



NIAGARA REGIONAL POLICE SERVICE

Police Services Board Report

PUBLIC AGENDA

Subject: Budget – 2022 Revised Operating Budget
Report To: Chair and Members, Niagara Police Services Board
Report Date: 2021-11-12

Recommendation(s)

That the Police Services Board:

- 1. Receive and approve a revised 2022 Operating Budget for the Police Service and Board resulting in a Total Net Expenditure Budget before Indirect Allocations of \$168,377,688.**
- 2. Submit the revised budget of the Service and the Board to Regional Council for approval.**

Key Facts

- At the Budget Review Committee of the Whole Council meeting held on Thursday, November 4, 2021, the proposed 2022 Niagara Regional Police Service (NRPS) and Police Service Board budget of \$168,877,688, which represents an increase of 4.9% above 2021 approved budget was received for approval.
- After a lengthy discussion on the proposed 2022 budget, Council motioned to defer the approval of the 2022 NRPS Budget to allow the Service to consider a revised budget removing \$500,000 from the proposed operating budget.
- The Service considered four budget adjustment scenarios and assessed the risk of adopting each scenario on the operations of the Service and its ability to achieve its mandate.
- The Service is recommending a budget adjustment that will reduce the proposed one-time contributions to capital reserve by \$500,000, realized from the compensation savings of budgeting one less salary day in 2022. Rather these savings in compensation will be used to offset other known budget pressures, thereby reducing the budget increase from 4.9% to 4.5%.

Financial Considerations

The Service considered four budget adjustment scenarios to reduce the 2022 proposed budget by \$500,000, where each scenario was evaluated using a risk assessment on

impact to operations and our ability to achieve our mandate. As a result, the Service is recommending the following budget adjustment scenario be approved:

That the one-time discretionary savings of \$500,000 from the 2021 budget day savings be removed from contributions to reserve and used to mitigate the 2022 non-discretionary budget pressures.

This scenario being the least impactful to operations and to our mandate. The other three budget adjustment scenarios are outlined within the alternatives reviewed section of this report and are not recommended.

The recommended budget adjustment will be implemented as illustrated in the following table:

Reserve Funds	2022 Proposed Budget	Recommended Budget Adjustment	Transfer between Reserves	2022 Revised Budget
Vehicle Levy Reserve	\$2,110,000	(\$200,000)	\$175,000	\$2,085,000
Capital Levy Reserve	\$1,775,000	(300,000)	75,000	\$1,550,000
WSIB Future Employee Benefits	200,000	-		200,000
Contingency Reserve	250,000	-	(250,000)	-
Total - Contributions to Reserves	\$4,335,000	(\$500,000)	-	\$3,835,000

This budget adjustment scenario includes a one-time use of the contributions to contingency reserve of \$250,000 included in the base to be redirected to the capital levy reserve for 2022 to mitigate any future impacts on capital asset acquisitions. The purpose of the contingency reserve fund is to mitigate one-time cost pressures on the Service budget. The forecasted balance for December 31, 2021, is expected to be \$954,332. Although this balance falls short of the Region's reserve policy funding target of 16% of gross expenditures, nevertheless the Service recommends redirecting the contributions to the contingency reserve for 2022 only, and to resume these contributions in 2023.

This budget adjustment will only impact the contributions to reserves section of the budget and does not require a reduction to the budget related to compensation or other supplies therefore is the least impactful option to Service operations.

This recommended budget adjustment will result in a 2024 budget pressure of \$1.0M resulting from the requirement to budget an additional two salary days. This cost pressure is in addition to anticipated increases related to inflation and wage settlements. With 90% of the budget to fund salary and benefits, a mitigation strategy required to redirect \$1.0M in base budget funds to cover two salary days, will be a challenge.

Further, the removal of the one-time discretionary funds leads to a greater dependency on debt financing for capital asset replacement where a deferral may not be possible for assets requiring replacement in years 2023 to 2029.

This recommended budget adjustment results in a revised consolidated net expenditure budget for the Niagara Regional Police Service and the Board is \$168,377,688, which is a 4.5% increase to the 2021 approved budget.

Police Service	\$167,414,059
Board	963,629
Niagara Regional Police Service and Board	\$168,377,688

Analysis

At the Budget Review Committee of the Whole Council meeting held on Thursday, November 4, 2021, the proposed 2022 Niagara Regional Police Service (NRPS) budget was received for Council approval. Pending a lengthy discussion on the proposed 2022 budget the following motion was passed:

*“That consideration of the 2022 Proposed Operating Budget – Niagara Regional Police Service and Police Services Board **BE DEFERRED** to the Budget Review Committee of the Whole meeting being held on Thursday, November 25, 2021, to allow the Niagara Regional Police Services Board to provide a revised budget removing \$500,000 from the 2022 proposed operating budget as requested.”*

The request posed by Council to reduce the 2022 proposed budget by \$500,000 is derived from a report, BRC-C 9-2021, additional information regarding NRPS Budget – 2022 Proposed Operating Budget report, prepared by Region Corporate Services Staff. This report highlights the Service’s capital financing strategy included in the 2022 proposed operating budget. To recap, the capital financing strategy included an investment of \$320,000 incremental to the 2021 budget and \$500,000 one-time 2021 base savings redirected from salary accounts; this savings represents one budget salary day.

The strategy behind using one-time discretionary funds of \$500,000 for capital financing was twofold; 1) ensure funds available to procure the replacement of capital assets and 2) reduce the Service dependency on debt financing in the next few years as it strived to reach its target of \$5.6M in annual capital contributions.

Report BRC-C 9-2021 proposes the use of this one-time discretionary funds be used to reduce the 2022 budget increase of 4.9%.

The table below details the base increases and program changes impact on the 2021 revised operating budget of the Service and Board with the recommended budget adjustment as requested by Region staff and Council.

	\$	% Incr.
2021 Service & Police Service Board Approved Budget	\$161.1M	
Net Budget Impacts:		
Salary and benefit increases	5.9	3.7%
Capital funding investment	0.3	0.2%
Fuel rate increase	0.2	0.1%
Software licensing & other net expenses	0.3	0.2%
Loss of court security grant funding	0.1	0.0%
New 3 rd party P25 voice radio subscriber fee revenue	(0.3)	(0.2%)
Total – Net Budget Impacts	6.5	4.0%
2022 Base Budget before Program Changes	\$167.6	
Program changes	\$0.8	0.5%
2022 Net Expenditure Budget before Indirect Allocations	\$168.4M	4.5%

Updated schedules for the 2022 operating and capital budgets based on the revised 2022 operating budget are provided in the appendices. Appendix 1 provides a 2022 Revised Operating Budget - Statement of Revenues and Expenses. The revised 2022 capital budget schedules resulting from the recommended budget adjustment are provided in Appendix 2, Appendix 3 and Appendix 4(A).

Alternatives Reviewed

The Service considered the following alternative budget adjustment scenarios to achieve Council's request to reduce the proposed 2022 operating budget by \$500,000; however, are not recommended.

1. Reduce the contributions to Capital Levy Reserve by \$500,000
2. Reduce program changes by \$500,000
3. No reduction to the proposed 2022 operating budget

A risk assessment was conducted on each alternative budget adjustment option to determine impact to Service operations and to the preservation of Council support of the Service mandate. These three scenarios presented above were considered but are not recommended due to the impact to the Service operation and its ability to achieve its mandate. The determining factor was the requirement to defer capital asset acquisitions

or to delay the addition of much needed resources in Service programs that are currently underfunded.

Relationship to Police Service/Board Strategic Priorities

Under the provisions of the Act, the Police Services Board is responsible for providing adequate and effective police services in the Regional Municipality of Niagara.

Relevant Policy Considerations

In accordance with Section 39 of the Act, the Board submits a funding request to Regional Council for the upcoming year after reviewing and approving the Service's detailed budget submission.

Other Pertinent Reports

June 24, 2021, 8.1 – Budget Planning - 2022 Operating and Capital Budget

July 22, 2021, 8.2 – Capital Budget and 9 Year Forecast – Budget Year 2022

October 14, 2021, 5.1 – 2022 Niagara Regional Police Service and Police Services Board Proposed Operating Budget

This report was prepared by Laura Rullo, Manager, Finance, reviewed by Richard Frayne, Superintendent, Corporate Services and recommended by Bill Fordy, Deputy Chief of Police, Support Services.



Submitted by:

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Chief of Police

Appendices

- Appendix 1 - 2022 Revised Operating Budget – Statement of Revenue and Expenses
- Appendix 2 - Revised Projected Capital Levy Reserve and Vehicles and Equipment Replacement Reserve Fund Balances
- Appendix 3 - Revised Proposed Capital Budget & Nine-year Forecast: 2022 – 2031
- Appendix 4(A) - Revised Niagara Regional Police Service – Detailed 2023 Capital Budget Forecast

Niagara Regional Police Service
Appendix 1: 2022 Revised Operating Budget - Statement of Revenue and Expenses

	2022 Budget	2021 Budget	Variance	Variance %
Gross Expenditures				
Compensation	170,990,710	163,334,856	7,655,854	4.7%
Administrative	4,036,655	3,970,086	66,569	1.7%
Operational & Supply	2,372,750	2,446,003	(73,253)	-3.0%
Occupancy & Infrastructure	298,450	363,898	(65,448)	-18.0%
Equipment, Vehicles & Technology	7,505,587	7,131,630	373,957	5.2%
Financial Expenditures	-	100	(100)	-100.0%
Intercompany Charges	222,138	248,638	(26,500)	-10.7%
Transfers To/From Reserve Funds	3,470,000	1,860,000	1,610,000	86.6%
Total - Gross Expenditures	188,896,290	179,355,211	9,541,079	5.3%
Revenues				
Provincial Grants	(9,335,439)	(9,453,043)	117,604	-1.2%
Fees for Service	(5,940,500)	(4,881,500)	(1,059,000)	21.7%
Other Revenues	(3,075,829)	(2,334,116)	(741,713)	31.8%
Recoveries	(2,166,834)	(1,626,511)	(540,323)	33.2%
Total - Revenues & Recoveries	(20,518,602)	(18,295,170)	(2,223,432)	12.2%
Net Expenditures Before Indirect Allocations	\$ 168,377,688	\$ 161,060,041	\$ 7,317,647	4.5%

Revised Projected Capital Levy Reserve and Vehicles and Equipment Replacement Reserve Fund Balances

[illegible]

APPENDIX 3

Revised Proposed Capital Budget & Nine-year Forecast: 2022 - 2031

Year	2021 Forecast	2022 Program Changes	2022 Capital Budget & Forecast	Total Capital Expenditures	Sources of Financing for Capital Budget								
					Capital Levy	%	Vehicles & Equ'm Repl. Res. Fund	%	Debenture Approvals	%	%	Total Financing	%
2022	5,889,000	(1,972,100)	3,916,900	3,916,900	1,498,900	38.3	2,078,000	53.1	340,000	8.7	0.0	3,916,900	100.0
2023	44,314,000	(38,714,000)	5,600,000	9,516,900	1,900,000	33.9	1,950,000	34.8	1,750,000	31.3	0.0	5,600,000	100.0
2024	5,214,000	39,286,000	44,500,000	54,016,900	2,000,000	4.5	1,850,000	4.2	40,650,000	91.3	0.0	44,500,000	100.0
2025	3,614,000	1,786,000	5,400,000	59,416,900	2,300,000	42.6	1,950,000	36.1	1,150,000	21.3	0.0	5,400,000	100.0
Subtotal	59,031,000	385,900	59,416,900		7,698,900	13.0	7,828,000	13.2	43,890,000	73.9	0.0	59,416,900	100.0
2026	3,714,000	1,136,000	4,850,000	64,266,900	2,350,000	48.5	1,850,000	38.1	650,000	13.4	0.0	4,850,000	100.0
2027	3,664,000	1,586,000	5,250,000	69,516,900	2,900,000	55.2	1,950,000	37.1	400,000	7.6	0.0	5,250,000	100.0
2028	3,764,000	1,686,000	5,450,000	74,966,900	3,450,000	63.3	2,000,000	36.7	-	0.0	0.0	5,450,000	100.0
2029	3,864,000	1,836,000	5,700,000	80,666,900	3,700,000	64.9	2,000,000	35.1	-	0.0	0.0	5,700,000	100.0
2030	3,464,000	2,136,000	5,600,000	86,266,900	3,600,000	64.3	2,000,000	35.7	-	0.0	0.0	5,600,000	100.0
2031	8,850,000	-	8,850,000	95,116,900	3,500,000	39.5	2,350,000	26.6	3,000,000	33.9	0.0	8,850,000	100.0
Subtotal	27,320,000	8,380,000	35,700,000		19,500,000	54.6	12,150,000	34.0	4,050,000	11.3	0.0	35,700,000	100.0
Grand Total	86,351,000	8,765,900	95,116,900		27,198,900	28.6	19,978,000	21.0	47,940,000	50.4	0.0	95,116,900	100.0

APPENDIX 4(A)**Revised Niagara Regional Police Service - Detailed 2023 Capital Budget Forecast****Year: 2023**

Project Description	2021 Forecast for 2023	Program Changes	2023 Capital Budget	2023 Capital Financing			
				Capital Levy	Vehicles & Eq'm Repl. Fund	Debenture Approvals	Total 2023 Financing
Vehicles	1,500,000	450,000	1,950,000	-	1,950,000	-	1,950,000
IT & Network Equipment Replacement	950,000	50,000	1,000,000	1,000,000	-		1,000,000
NG911		100,000	100,000		-	100,000	100,000
Capital Asset Acquisitions	350,000	650,000	1,000,000	750,000		250,000	1,000,000
CEW Replacements	1,100,000	(950,000)	150,000	150,000	-		150,000
Speed Detection Devices	14,000	(14,000)	-	-	-	-	-
Body Worn Cameras		1,000,000	1,000,000			1,000,000	1,000,000
Mobile Communications Unit	400,000		400,000	-	-	400,000	400,000
Centralized Facility Model - Phase 2	40,000,000	(40,000,000)	-			-	-
				-			
TOTAL	44,314,000	-38,714,000	5,600,000	1,900,000	1,950,000	1,750,000	5,600,000
				33.9%	34.8%	31.3%	100.0%