign strategy that will showcase Hamilton and the variety of work within the Service (a career within a career). The strategy will contain three elements: 1) a photo shoot and print material, 2) a video showcasing Hamilton and our officers in the community through social media and 3) an advertising strategy through several media outlets.

These requested funds will focus solely on recruiting and branding while the current approved budget focuses on job fairs, promotional material, information sessions, testing rentals and badge ceremonies. These recruiting and branding efforts are aligned with the approved 2019-2021 HPS Business Plan – People & Performance effective recruiting.

3. Police Vehicle Replacement Reserve - \$350,000 (December 31, 2018 balance - \$148,646)

This reserve funds the lifecycle replacement of the HPS's fleet of vehicles/overhaul and other related equipment items. Assets funded from this reserve are analyzed to determine how often they should be replaced as well as specific replacement requirements, which in turn determines the level of contribution required annually to enable the replacement. The lifecycle for vehicles/overhaul and other related equipment have been extended as much as possible without negatively impacting

operations and officer safety, or causing significant repair and maintenance costs. Contributions to this reserve are through provisions in the annual operating budget, as well as sale of used vehicles. The contributions are calculated based on a detailed analysis of the current year's reserve balance, budgeted draws and projected future year draws.

A detailed review of this reserve indicated that 2018 ending balance has significantly decreased to a low level. This is due to annual contributions being much less than the current annual draws/payments. In addition, the marine vessel purchase of \$800,000 during 2018 contributed to depletion of the reserve balance. As a result, an increase to the reserve contribution of \$350,000 is recommended to ensure the sustainability of the reserve and assist in meeting future annual obligations.

4. Police Capital Reserve - \$635,815 (December 31, 2018 balance - \$489,387)

This reserve was established to provide a source of funding for any major future capital expenditures, including major repairs and building improvements. The reserve is managed and analyzed continuously to ensure any future annual obligations are met. The HPS continues to undertake significant ongoing mitigating efforts in order to manage all costs within its control. Contributions to this reserve are made only through any annual year-end surplus funds of the Service.

A detailed review of this reserve indicated that the balance is at a low level and inadequate to address unanticipated future capital needs. Thus, it is recommended that \$635,815 of the 2018 year-end surplus be used to replenish this reserve in order to alleviate financial pressures in the current and future budget years.

The year-end operating surplus represents funding that cannot be relied on to recur on an ongoing basis. Actual financial results vary from year-to-year based on various external and internal factors. Therefore, it is recommended that the allocation plan be approved as it will provide the HPS with the opportunity to strategically allocate funds to address current and future policing needs. In addition, this allocation plan will streamline the budget process for the Board in being able to fund expenses with their own reserves rather than requesting these funds from City reserves and/or tax levy.

EG/J. Randazzo

Attachment: *Appendix A*

cc: Frank Bergen, Deputy Chief – Operations
Anna Filice, Chief Administrative Officer
John Randazzo, Director – Finance/Chief Financial Officer

Hamilton Police Service

Budget Variance Report

Year Ended December 31, 2018

YTD Budget % : 100.00%

Appendix A

Approved					
	Budget	Actual	Variances	% Spent	
<u>Revenues</u>					
Grants and subsidies	\$ 8,212,530	\$ 8,740,334	\$ 527,804	106.43%	
Fees and general revenues	2,667,350	3,210,545	543,195	120.36%	
Reserves/Capital recoveries	1,985,700	1,860,694	(125,006)	93.70%	
Total revenues	12,865,580	13,811,574	945,994	107.35%	
<u>Expenses</u>					
Employee Related Costs	154,485,712	155,472,903	(987,191)	100.64%	
Materials and supplies	7,050,230	6,181,447	868,783	87.68%	
Vehicle expenses	1,977,000	1,978,802	(1,802)	100.09%	
Buildings and grounds	2,661,870	2,411,363	250,507	90.59%	
Consulting expenses	58,600	45,609	12,991	77.83%	
Contractual expenses	783,790	688,250	95,540	87.81%	
Agencies and support payments	42,300	37,300	5,000	88.18%	
Reserves/Recoveries	5,012,820	5,008,194	4,626	99.91%	
Cost allocation	660,250	660,252	(2)	100.00%	
Capital Financing	1,027,204	1,027,198	6	100.00%	
Financial/Legal Charges	292,910	431,847	(138,937)	147.43%	
Total expenses	174,052,686	173,943,164	109,522	99.94%	
Total Net Expenditure	\$ 161,187,106	\$ 160,131,591	\$ 1,055,515	99.35%	