




HAMILTON POLICE SERVICE

RECOMMENDATION REPORT

TO:	Chair and Members Hamilton Police Services Board
BOARD MEETING DATE:	December 17, 2020
SUBJECT:	2021 Hamilton Police Service Operating & Capital Budgets
REPORT NUMBER:	20-112
SUBMITTED BY:	Eric Girt, Chief of Police
SIGNATURE:	

RECOMMENDATION(S)

- a) That the Hamilton Police Service Board (Board) approve the 2021 Hamilton Police Service (HPS) operating and capital budgets, representing a 3.32% increase over 2020.

EXECUTIVE SUMMARY

The HPS proposed 2021 operating and capital budget represents increases to operating expenses as highlighted below, and a decrease to capital budget.

Collective Agreement increases and the annualization of salary and benefits for the new FTEs approved during the 2020 budget process are the main budget cost drivers for 2021.

The 2021 budget request includes two (2) new FTEs: one (1) Civilian - Equity, Diversity and Inclusion (EDI) Specialist, as previously approved by the Board (PSB 20-082) and one (1) Sworn – Detective Constable – Sexual Assault Unit (SAU).

The increases in operating expenditures are mainly a result of the annualized operating costs of the new Investigative Services Division (ISD) building and negotiated wage/benefit increases.

In addition, provincial and federal grants and subsidies have also been reduced from 2020.

Capital expenditures have decreased over 2020.

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FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial:

As detailed in the table below, the proposed 2021 HPS total combined budget (Operating + Capital) represents an overall increase of \$5.69M or 3.32% over the 2020 total combined budget.

Description	2020 Budget	Proposed Increase	2021 Proposed Budget	% Increase **
Operating Budget	\$168,274,259	\$5,973,974	\$174,248,233	3.48%
Capital Budget	\$ 3,203,273	\$ (287,612)	\$ 2,915,661	(0.17%)
Total HPS Budget	\$171,477,532	\$5,686,362	\$177,163,894	3.32%

** % increase / (decrease) over the Total 2020 Combined Budget, anomalies due to rounding

As at October 31, 2020, the Service is projecting a year-end surplus of approximately \$3,000. Appendix F is the Budget Variance Report as at October 31, 2020.

Staffing:

The 2021 HPS budget request includes two (2) new FTEs. One (1) new Civilian FTE: EDI Specialist previously approved by the Board (PSB 20-082) and one (1) Detective Constable - SAU. This last position has been reviewed in 2019 and 2020; the Board deferred this for consideration in the 2021 Budget.

The budget request also reflects the annualization of the salary and benefits for new positions (FTEs) approved during the 2020 budget process. It includes the annualization of eight (8) Police Constables for the approved Traffic Unit, one (1) Sexual Assault Support Program Coordinator in Victims of Crime, two (2) Special Constables in Provincial Offenses Act (POA) and six (6) Police Cadets.

Legal Implications:

Not applicable

INFORMATION

In accordance with Section 39 of the *Police Services Act*, the HPSB is required to approve annual budget allocations to provide the funding necessary for the operations of the Police Service. The annual operating and capital budgets, along with strategic planning documents, including the HPS Business Plan, enable the Service to establish and achieve its strategic priorities, while meeting the policing needs of the Community, in an adequate, effective and efficient manner.

2021 OPERATING BUDGET – (Appendix A)

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The HPS, along with the Board's Budget Sub-Committee, has completed its 2021 combined operating and capital budget process resulting in a net budget request of \$177.16M (2020 - \$171.48M).

Total operating expenditures budgeted for 2021 \$185.82M (2020 - \$179.76M) which is offset by non-levy revenue of \$11.57M (2020 - \$11.49M). This request represents an increase of \$5.97M or 3.48% over the 2020 HPS combined budget (Appendix A).

The table below summarizes the key drivers for the net increase of \$5.97M, which are explained in greater detail in sections to follow.

**2021 Total Operating Budget
(\$ million)**

Category	Incremental Change	
1. Employee Related Costs	\$4.37	2.55%
2. Operating Expenditures	\$1.69	0.98%
3. Revenues – Increase	(\$0.09)	(0.05%)
Total Operating Budget Increase	\$5.97	3.48%

Employee Related Costs - \$4.37 million or 2.55% increase

The table below summarizes drivers to employee related costs for the 2021 operating budget.

**2021 Employee Related Costs
(\$ million)**

Compensation Items	Increase	% Increase
Salary/Wages/Benefits – Collective Agreements	\$3.48	2.03%
Annualized Salary/Benefits – 2020 New FTEs	\$0.62	0.36%
New 2021 FTE – Salary/ Benefits - Equity, Diversity & Inclusion Specialist & Detective Constable - SAU	\$0.25	0.15%
Other employee related costs	\$0.02	0.01%
Incremental Increase	\$4.37	2.55%

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The Hamilton Police Service budget is largely composed of employee related costs. Employee related costs (i.e. wages, benefits) account for \$167.99M or 90.40% of the total 2021 gross operating budgeted expenditures of \$185.82M. Consequently, employee related costs represent the most significant budget pressure each year, mostly related to the negotiated collective agreements.

In late 2019, the Board and the Hamilton Police Association (HPA) ratified a new Collective Agreement from January 1, 2018 through to December 31, 2020. In May 2020, the Board also ratified a new Collective Agreement with the Senior Officers Association (SOA) from January 1, 2017 to December 31, 2022.

As such, an estimated percentage was used to reflect potential contractual increase for 2021. The budget impact on salary and wages for 2021 is estimated at \$3.48M or 2.03%. This estimated increase also includes other monetary Collective Agreement obligations such as merit increases, general allowances and job evaluation increases.

As a result of collective agreement increases, employee benefits will increase accordingly (OMERS, Government and Employer benefits). In addition, the government/employer benefits reflect year 3 of the CPP contribution increase, per Bill C-26, CPP Enhancement (1% by 2023).

Furthermore, the 2020 approved operating budget included 8 new sworn officers for the newly created Traffic Enforcement Unit, one (1) civilian Sexual Assault Support Program Coordinator in Victims of Crime unit, two (2) Special Constables in the POA and six (6) Police Cadets with a hiring and deployment strategy which transitioned the financial impact between 2020 and 2021. As such, the 2021 financial impact, including benefits, is \$0.62M or 0.36% over the 2020 HPS combined budget.

In October 2020, the Board approved the addition of an EDI Specialist position to the Service. The Service identified a need for a full time position to support its ongoing efforts to achieve a diverse and inclusive workplace, and to collaborate with external partners to develop and deliver related programs and services. The need for the position stems from the volume of work that will come from responding to the upcoming workforce census, and in supporting several of the recommendations out the recent Pride Review. The EDI position, will have an annual financial impact (salary & benefits) of \$0.11M or 0.06% over the 2020 combined budget.

The 2021 budget request also includes a new Sworn position: Detective Constable - SAU.

In 2018, the Sexual Assault Community Review Team (SACRT) was formed to review the sexual assault cases and “acknowledged the sexual assault unit detective’s workload was too substantial to manage”. It recommended two (2) new Detective Constables be approved.

One (1) new Detective Constable – SAU was approved in 2019 and one (1) Civilian Sexual Assault Support Coordinator in 2020. The second Detective Constable was deferred to 2021

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while SACRT continued to review the workload analysis. As such, though average times per case have decreased, more assistance is needed to provide better services to the most vulnerable victims of crime. Please refer to SACRT Update PSB #20-103.

Moreover, other employee costs such as employee allowances, training charges have also increased as shown in Appendix A.

Overall, employee related costs account for 2.55% of the 3.32% requested total budget increase for 2021.

Operating Expenditures - \$1.69 million or 0.98% Increase

The annualized operating costs for the new ISD building is one of the main drivers for the increase in the 2021 operating expenditures. In September 2020, the HPS opened the new ISD Building. As a result, the 2021 budget reflects the full-year annual operating expenses required to maintain the building. This includes hydro, contractual services, other related building expenses as well as, the annual debt payment. Daily operating expenses have increased by \$0.30M mostly attributed to utilities (heat, hydro, water & sewer).

In addition to the utilities increase, the other major cost driver for the ISD building is the annualized debt repayment. In the first year of operation, only 50% of the annual debt repayment gets budgeted. In year 2 and thereafter, the full annual repayment gets incurred. As such, the debt repayment increased by \$0.75M for 2021.

Therefore, \$1.06M of the \$1.69M increase in HPS operating expenditures is attributed to the new ISD building coming fully online in 2021.

Appendix A summarizes the increases/decreases by category while Appendix C provides the increase/decrease, line by line, for the HPS.

Operating Revenues – (\$0.09M) or (0.05%) Increase

HPS transitioned to a “verified response” alarm protocol in September 2019 whereby alarm companies have to confirm a criminal offense before dispatching Officers to the scene. With the HPS having a full year of data following the transition in 2019, revenues have been slightly increased by (\$0.02M) to reflect anticipated revenue for 2021.

In addition, HPS has been able to maintain paid duty revenue through the pandemic with event bookings shifting from festivals, events and movie shoots to construction projects. As such, an annual increase in paid duty revenue of (\$0.15M) is anticipated.

Furthermore, on the same basis, Police Clearances is also anticipated to increase by (\$0.06M). Police Clearance revenue significantly decreased in 2020 due to COVID, however, with the anticipated return to pre-COVID normalcy, HPS expects clearances to also return to historical levels.

The development charges (DC) revenue have increased by (\$0.18M) in correlation to the increase of the annual debt repayment for the ISD building.

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Provincial and federal grants and subsidies have either been reduced and/or eliminated. These grants include Cannabis Enforcement Team grant of \$0.26M, Exit Prostitution grant of \$0.02M and COAST program of \$0.05M. The HPS continuously tries to benefit and apply for any provincial/federal grants available.

Appendix A summarizes the increase/decrease in budgeted revenues.

Operating Budget – Summary

The net operating budget request of \$5.97M represents an increase of 3.48% over the 2020 combined net HPS budget.

The driving factors for the proposed increase are attributed to the collective agreement increases, the annualization of the new FTEs approved in the 2020 budget, the new FTEs proposed for 2021, the annualization of the operating costs of the new ISD facility and the reduction of policing grants and subsidies from the federal and provincial governments.

2021 CAPITAL BUDGET – (Appendix B)

The HPS adheres to the City's policy and practice for capital expenditures which is defined as any asset expenditure greater than \$50,000 and an estimated useful life greater than one year.

As such, the HPS has completed its 2021 capital expenditure budget process resulting in a net budget request of \$2.92M (2020 – \$3.20M), a decrease of (\$0.29M) or (0.17%) over the 2020 HPS combined budget.

The decrease is driven by reduction in police vehicles, information technology and other one-time capital items as shown in Appendix B.

Reserve / Capital Recoveries - Capital

In 2020, the HPS budgeted \$1.12M from Police allotted and City Reserves to partially fund and offset the increase in one-time capital projects.

Capital Budget – Summary

The 2021 net capital budget request of \$2.92M represents a (\$0.29M) or (0.17%) decrease over 2020 HPS combined budget.

SUMMARY – Combined Net HPS Budget

The total 2021 HPS budget request amounts to \$177.16M, a combined (operating + capital) budgetary increase of \$5.69M or 3.32% increase over the 2020 total HPS budget.

The main factors driving the requested budget increase over prior year are:

- Collective Agreement Requirements
- Annualization of the FTEs approved in the 2020 HPS budget

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- Two (2) new 2021 FTEs
- Annualization of the yearly operating expenditures of the new ISD facility
- Reduction/elimination of several provincial and federal grants & subsidies

This requested increase represents the necessity to provide adequate and effective policing to meet the needs of the Community.

**Several Police Services throughout the Province receive budgeted assessment growth projection in their budget requests. If the HPS considers the same assessment growth projections 1.0%, as provided by the City of Hamilton, the 2021 combined budget request would be 2.32%.*

Multi – Year Budgets

The City initiated the multi-year rolling budget process in an effort to increase accountability and transparency for all City departments, boards and agencies, including the HPS. It provides the Board and the public with a better understanding of HPS cost drivers, services, and performance for both current and future budget years. Appendix E provides a table of the multi-year rolling budget for HPS for the period 2022 – 2024.

ALTERNATIVES FOR CONSIDERATION

1. That the Hamilton Police Service Board (Board) approve the 2021 Hamilton Police Service (HPS) operating and capital budgets, representing a 2.98% increase over 2020.

During 2020, the HPS incurred unexpected costs due to the COVID-19 pandemic. The HPS is anticipating to fully recover those COVID costs of approximately \$0.58M in 2020 through government funding. This funding will increase the Service's year-end variance by \$0.58M. This funding can potentially be applied to offset some of the 2021 budget pressures, which will result in a decrease of the 2021 HPS total combined budget request from 3.32% to 2.98%. While decreasing the budget is advantageous, use of this funding for the reduction of the 2021 budget will create pressures in the following year as there is no guarantee that the Service will be able to replicate this revenue. The Service anticipates continued pressures from the COVID-19 pandemic in 2021. If the Board does not select this alternative, the \$0.58M will be placed in HPS reserves.

A detailed review of these reserves indicate that the balances are at low levels and are inadequate to address any unanticipated/long term budget pressures and/or any unanticipated annual obligations.

Funding from the HPS discretionary reserves is not a sustainable funding practice and, thus, is not recommended. These reserves are replenished solely through annual year-end surplus funds.

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Appendix G shows HPS discretionary reserves as at October 31, 2020 along with year- end projected balances.

APPENDICES AND SCHEDULES ATTACHED:

Appendix A – 2021 Operating Budget Analysis

Appendix B – 2021 Capital Budget Analysis

Appendix C - 2021 Budget Increases / Decreases Analysis

Appendix D - 2021 Detailed Budget

Appendix E – 2021 - 2024 Multi-Year Budgets

Appendix F – Budget Exception Report as at October 31, 2020

Appendix G – HPS Discretionary Reserves as at October 31, 2020

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

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