



NIAGARA REGIONAL POLICE SERVICE

Police Service Board Report

PUBLIC AGENDA

Subject: Reserve Fund Continuity Schedule – For the period ending December 31, 2024

Report To: Chair and Members, Finance Committee Niagara Police Service Board

Report Date: 2025-02-07

Recommendation(s)

That the Niagara Police Service Board (Board) receives this report for information.

Key Facts

- The purpose of the report is to provide the Board with a status report on the Niagara Regional Police Service (NRPS) and Board Reserve Funds as per Board By-Law 412-2024 Paragraph 6.3.19.
- Niagara Region's Reserve and Reserve Fund Policy (C-F-013), which applies to all departments, Agencies, Boards, and Commissions (ABC's), outlines both the appropriate use and funding for all reserve and reserve funds.
- The purpose of the policy is to formalize guidelines to effectively manage Niagara Region reserves and reserve funds, ensuring adequate reserves are held for both planned and unexpected future expenditures.
- Those reserves identified as NRPS and Board reserves are reconciled and considered as part of the annual operating and capital budget decision making process.

Financial Considerations

There are no financial implications relating to the recommendation contained within this report.

Analysis

The purpose of this report is to provide the Board with a status report on the balance of each reserve fund at the reporting date, as well as any inflows to and outflows from each reserve that have taken place during the year. The Service complies to the Region's Policy C-F-013, which outlines both the appropriate use and funding of all reserves and reserve funds. The use of all reserves and reserve funds requires approval of the Regional Treasurer and Council.

The total reserve balance, for December 31, 2024, including recommended year end transfers, is \$12,076,938.00 illustrated in Appendix 1. Approximately 72.0% or \$8,652,479.00 of the reserves held by the Service is classified as future liabilities. Future liability reserves fund the pay-out of future expenses resulting from current or prior period obligations for accumulated sick leave bank, Workplace Safety and Insurance Board (WSIB), and post retirement benefits. Under the Regions Reserve Policy, ABC's are required to hold a reserve balance equal to 40% of the total obligation. To date, the NRPS reserve balances represent approximately 11.9% of the total obligation, which indicates it is underfunded.

For the upcoming operating budget cycle, Service staff will need to develop and recommend a funding strategy to the Board that will ensure the three future liability reserves achieve reserve policy target levels as outlined in Policy C-F-013.

The following details the purpose of each reserve fund, its balance as at the reporting period and its current funded ratio:

Future Liability Reserve - Accumulated Sick Leave Reserve:

The sick leave liability represents the unused sick leave for members in the accumulated sick leave program, which was grandfathered starting in 1990. The liability has been decreasing over time as members retire and receive payouts. As of December 31, 2024, there are 20 active members entitled for a sick leave payout.

The current funding strategy for the sick leave liability includes the use of a combination of operating budget and a transfer from the accumulated sick leave reserve for annual payouts to retiring members. The strategy minimizes the annual impact on the operating budget and ascertains that the current reserve fund balances are sufficient to cover the remaining payout liabilities. Any sick leave payout variances from annual budget are offset by transfers to or from the sick leave reserve. The balance of \$230,491.00 as of December 31, 2024, is expected to be fully depleted within the next 3 to 5 years.

Future Liability Reserve - WSIB Liability Reserve:

Members who suffer from a work-related illness or injury may receive WSIB under the provisions of the Workers Safety and Insurance Act, 1997. Benefits under WSIB include income replacement, health care costs, rehabilitation, accommodation, retraining if necessary, and in some cases pension awards for permanent serious disability resulting from the accident or illness.

The Service is a "Schedule 2" employer. Schedule 2 employers operate on a system of individual liability – the entire cost of a claim is borne by the employer plus an administration fee paid to WSIB. The WSIB liability value represents the amount that the Service would be responsible for if the entity was dissolved. The actuarial valuation

incorporates known workplace safety instances and projects future payments based on experience.

As of December 31, 2024, the WSIB liability reserve fund balance is \$4,269,590.00; this fund exists to partially fund the WSIB liability of \$32,443,697.00. The fund balance represents approximately 13.1% of the estimated WSIB liability, which is below the target ratio of 40% as set out in Policy C-F-013. The operating budget includes a transfer to the WSIB reserve account of \$200,000.00 per year to ensure the fund balance is indexed for the inflationary pressures impacting the liability account, however; this contribution is falling short of the annual indexed amount.

Future Liability Reserve - Post-Retirement Benefits Reserve:

A future liability reserve supports the “extinguishment of established known and unknown future liabilities being incurred in the current year but paid in the future. Minimum balance target of 40% of future liability.” (Region's Reserve and Reserve Fund Policy C-F-013). Sole source of funding for this reserve is from operating budget contributions or yearend surpluses.

The Service has a liability for post-retirement benefits represents, extended health, deluxe travel, and a benefits allowance for members that retire until age 65. For service members who have retired since 2006, there is also a Health Care Spending Account (HCSA) to age 75.

Annual retirement benefits expenditures are budgeted and paid directly from the Service's operating budget. The actual expenditures will fluctuate as the retiree mix will change from year to year and as new retirees are added and others drop off.

The post-retirement benefits reserve balance on December 31, 2024, is \$4,152,398.00, which represents approximately 10.9% of the estimated post-retirement benefits liability of \$38,019,484.00. This fund is also underfunded as per Region's Policy C-F-013.

Police Service Contingency Reserve and the Police Service Board Contingency Reserve:

The purpose of the contingency reserves is to address significant unforeseen issues that may develop after the year's operations have commenced and after the budget has been set. They generally should only be used for non-recurring or one-time costs.

The funding target for the contingency reserves, according to the Region's policy, is a minimum of 10% and a maximum of 15% of gross operating expenditures (excluding reserve transfers and capital costs). As recommended by Service staff, the Board has adopted a stabilization reserve strategy to reach a 1% target, equal to \$2,300,000.00, which represents 1% of the gross operating expenditures by contributing \$250,000.00 per annum from the operating budget.

For the 2023 operating year, Region Treasurer approved the recommendation by Service staff to transfer \$1,909,651.54 of the year end surplus to fund the implementation of the new Community Safety and Policing Act (CSPA). During the 2024 fiscal year, the Service withdrew \$886,663.58 from the contingency reserve to fund one-time costs associated with the implementation of the CSPA resulting in a remaining balance of \$1,022,987.96 for the purchase of C8 rifles, ammunition, and training scheduled for 2025.

As of December 31, 2024, the Board's contingency reserve is \$242,119.00; and the Police Service contingency reserve is \$1,977,320.23, of which \$1,022,987.96 is set aside for CSPA one-time expenses and \$954,332.27 is reserved for other unplanned priorities.

Capital Levy Reserve and Vehicles and Equipment Replacement Reserve:

The Service has two capital reserves, the capital levy reserve and the vehicles and equipment replacement reserve. Capital reserve financing reduces the requirement to issue debenture debt. It is generally used for computer equipment, and vehicle replacements, which usually has life expectancies that are shorter than common debenture terms to maturity. This financing is also used for projects with costs lower than the Region's debenture threshold.

The recommended net contributions from operations to the capital levy reserve and vehicles and equipment replacement reserve fund are recommended and approved annually as part of the capital budget and 9-year forecast. As contributions to these reserves have an immediate impact on the operating budget, the forecast serves as a comprehensive guideline for the Service that is very important for ensuring the sustainability of funding for future capital requirements, including any approved year end close out transfers from capital projects. On December 31, 2024, the balance of the capital levy reserve is \$1,073,838.00. In 2024, the Service received a deposit of \$358,805.00 to this reserve account from the Region as a result of NG911 grant funding for 2024 operating costs associated with the project implementation. These operating costs were mainly for the salary and benefits of Service staff participating in the implementation project. In addition, the Service returned \$20,353.02 in unused capital funds reported on the 2024 capital close out report. The capital levy reserve account must maintain a minimum balance of \$200,000.00.

The vehicles and equipment replacement reserve balance on December 31, 2024, is \$90,665.00. There is no minimum balance required on this fund.

Ontario Police Video Training Alliance (OPVTA) Reserve:

The purpose of the OPVTA reserve is to support specific OPVTA designated programs/purchases and offset any year in surplus/deficits. It is funded by the OPVTA and for the year 2024, the OPTVA financial position resulted in a deficit balance of \$38,801.00. Therefore, the balance as of December 31, 2024, after the year end transfer from the Reserve of is \$40,517.00.

Alternatives Reviewed

The only alternative is for the Board not to receive this report.

Relationship to Police Service/Board Strategic Priorities

For consideration as part funding request to Regional Council provided in accordance with the CSPA.

Relevant Policy Considerations

- Niagara Region Reserve and Reserve Fund Policy (C-F-013)
- Board By-Law 412-2024 – A By-Law to Regulate Financial Reporting, Control and Procurement of Goods and Services in the Niagara Regional Police Service

Other Pertinent Reports

*This report was prepared by Laura Rullo, Director, Finance and Asset Management.
Recommended by Sandy Staniforth, Acting Deputy Chief, Support Services.*



Submitted by:

Luigi Greco #9366
Acting Chief of Police

Appendices

Appendix 1 - Reserve Fund Continuity Schedule for the period ending December 31, 2024

Niagara Regional Police Service and Board

Appendix 1 - Reserve Fund Continuity Schedule for the period ending December 31, 2024

Description	Fund 20050 - 20550	Balance at 1/1/2024	Transfer From /(To) Operating Budget	Capital Expenditures	Year End Close Out Report	Balance at 12/31/2024
Future Benefit Liabilities -Accumulated Sick Leave	562	430,491	(200,000)	-	-	230,491
Future Benefit Liabilites -WSIB	564	4,069,590	200,000		-	4,269,590
Future Benefit Liabilities - Post Retirement Benefits	563	4,152,398			-	4,152,398
Police Contingency Reserve	534	3,113,984	(635,000)		(501,664)	1,977,320
PSB Contingency Reserve	535	242,119	-	-	-	242,119
Capital Levy Reserve	507	647,342	1,930,000	(1,882,662)	379,158	1,073,838
Vehicle and Equipment Replacement Reserve	506	78,165	2,255,000	(2,242,500)	-	90,665
OPTVA Reserve	505	79,318	-	-	(38,801)	40,517
TOTAL		12,813,407	3,550,000	(4,125,162)	(161,307)	12,076,938