




HAMILTON POLICE SERVICE

INFORMATION REPORT

TO:	Chair and Members Hamilton Police Services Board
BOARD MEETING DATE:	February 26, 2021
SUBJECT:	2020 Year-End Financial Projection
REPORT NUMBER:	21-013
SUBMITTED BY:	Ryan Diodati, Acting Chief of Police
SIGNATURE:	

EXECUTIVE SUMMARY

- The Hamilton Police Service (“HPS”) is currently projecting a positive year-end variance of approximately of \$1.6 million, less than 1% of the total combined net budget
- The main drivers of the surplus are lower than expected sick leave payouts (resulting from far fewer retirements/resignations in 2020 compared to past years), unspent training dollars, savings in fuel and utilities, and savings in materials and supplies
- Many variances are directly related to the COVID-19 pandemic
- The financials in this report are still preliminary. The final figures will be presented when the audited financials are available and year-end activities have all been completed

INFORMATION

Based on the unaudited financials as at December 31, 2020 and subject to the final financial audit, the HPS is projecting to end the 2020 fiscal year with a positive variance of approximately \$1.6 million, just below 1% of the total combined net budget. It is important to note that year-end activities continue and this number is still subject to change. At this point, we have identified some key drivers of the surplus.

The largest driver is accumulated sick bank payouts, with a positive variance of approximately \$500k. Savings were realized due to fewer than anticipated member retirements/resignations. In 2020, the Service realized 25 retirements, less than half of the previous two years. Appendix A summarizes the accumulated sick leave budget since 2015, and highlights budget versus actuals for sick bank payouts in those years. Sick bank

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payouts occur at retirement or resignation and are budgeted based on the Service's historical levels and any applicable Collective Agreement adjustments. The sick bank benefit is an entitlement under the Collective Agreement. When sick bank payouts exceed the budget, the sick leave reserve can be accessed to fund the deficit. Alternatively, when sick bank payouts result in surplus, that surplus is directed to the sick leave reserve to fund future liabilities. The last contribution to this reserve was made in 2015, following a 2014 surplus. Based on current data, the benefit obligation and liability associated with the sick leave program is approximately \$24 million. The current sick leave reserve balance is approximately \$6.7 million. The sick leave reserve is an important tool in managing future liability for the HPS and so continuing to direct funds towards it is prudent and necessary to address long term financial sustainability of the Service.

A surplus in the Service's training budgets represents the second largest favourable variance of \$450k. As a result of the COVID-19 Pandemic, annual training and conferences were postponed or cancelled. While the Service was hopeful to conduct some of its training in the fourth quarter, COVID-19 lockdowns did not allow for this to occur.

The Service also experienced savings in fuel and utilities. The Service adopts fuel rates as set by the City of Hamilton. Decreasing fuel costs and slightly lower consumption resulted over \$300k in savings in 2020. Additional savings of approximately \$350k were realized in utilities, mostly attributed to the delay in opening the new Investigative Services Building.

The Service suspended most civilian recruitment efforts for several months beginning in March 2020 due to the COVID-19 pandemic. As a result, a favourable variance of approximately \$300k in employee related costs (gapping/wages) was realized. The Service has since resumed recruitment of all civilian roles.

Materials, supplies and contractual services also contributed to savings of approximately \$460k (net of unbudgeted/unforeseen COVID-19 Pandemic costs). These savings are mainly attributed to unspent contractual services and investigative operational expenses.

The above favourable variances are offset by deficits of approximately (\$370k) resulting from higher than anticipated expenditures in legal expenses, hearings and arbitrations. On the revenue side, the HPS also experienced a reduction in revenue from Police Clearances due to the COVID-19 Pandemic, resulting in a net loss of approximately (\$440k).

The Hamilton Police Services Board has committed \$580k in revenue to the 2021 budget. The potential to access Restart funding to off-set HPS COVID-19 related costs will be assessed in the coming weeks as City staff prepare the required Corporate COVID-19 Impact reporting to the Province by March 31, 2021. If the HPS is unable to access these Restart funds, the Board may direct that the \$580k be recovered from surplus, resulting in a new balance of approximately \$1 million.

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APPENDICES AND SCHEDULES ATTACHED

Appendix A – Accumulated Sick Leave Budget Versus Actuals

cc. Anna Filice, Chief Administrative Officer
John Randazzo, Director of Finance/CFO