



NIAGARA REGIONAL POLICE SERVICE

Police Service Board Report

PUBLIC AGENDA

Subject: Financial Variance Overview for the Year Ending
December 31, 2024

Report To: Chair and Members, Niagara Police Service Board

Report Date: 2025-02-07

Recommendation(s)

That subject to the approval by the Regional Municipality of Niagara (Region) Council of the Consolidated Regional Year End Transfer Report, the Niagara Police Service Board (Board):

- 1) Approve the transfer of \$38,801.00 from the Ontario Police Video Training Alliance (OPVTA) Reserve Fund mitigating a deficit in the current year operations in accordance with the Niagara Region Reserve and Reserve Funds Policy C-F-013.
- 2) Approve the transfer of \$501,663.58 from the Police Contingency Reserve Fund to fund one-time 2024 expenditures related to the implementation of the Community Safety and Policing Act, 2019 (CSPA).

Key Facts

- The purpose of this report is to provide an analysis of the 2024 year-end financial results of the Niagara Regional Police Service (Service) and Board as per the Financial Reporting, Control and Procurement of Goods and Services By-Law 412-2024.
- The Region requires that all operating departments and Agencies, Boards and Commissions (ABCs) report on variances between actual operating results and approved budgets as part of the year end results and transfer report to Council.
- For the year ending December 31, 2024, the Service and Board have a combined net expenditure before indirect allocations deficit of \$2,222,553.88.
- Recommended reserve transfers to offset costs associated from the implementation of one-time costs associated with the CSPA and OPVTA operating expenses in the amount of \$540,464.58 reduce the 2024 deficit to \$1,682,089.31; this deficit represents the costs associated with normal operations.
- The Region Treasurer has approved the recommended reserve transfers as outlined in this report.

Financial Considerations

In accordance with reserve and reserve funds policy C-F-013, “ABCs making recommendations for reserve transactions outside approved budgets to their respective Boards, must first consult with the Niagara Region’s Treasurer to gain agreement on the recommendations. Reference to the Treasurer’s review should be made in all ABC reports referencing reserve transactions.”

Approval of recommendation 1 provides for the transfer of \$38,801.00 of reserve funds from the OPVTA reserve, mitigating the deficit in OPVTA operations for 2024.

Approval of recommendation 2 provides for the transfer of \$501,663.58 from the Police Contingency reserve to fund one-time 2024 expenditures related to the implementation of the CSPA, 2019, that was enacted on April 1, 2024. This transfer is consistent with the purposes of this fund and will mitigate one-time expenses not contemplated when the budget was approved.

The Board approved an in-year budget adjustment transfer of \$385,000.00 to fund 6 Training Unit officers for the months of August to December 2024. The table below provides a reconciliation of the balance of CSPA funds currently held in the contingency reserve fund.

| | \$ |
|--|--------------|
| CSPA funds transferred to contingency reserve – Dec 31, 2023 | 1,909,652.00 |
| 2024 In-year budget amendment | (385,000.00) |
| 2024 year end transfer | (501,663.58) |
| CSPA fund balance in contingency reserve – Dec 31, 2024 | 1,022,988.42 |

The remaining CSPA fund balance will be used to offset one-time expenses for the purchase of C8 Carbine rifles, and costs related to staffing salaries while attending training that was not completed in 2024.

The combined net expenditure before indirect allocations deficit of \$2,222,553.88 is reduced by the recommended net transfers from reserves as follows:

| | \$ |
|---|------------------|
| Net expenditure before indirect allocation: | |
| Service net expenditure (deficit) | \$(2,390,318.85) |
| Police Service Board net expenditure surplus | 167,764.97 |
| Total – net expenditure (deficit) before indirect allocations | (2,222,553.88) |
| Net transfer from reserve funds | |
| Transfer from contingency reserve – CSPA expenses | 501,663.58 |
| Transfer from OPVTA reserve – OPVTA deficit | 38,801.00 |
| Net expenditure before indirect allocations (deficit) | \$(1,682,089.31) |

The combined net expenditure before indirect allocations is reduced to a \$1,682,089.31 deficit after applying the recommended net reserve transfers. This net deficit from normal operations will be offset by the consolidated levy surplus per the Region's Operating Surplus/Deficit Policy C-F-022. As per Policy C-F-022, "in year deficits will be addressed by reducing programs and/or services within the department with the deficit, where possible, and where not possible offset by other surpluses across the Corporation. Where departmental surpluses may be identified as mitigation to corporate deficits, they would be actioned in accordance with the budget control by-law."

The recommended transfers have been reviewed and approved by the Region Treasurer.

An explanation of the net deficit from normal operations is detailed in the body of the report.

Analysis

The financial variance overview provides a synopsis of the combined net deficit from normal operations for the Service and Board for the year ending December 31, 2024. As detailed in Appendix 1, the Service and Board had a combined net expenditure before indirect allocations deficit of \$1,682,089.31, that represents 0.9% of the total budget for the year.

The main contributors to the net deficit were as follows:

- Increased usage of uniform overtime to respond to a record number of major investigations; over budget by \$2,365,875.62
- Civilian overtime to staff units that require minimum staffing level; over budget by \$562,446.46
- Costs associated with pending WSIB claims settled in year; over budget by \$976,372.00
- Loss of Casino funding due to lower Casino revenue received by the City of Niagara Falls; shortfall was \$884,839.92
- Health and Dental and statutory deductions such as CPP and EI resulted in a budget shortfall of \$534,628.01

These overages were offset by savings as follows:

- Savings to uniform regular salaries and benefits resulting from hiring lags in the recruitment process, specialty allowance pays and termination sick payouts; budget savings \$2,288,991.32
- Savings from supply costs specifically related to telecommunications, legal and consulting services, IT software from delays in implementation of key initiatives, and vehicle maintenance costs were offset by overages to training, accommodation expenses, uniforms to outfit new hires and auxiliary, arsenal equipment, and ammunition for training; net savings \$764,618.41

- Revenue surpluses from grant funding \$433,506.89 and user fee revenue \$154,956.08

The following variance analysis provides a detail synopsis of the financial activity within each object of expenditure as reported in Appendix 2.

Compensation:

For the year ending December 31, 2024, compensation costs were above the approved budget by \$2,110,776.70, representing 1.1% of the total compensation budget.

This unfavourable variance is the result of overages within uniform salaries due to overtime requirements to respond to major investigations. Civilian salaries have experienced an overage due to overtime requirements in operationally essential units. The Service has also experienced overages in WSIB claims resulting from a number of pending claims settled in the year. Further, actual claims submissions for Health and Dental services exceeded monthly premium fees thereby resulting in a deficit to the Administrative Services Only (ASO) plan. Lastly, statutory deduction expense for CPP, EI, and Employer Health Tax surpassed the budget estimate. The total overage for Compensation is estimated to be \$4,439,322.09

Savings of \$2,328,545.39 within this category were realized that offset the deficit impact reported above, savings related to uniform regular wages and benefits resulting from lags in the recruiting process, specialty allowances paid to officers, and actual termination sick leave pay-outs fell below the budgeted expense.

Administrative:

For the year ending December 31, 2024, administrative costs were below the approved budget by \$123,844.11, representing 2.6% of the total administrative budget.

This favourable variance is from lower than expected spending for external consulting and external legal services, savings in monthly cell phone charges due to the timing of the roll out of the connected officer program, and savings in Niagara Regional Broadband Network data line fees.

These savings were offset by the Service experiencing an increase in the number of mandatory training courses taken through Ontario and Canadian Police Colleges including costs associated with accommodations. As a result of the fourth recruiting classes, the Ontario Police College (OPC) is no longer able to accommodate members attending OPC for training courses thereby the Service is incurring costs associated with overnight stays at local hotels.

Included in the actual expenditure for this category are unbudgeted training costs associated with the implementation of the CSPA totaling \$46,045.68. These costs are offset by the transfer request of \$501,663.58 from the contingency reserve.

Operational and Supply:

For the year ending December 31, 2024, operational and supply costs were above the approved budget by \$866,770.50, representing 31.5% of the total operational and supply budget.

This unfavourable variance is the result of one-time purchases of C8 Carbine rifles, replacements of body armour plates for all front-line vehicles, and uniform and equipment expenses for new recruits and auxiliary officers. Further, the Service experienced increased costs associated with ammunition and arsenal equipment related to in service training programs.

Unbudgeted arsenal supplies and equipment purchases required under the new CSPA totalling \$272,747.51 are offset by the transfer request of \$501,663.58 from the contingency reserve.

Occupancy and Infrastructure:

For the year ending December 31, 2024, occupancy and infrastructure costs were below the approved budget by \$9,664.74, which represents 2.4% of the total occupancy and infrastructure budget. This favourable variance is the result of savings in minor building renovations due to the timing of projects scheduled to be completed during the year.

Equipment, Vehicles, and Technology:

For the year ending December 31, 2024, equipment, vehicles, and technology costs were below the approved budget by \$781,058.42, representing 7.9% of the total equipment, vehicles, and technology budget.

This favourable variance is the result of savings in computer software licenses and support due to the timing of purchases and project roll outs. Additional savings have been realized in vehicle supply and maintenance expense, which are offset by an overage in intercompany charges due to the usage of Niagara Region fleet for body work on damaged vehicles, and fuel expense resulting from usage rates and the average fuel price being lower than budget.

These savings are partially offset by an overage in minor equipment, mainly required to fully equip new members in the Public Order Unit (POU) required by the CSPA, which came into effect on April 1, 2024.

Unbudgeted arsenal supplies and equipment purchases required under the new CSPA totalling \$182,870.39 are offset by the transfer request of \$501,663.58 from the contingency reserve.

Revenues & Recoveries:

For the year ending December 31, 2024, revenues were below the approved budget by \$69,365.23, representing 0.3% of the total revenue budget.

Revenues are reported within three main categories as follows:

Grant funding – For the period ending December 31, 2024, the Service reported an additional \$433,507.00 from 3 grant programs.

The Court Security and Prisoner Transport Grant 2024 program funding was announced in January at \$7,014,090.00; funding for 2024 was increased by \$245,830.98 over 2023. Unbudgeted funding from the NG911 grant program of \$267,857.00 to cover salaries and benefits of project team members was received in 2024. Offset by a downward adjustment of \$105,477.14 to grant funding revenue to match expenses incurred for the Preventing Auto Theft 2023/24 grant program.

User Fee Revenue – For the period ending December 31, 2024, the Service lost \$765,817.00 in user fee revenue.

This loss is mainly due to the reductions in monies received from the City of Niagara Falls for casino funding. The Service receives 18% of casino funding to a maximum of \$4,200,000.00 per annum. The City of Niagara Falls received a total of \$18,417,556.00 in funding from OLG in January to December 2024. As such, the Service received \$3,315,160.08 for the year, creating a shortfall of \$884,839.92 from the maximum funding levels. This loss of revenue is slightly offset by an increase to user fee revenue totalling \$154,956.08.

Other Revenue – For the period ending December 31, 2024, the Service reported additional revenue of \$262,945.00.

Other revenues records funds received to recover costs paid by the Service on behalf of third-party agencies; many of these revenues have offsetting costs that result in a net zero gain for the Service. In 2024, the Service recognized \$353,930.37 in additional cost recovery revenues for services such as POU, \$159,950.88 that recovers costs associated with uniform overtime. Shared IT infrastructure costs with the City of St Catharines Fire resulted in a recovery of \$92,178.28; these costs are recorded in the equipment, vehicle, and technology category. Vehicle insurance recovery funds are reported in this category, the Service received \$61,252.28 for damaging vehicles and costs associated with the repair are reported under intercompany chargebacks.

Offsetting these additional cost recovery funds is a lower-than-expected receipt of revenue from the sale of Service assets totalling \$88,478.00.

Indirect Allocations and Debt:

For the year ending December 31, 2024, indirect allocations and debt were below the approved budget by \$381,197.56, representing 1.9% of the total budget. The main savings are from lower than budgeted self-insured pay-outs.

Indirect allocations and debt are not approved by the Board as they are costs incurred by the Region and allocated to all regional departments and ABCs in accordance with Region Policy C-F-004 Cost Allocation. Indirect allocations include expenses for shared services such as finance, payroll, procurement, asset management, insurance, legal, IT, building maintenance, and property management. Also included are debt charges including principal and interest, as well as capital funding for Service projects funded through the Region's capital levy and capital funding for support projects that directly benefit the Service. The current favourable variance is resulting from allocations for legal expenses for self insurance claims.

The net expenditure budget after indirect allocations results in a net deficit of \$1,841,356.33; this deficit is reduced to \$1,300,891.75 when the recommended transfers from reserves are included.

Conclusion:

The detailed variance analysis has been prepared based on results of operations as at December 31, 2024. The Service and Board had a combined net expenditure before indirect allocations deficit of \$1,682,089.31 from normal operations that represents 0.9% of the total budget for the year. The Service incurred significant costs associated with the significant number of major investigations that occurred in the year, costs associated with resolution of pending WSIB claims, loss of Casino funding due to a reduction in Casino revenue. The Service was able to offset the impact with savings by \$3,642,072.70 from lags in hiring of uniform officers, savings to consulting, legal and telecommunications costs, as well as IT software and vehicle maintenance expenses.

Alternatives Reviewed

Not applicable.

Relationship to Police Service/Board Strategic Priorities

To comply with the provisions of By-Law 412-2024 - Financial Reporting, Control and Procurement of Goods and Services in the Niagara Regional Police Service.

Relevant Policy Considerations

- Section 289 of the Municipal Act requires municipalities to prepare a balanced budget that includes all expenditures and revenues for the taxation year.
- By-Law 412-2024 - Financial Reporting, Control and Procurement of Goods and Services in the Niagara Regional Police Service.
- The Regional Municipality of Niagara Surplus/Deficit Policy C-F-022.

Other Pertinent Reports

8.2 - 2024.06.27 Financial Variance Overview for the Period Ending March 31, 2024
8.4 - 2024.09.26 Financial Variance Overview for the Period Ending June 30, 2024
8.5 - 2024.11.28 Financial Variance Overview for the Period Ending
September 30, 2024

This report was prepared by Andrew Ware, Acting Finance Coordinator, Finance Unit, in consultation with and reviewed 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 Operating Statement of Revenue and Expenses for the Year Ending
December 31, 2024
- Appendix 2 Operating Statement by Object of Expenditure Sub-Category for the Year
Ending December 31, 2024

Niagara Regional Police Service and Board

Appendix 1: 2024 Operating Statement of Revenue and Expenses

| Object of Expenditure | 2023 Jan. - Dec Actual | 2024 Jan. - Dec Actual | 2024 Jan. - Dec Budget | Variance Surplus / (Deficit) | % |
|---|------------------------------|------------------------------|------------------------------|------------------------------------|---------------|
| Gross Expenditures | | | | | |
| Compensation | 176,242,127 | 192,600,441 | 190,489,665 | (2,110,777) | (1.1%) |
| Administrative | 4,493,476 | 4,563,340 | 4,687,185 | 123,844 | 2.6% |
| Operational & Supply | 2,681,118 | 3,618,611 | 2,751,841 | (866,771) | (31.5%) |
| Occupancy & Infrastructure | 293,411 | 385,735 | 395,400 | 9,665 | 2.4% |
| Equipment, Vehicles & Technology | 8,318,751 | 9,077,281 | 9,858,339 | 781,058 | 7.9% |
| Financial Expenditures | (273) | 13,285 | - | (13,285) | (100.0%) |
| Intercompany Charges | (2,108,964) | (2,051,960) | (2,128,883) | (76,924) | 3.6% |
| Transfers To/From Reserve Funds | 3,955,000 | 3,009,535 | 3,550,000 | 540,465 | 15.2% |
| | 193,874,646 | 211,216,270 | 209,603,546 | (1,612,724) | (0.8%) |
| Revenues | | | | | |
| Provincial Grants | (11,051,240) | (11,378,740) | (10,945,234) | 433,507 | (4.0%) |
| Fees for Service | (4,936,930) | (4,974,283) | (5,740,100) | (765,817) | 13.3% |
| Other Revenues | (3,735,927) | (4,705,829) | (4,442,884) | 262,945 | (5.9%) |
| | (19,724,097) | (21,058,852) | (21,128,218) | (69,365) | 0.3% |
| Net Expenditures Before Indirect Allocations | \$ 174,150,550 | \$ 190,157,418 | \$ 188,475,328 | \$ (1,682,089) | (0.9%) |
| Indirect Allocations & Debt | 17,007,225 | 19,701,048 | 20,082,245 | 381,198 | 1.9% |
| Net Expenditures After Indirect Allocations | \$ 191,157,774 | \$ 209,858,466 | \$ 208,557,574 | \$ (1,300,892) | (0.6%) |

Niagara Regional Police Service and Board

Appendix 2: 2024 Operating Statement By Object of Expenditure Sub-Category

| | 2023 Jan. - Dec Actual | 2024 Jan. - Dec Actual | 2024 Jan. - Dec Budget | Variance Surplus / (Deficit) | % |
|---|---------------------------------------|---------------------------------------|---------------------------------------|---|-----------------|
| Gross Expenditures | | | | | |
| Compensation | | | | | |
| Uniform Salaries & Wages | 97,597,682 | 106,207,753 | 104,712,161 | (1,495,592) | (1.4%) |
| Civilian Salaries & Wages | 35,273,755 | 38,993,134 | 38,435,174 | (557,961) | (1.5%) |
| Benefits & WSIB | 38,190,387 | 43,193,941 | 42,498,926 | (695,016) | (1.6%) |
| Additional Compensation | 4,197,457 | 3,476,866 | 3,800,654 | 323,788 | 8.5% |
| Special Duty | 224,936 | 328,783 | 366,750 | 37,967 | 10.4% |
| Sick Leave Payout | 757,909 | 399,962 | 676,000 | 276,038 | 40.8% |
| | 176,242,127 | 192,600,441 | 190,489,665 | (2,110,777) | (1.1%) |
| Administrative | | | | | |
| External Professional Services | 1,081,865 | 844,766 | 1,197,866 | 353,100 | 29.5% |
| Staff Development | 1,398,689 | 1,497,638 | 1,196,148 | (301,490) | (25.2%) |
| Office, Advertising, Travel | 651,985 | 706,944 | 639,516 | (67,428) | (10.5%) |
| Telephone & Communications | 988,227 | 1,111,550 | 1,282,278 | 170,728 | 13.3% |
| Licensing & Permits | 82,220 | 93,652 | 102,846 | 9,194 | 8.9% |
| Employee Medicals | 173,955 | 190,224 | 126,000 | (64,224) | (51.0%) |
| General Administrative Costs | 116,534 | 118,566 | 142,530 | 23,964 | 16.8% |
| | 4,493,476 | 4,563,340 | 4,687,185 | 123,844 | 2.6% |
| Operational & Supply | | | | | |
| Program Specific Supplies & Materials | 1,239,858 | 1,691,109 | 1,303,217 | (387,892) | (29.8%) |
| Uniforms | 1,044,033 | 1,221,048 | 772,650 | (448,398) | (58.0%) |
| Investigation Expense | 269,794 | 569,197 | 546,000 | (23,198) | (4.3%) |
| Other Expenses | 127,432 | 137,258 | 129,975 | (7,283) | (5.6%) |
| | 2,681,118 | 3,618,611 | 2,751,841 | (866,771) | (31.5%) |
| Occupancy & Infrastructure | | | | | |
| Property Leases | 99,885 | 107,885 | 98,950 | (8,935) | (9.0%) |
| Property & Infrastructure Maintenance | 193,525 | 277,851 | 296,450 | 18,599 | 6.3% |
| | 293,411 | 385,735 | 395,400 | 9,665 | 2.4% |
| Equipment, Vehicles & Technology | | | | | |
| Minor Equipment & Equipment Maintenance | 1,957,244 | 2,430,479 | 2,441,833 | 11,354 | 0.5% |
| Gasoline | 1,650,371 | 1,685,727 | 1,883,326 | 197,599 | 10.5% |
| Vehicle Maintenance | 1,192,825 | 1,245,385 | 1,433,000 | 187,615 | 13.1% |
| Computer Licences & Support | 3,518,311 | 3,715,689 | 4,100,180 | 384,491 | 9.4% |
| | 8,318,751 | 9,077,281 | 9,858,339 | 781,058 | 7.9% |
| Financial Expenditures | (273) | 13,285 | - | (13,285) | (100.0%) |
| Intercompany Charges | (2,108,964) | (2,051,960) | (2,128,883) | (76,924) | 3.6% |
| Transfers To/From Reserve Funds | 3,955,000 | 3,009,535 | 3,550,000 | 540,465 | 15.2% |
| Total - Gross Expenditures | 193,874,646 | 211,216,270 | 209,603,546 | (1,612,724) | (0.8%) |
| Revenues | | | | | |
| Provincial Grant Funding | (11,051,240) | (11,378,740) | (10,945,234) | 433,507 | (4.0%) |
| Fees For Service | (4,936,930) | (4,974,283) | (5,740,100) | (765,817) | 13.3% |
| Other Revenue | (3,735,927) | (4,705,829) | (4,442,884) | 262,945 | (5.9%) |
| Total - Revenues | (19,724,097) | (21,058,852) | (21,128,218) | (69,365) | 0.3% |
| Net Expenditures Before Indirect Allocations | \$ 174,150,550 | \$ 190,157,418 | \$ 188,475,328 | (1,682,089) | (0.9%) |
| Indirect Allocations & Debt | 17,007,225 | 19,701,048 | 20,082,245 | 381,198 | 1.9% |
| Net Expenditures After Indirect Allocations | \$ 191,157,775 | \$ 209,858,466 | \$ 208,557,573 | (1,300,891) | (0.6%) |