



NIAGARA REGIONAL POLICE SERVICE

Police Services Board Report

PUBLIC AGENDA

Subject: Financial Variance Overview for the Period Ending Sept. 30, 2021
Report To: Chair and Members, Niagara Police Services Board
Report Date: 2021-11-09

Recommendation(s)

“That the Niagara Police Services Board receives this report for information”.

Key Facts

- The purpose of the report is to provide an analysis of the 2021 Q3 financial results and year end forecast of the Service and Board as per the Financial Reporting, Control and Procurement of Goods and Services By-Law 384-2019.
- For the period ending September 30, 2021, the Service and Board have a combined net expenditure before indirect allocations surplus of \$1,856,534.
- Based on the results for the nine-month period and the estimated financial impact of the COVID-19 emergency orders, the Service is forecasting a deficit of \$0.5 million by the end of this fiscal year.
- The forecasted incremental net cost resulting from the COVID-19 pandemic is \$3.6 million. The Region will fund the lost revenue from the City of Niagara Falls, which has been conservatively forecasted at \$3.3 million, with Safe Restart funds currently held in the Region's Taxpayer Relief Reserve Fund.

Financial Considerations

There are no direct financial implications from receipt of this report.

Analysis

The quarterly variance summary provides a synopsis of the combined financial operations for the Service and the Board for the period ending September 30, 2021, including net COVID unbudgeted costs.

As detailed in Appendix 1, for the period ending September 30, 2021, the Service and Board have a combined net expenditure before indirect allocations surplus of \$1,856,534. Based on third quarter results and other known pressures, the Service is forecasting a deficit of \$0.5 million by the end of this fiscal year.

The table below summarizes the year-end deficit forecasted based on September 30, 2021, results and known pressures.

Forecast Surplus/ (Deficit) by Activity:	\$ In Million	\$ In Million
Normal Operations		(\$0.2)
Covid-19 Costs:		
Net COVID-19 Costs	(3.6)	
COVID-19 Funding from Region Taxpayer Relief Reserve	3.3	(0.3)
Net Surplus/ (Deficit) Expenditure before Indirect Allocation		(\$0.5)

The Service will closely monitor the expenditures for the remaining quarter and develop mitigation strategies to offset the forecasted deficit from normal operations and COVID-19 expenditures. In the event, the COVID-19 costs cannot not be mitigated, a request to the Region will be made to consider funding this deficit with additional Safe Restart funding if such funds are available.

COVID-19 Costs:

In March 2020, in response to the growing COVID-19 pandemic, the Service initiated the Pandemic Business Continuity Plan to support the emergency orders mandated by government and health agencies. Activities included the purchase of additional and alternative infection control supplies and personal protective equipment (PPE), introduction of social distancing protocols, and introduction of administrative leave for identified members out of the workplace due to COVID-19 related restrictions.

The Region applied for Phase 1 and Phase 2 of the Safe Restart Agreement Program from the Ontario government to help offset the operating costs and pressures incurred due to COVID-19. The application included the Service's COVID-19 expenditures.

In 2020, the Region received \$12.185 million in Phase 1 funding, as well as \$6.743 million in Phase 2 funding. Although the Safe Restart funds were not directly allocated to the Region's Agencies, Boards, and Commissions (ABCs), the 2020 Service deficit was absorbed within the Region's consolidated net surplus. This net surplus included the Safe Restart funding, and the excess was transferred to the Region's Taxpayer Relief Reserve Fund to mitigate future COVID-19 cost pressures.

As of September 30, 2021, the net incremental costs related to COVID-19 is \$2,701,544. Included in this cost is the loss of the OLG transfer payments from the City of Niagara Falls of \$2,450,000. The remaining costs include personnel costs specific to COVID-19 activities and supply costs.

On July 23, 2021, Niagara Casinos resumed operations at reduced capacity. At the time of this report, the Region has agreed to fund the lost revenue from the City of Niagara

Falls resulting from Casino closures using Safe Restart funding currently held within the Region's Taxpayer Relief Reserve Fund. This lost revenue has been forecasted at \$3.3 million. The remaining forecasted COVID-19 costs of \$0.3 million are associated to purchases of personal protective equipment, supplies for decontamination of vehicles and surface areas and replacement cost for staff on administrative leave. Once final year end results are known, then Region staff will consider providing additional COVID-19 Safe Restart funding to assist all expenses incurred as a result of COVID-19.

A financial impact summary, which includes supported salary costs, incremental direct costs, as well as savings because of mitigation strategies implemented by the Service for the period ending on September 30, 2021, as well as the year end forecast, is provided in Appendix 2.

The following variance analysis provides a synopsis of the financial activity within each object of expenditure as reported in Appendix 3.

Compensation:

For the period ending September 30, compensation costs were below the approved budget by \$440,285, which represents 0.4% of the total compensation budget. This favorable variance is the result of savings realized within uniform salaries due to hiring lags from vacant positions. These savings are partially offset by increased spending in civilian salaries to backfill operationally essential positions, increased spending on employer-provided health benefits as well as current WSIB claims experience.

The incremental unbudgeted cost impact on compensation attributable to COVID-19 is \$235,087. These costs were incurred to replace members off on administrative leave based on Public Health recommendations, as well as overtime for COVID-19 specific events.

The Service is forecasting the year end results for compensation to be over budget by \$1.25 million inclusive of COVID-19 costs. There are three main contributing factors from normal activities which have led to this unfavorable position. Firstly, after the close of the September general ledger, staff were notified of the results of a civilian job reevaluation involving multi-incumbents that will have a significant impact on the Services' year-end financial position. Secondly, civilian replacement costs for operationally essential positions will continue to be over budget levels to year end. Lastly, WSIB and Health & Dental costs from increasing claims experience are expected to continue to impact the year end position. These forecasted costs over budget are partially offset by uniform salary savings from lags due to the replacement of vacant positions; however, these savings in uniform salaries are carried forward from the first two quarters of the year as uniform salaries was on budget in the third quarter period.

Administrative:

For the period ending September 30, administrative costs were below the approved budget by \$568,958, which represents 19.1% of the total administrative budget. This favorable variance is the result of timing of expenditures related to consulting services and legal expenses. In addition, COVID-19 related savings in staff development from reduced travel and cancelled events, conferences, and training sessions.

Based on year-to-date results, the Service is forecasting administrative costs to be under budget by approximately \$0.5 million by year-end inclusive of COVID costs. This forecasted favorable position is anticipated because of reduced attendance at staff development events for the remainder of the year.

Operational and Supply:

For the period ending September 30, operational and supply costs were above the approved budget by \$77,616, which represents 4.1% of the total operational and supply budget. The unfavorable variance arises from expenses incurred in the course of ongoing special investigations but is offset by savings realized within program specific supplies and expenses due to timing.

Also included in operational and supply are COVID-19 supply costs for signage, disinfectant, and decontamination.

Based on year-to-date results, the Service is forecasting operational and supply costs to remain at the current over budget position of \$0.1 million.

Occupancy and Infrastructure:

For the period ending September 30, occupancy and infrastructure costs were below the approved budget by \$142,025, which represents 52.0% of the total occupancy and infrastructure budget. This favorable variance is the result of savings in leases and minor building renovations due to the timing of projects completed during the year.

Based on year-to-date results, the Service is forecasting occupancy and infrastructure costs to remain at current favorable position of \$0.1 million.

Equipment, Vehicles and Technology:

For the period ending September 30, equipment, vehicles, and technology costs were below the approved budget by \$430,706, which represents 7.9% of the total equipment, vehicles, and technology budget. This favorable variance is mainly due to the timing of purchases in minor machinery and equipment, office furniture and maintenance contracts.

Based on year-to-date results, the Service is forecasting equipment, vehicles, and technology costs to be under budget by approximately \$0.4 million by year-end based on savings related to a delay in the implementation of software license agreements, to reduced vehicle maintenance and parts purchases and equipment leases.

Intercompany Charges and Reserve Transfers:

The Q1 loss of revenue from the Casino closures of \$1,050,000 was offset by a contribution from the Region's Taxpayer Relief reserve fund; this was included in the 2021 budget. The 2021 budget anticipated a reopening of the Casino's by April 2021; however, this did not occur until late July. Therefore, the Service continued to experience loss of Casino revenue for an additional period of four months, April to July, which was offset by additional COVID-19 Safe Restart funds provided by the Provincial Government to the Region. The September 30, 2021, results include total contributions from the Safe Restart funding totalling \$2,450,000, which represents the Casino revenue shortfall from January to July. The Service billed the City of Niagara Falls for the period of August to September. Preliminary discussions with the City of Niagara staff have indicated the Service should expect to receive a reduced revenue allotment, because actual revenues are anticipated to be below pre-COVID levels for 2021.

Based on this information, the Service has been advised by the Region that it will continue to cover the revenue shortfall with a contribution from the Region's Taxpayer Relief Reserve Fund. At this time, the forecasted contributions from reserve to offset the Casino revenue shortfall for 2021 is estimated at \$3.3 million.

Revenues & Recoveries:

For the period ending September 30, revenues and recoveries were above the approved budget by \$570,170, which represents 5.5% of the total revenues and recoveries budget. This variance is mainly the recognition of revenue for the period of August and September billed to the City of Niagara Falls for the Service's share of OLG transfer payments, whereas the budget for this period is reported within the Intercompany Charges.

The favourable variance reported is partially offset by lower than budgeted grant revenues for the Court Security and Prisoner Transportation (CSPT) annual funding allotment for the 2021 year, which resulted in an annual reduction of \$133,954 from the previous year. In addition, fees for services are below budget levels mainly for revenues received for providing background checks to the public.

Based on year-to-date results, the Service is forecasting revenues and recoveries to remain at the current level above budget by approximately \$0.6 million by year-end. This is mainly an estimate of the potential revenue to be received by the City of Niagara Falls.

Conclusion:

The detailed variance analysis has been prepared based on results of operations as of September 30, 2021, and on information received post results. The Service is forecasting a deficit position of \$0.5M by year end. Currently, the Service is closely monitoring the expenditures in the last quarter of the year and where possible, will identify any mitigation opportunities available.

Alternatives Reviewed

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

Relationship to Police Service/Board Strategic Priorities

To ensure compliance to the Financial Reporting, Control and Procurement of Goods and Services in the Niagara Regional Police Service By-Law 384-2019.

Relevant Policy Considerations

- Section 289 of the Municipal Act requires municipalities to prepare a balanced budget that includes all of the expenditures and revenues for the taxation year.
- Financial Reporting, Control and Procurement of Goods and Services in the Niagara Regional Police Service By-Law 384-2019.

Other Pertinent Reports

- 2021/05/20 Public 7.3 – Financial Variance Report – January 1 to March 31, 2021
- 2021/09/23 Public 7.6 – Financial Variance Report – January 1 to June 30, 2021

This report was prepared by Curtis Custers, Financial Analyst, in consultation with Laura Rullo, Manager, Finance, reviewed by Chris Healey, Acting Superintendent, Corporate Services and recommended by Bill Fordy, Deputy Chief of Police, Support Services.



Submitted by:

Bryan MacCulloch, M.O.M. #5835
Chief of Police

Appendices

- Appendix 1 2021 Operating Statement of Revenue and Expenses
- Appendix 2 COVID-19 Pandemic Financial Impact for Period Ending Sept. 30, 2021
- Appendix 3 2021 Operating Statement by Object of Expenditure

Niagara Regional Police Service and Board
Appendix 1: 2021 Operating Statement of Revenue and Expenses

	2020 Jan. - Sept. Actual	2021 Jan. - Sept. Actual	2021 Jan. - Sept. Budget	Variance Surplus / (Deficit)	%	2020 Full Year Actual	2021 Annual Forecast	2021 Annual Budget	Forecast vs Budget	%
Gross Expenditures										
Compensation	113,255,367	120,634,092	121,074,377	440,285	0.4%	154,297,907	164,718,515	163,468,447	(1,250,068)	(0.8%)
Administrative	2,562,014	2,408,789	2,977,747	568,958	19.1%	3,540,769	3,473,730	3,970,086	496,356	12.5%
Operational & Supply	2,168,895	1,975,105	1,897,490	(77,616)	(4.1%)	2,622,415	2,543,220	2,446,553	(96,667)	(4.0%)
Occupancy & Infrastructure	207,709	130,906	272,931	142,025	52.0%	266,688	229,858	363,898	134,040	36.8%
Equipment, Vehicles & Technology	5,032,033	5,011,158	5,441,864	430,706	7.9%	6,646,388	6,814,165	7,224,642	410,477	5.7%
Financial Expenditures	(206)	(5,091)	72	5,163	7170.2%	5,696	100	100	-	0.0%
Intercompany Charges	(1,041,680)	(3,960,242)	(3,133,398)	826,844	(26.4%)	(1,407,385)	(4,799,962)	(4,527,873)	272,089	(6.0%)
Transfers To/From Reserve Funds	2,850,000	2,182,500	1,132,500	(1,050,000)	(92.7%)	2,828,666	2,910,000	1,860,000	(1,050,000)	(56.5%)
	125,034,131	128,377,218	129,663,583	1,286,365	1.0%	168,801,144	175,889,626	174,805,853	(1,083,773)	-0.6%
Revenues										
Provincial Grants	(7,238,194)	(7,071,824)	(7,182,793)	(110,969)	1.5%	(9,641,503)	(9,408,945)	(9,546,055)	(137,111)	1.4%
Fees for Service	(1,900,249)	(1,946,665)	(1,323,887)	622,778	(47.0%)	(2,176,514)	(2,428,380)	(1,731,500)	696,880	(40.3%)
Other Revenues	(1,635,010)	(1,909,562)	(1,851,201)	58,361	(3.2%)	(2,241,415)	(2,525,837)	(2,468,256)	57,580	(2.3%)
	(10,773,453)	(10,928,050)	(10,357,881)	570,170	(5.5%)	(14,059,432)	(14,363,161)	(13,745,812)	617,349	(4.5%)
Net Expenditures Before Indirect Allocations	\$ 114,260,678	\$ 117,449,168	\$ 119,305,702	\$ 1,856,534	1.6%	\$ 154,741,712	\$ 161,526,465	\$ 161,060,041	\$ (466,424)	(0.3%)

Appendix 2: COVID-19 Pandemic Financial Impact for Period Ending September 30, 2021

	Expenses as of Date	Expenses Incurred to Date	Forecast
Salary Costs Supported by Approved Operating Budget			
1. Permanent Members on Administrative Leave	October 2	597,226	652,726
2. Members on Rotating Shifts	October 2	-	-
Associated Benefit Costs	October 2	160,056	174,930
Salary Costs Supported by Approved Operating Budget		757,282	827,656
Incremental Direct Costs related to COVID-19			
2. Personnel Costs Specific to COVID-19 Activities	October 2	235,087	247,767
3. Other Supply Costs	September 30	208,327	266,502
4a. Lost Revenue - Casino Closure	September 30	2,450,000	3,325,000
4b. Lost Revenue - Other Revenue	September 30	115,101	178,398
Total - Incremental Direct Costs related to COVID-19		3,008,515	4,017,667
5. Savings Related to COVID-19			
	September 30	(306,971)	(395,320)
Total Net Costs related to COVID-19		3,458,826	4,450,003
Less Salary Costs Supported by Approved Operating Budget		(757,282)	(827,656)
Net Incremental Costs related to COVID-19		2,701,544	3,622,347

Statement Notes

1. Permanent member on administrative leave due to COVID-19 restrictions where possible these members are working from home and are only replaced when operationally essential.
2. Positions identified where working from home is not possible and rotating shifts were implemented to support COVID-19 restrictions.
3. Includes the purchase of additional and alternative infection control supplies, personal protective equipment and other costs resulting from implementation of COVID-19 measures.
- 4a. Anticipated loss of third party revenues; \$3.3M from City of Niagara Falls OLG Transfer Payments. Q1 lost revenue of \$1.05M was approved in the 2021 operating budget to be funded through the Region's Taxpayer Relief Reserve Fund.
- 4b. Anticipated loss of third party revenues; special duty and fees for services in Records Unit.
5. Savings realized from cancelation of conference/workshop including travel related costs, special duty labor costs and administrative travel and meal expenses.

Niagara Regional Police Service and Board
Appendix 3: 2021 Operating Statement By Object of Expenditure

	2020 Jan. - Sept. Actual	2021 Jan. - Sept. Actual	2021 Jan. - Sept. Budget	Variance Surplus / (Deficit)	%	2020 Full Year Actual	2021 Annual Forecast	2021 Annual Budget	Forecast vs Budget	%
Gross Expenditures										
Compensation										
Uniform Salaries & Wages	63,765,432	68,561,257	69,128,701	567,445	0.8%	86,771,506	91,742,824	92,795,979	1,053,155	1.1%
Civilian Salaries & Wages	23,586,537	24,473,563	24,172,751	(300,813)	(1.2%)	31,900,210	33,556,053	32,392,555	(1,163,498)	(3.6%)
Benefits & WSIB	23,983,639	25,956,839	26,110,506	153,666	0.6%	31,547,812	35,070,278	33,999,121	(1,071,157)	(3.2%)
Additional Compensation	788,646	709,550	700,677	(8,873)	(1.3%)	2,890,095	3,094,879	3,026,542	(68,337)	(2.3%)
Special Duty	173,012	450,090	415,742	(34,348)	(8.3%)	231,032	526,481	526,250	(231)	(0.0%)
Sick Leave Payout	958,102	482,792	546,000	63,208	11.6%	957,252	728,000	728,000	-	0.0%
	113,255,367	120,634,092	121,074,377	440,285	0.4%	154,297,907	164,718,515	163,468,447	(1,250,068)	(0.8%)
Administrative										
External Professional Services	718,876	573,786	761,556	187,770	24.7%	1,082,848	1,014,326	1,015,400	1,074	0.1%
Staff Development	474,741	528,674	795,258	266,584	33.5%	703,602	754,258	1,060,283	306,025	28.9%
Office, Advertising, Travel	403,070	327,895	442,135	114,240	25.8%	501,805	446,482	589,430	142,948	24.3%
Telephone & Communications	681,651	687,204	681,645	(5,559)	(0.8%)	889,152	908,668	908,823	155	0.0%
Licensing & Permits	86,838	114,968	86,652	(28,316)	(32.7%)	116,938	131,000	115,531	(15,469)	(13.4%)
Employee Medicals	108,824	91,105	116,991	25,886	22.1%	151,271	121,473	155,989	34,516	22.1%
General Administrative Costs	88,014	85,157	93,510	8,352	8.9%	95,153	97,523	124,630	27,107	21.8%
	2,562,014	2,408,789	2,977,747	568,958	19.1%	3,540,769	3,473,730	3,970,086	496,356	12.5%
Operational & Supply										
Program Specific Supplies & Materials	962,415	777,141	918,901	141,759	15.4%	992,431	1,068,510	1,141,843	73,333	6.4%
Uniforms	548,762	544,837	543,115	(1,722)	(0.3%)	849,482	724,070	724,070	-	0.0%
Investigation Expense	620,937	612,433	386,585	(225,848)	(58.4%)	715,858	685,450	515,450	(170,000)	(33.0%)
Other Expenses	36,781	40,694	48,890	8,196	16.8%	64,643	65,190	65,190	-	0.0%
	2,168,895	1,975,105	1,897,490	(77,616)	(4.1%)	2,622,415	2,543,220	2,446,553	(96,667)	(4.0%)
Occupancy & Infrastructure										
Property Leases	92,294	82,743	128,773	46,030	35.8%	109,435	117,009	171,698	54,689	31.9%
Property & Infrastructure Maintenance	115,415	48,163	144,158	95,994	66.6%	157,253	112,849	192,200	79,351	41.3%
	207,709	130,906	272,931	142,025	52.0%	266,688	229,858	363,898	134,040	36.8%
Equipment, Vehicles & Technology										
Minor Equipment & Equipment Maintenance	1,457,560	1,393,985	1,561,686	167,701	10.7%	1,968,118	1,956,619	2,065,677	109,058	5.3%
Gasoline	863,908	1,103,944	1,045,350	(58,594)	(5.6%)	1,150,208	1,489,762	1,393,800	(95,962)	(6.9%)
Vehicle Maintenance	1,044,093	850,777	1,077,975	227,198	21.1%	1,393,521	1,151,181	1,437,300	286,119	19.9%
Computer Licences & Support	1,666,472	1,662,452	1,756,853	94,401	5.4%	2,134,541	2,216,603	2,327,866	111,263	4.8%
	5,032,033	5,011,158	5,441,864	430,706	7.9%	6,646,388	6,814,165	7,224,642	410,477	5.7%
Financial Expenditures	(206)	(5,091)	72	5,163	7170.2%	5,696	100	100	-	0.0%
Intercompany Charges	(1,041,680)	(3,960,242)	(3,133,398)	826,844	(26.4%)	(1,407,385)	(4,799,962)	(4,527,873)	272,089	(6.0%)
Transfers To/From Reserve Funds	2,850,000	2,182,500	1,132,500	(1,050,000)	(92.7%)	2,828,666	2,910,000	1,860,000	(1,050,000)	(56.5%)
Total - Gross Expenditures	125,034,131	128,377,218	129,663,583	1,286,365	1.0%	168,801,144	175,889,626	174,805,853	(1,083,773)	(0.6%)
Revenues										
Provincial Grant Funding	(7,238,194)	(7,071,824)	(7,182,793)	(110,969)	1.5%	(9,641,503)	(9,408,945)	(9,546,055)	(137,111)	1.4%
Fees For Service	(1,900,249)	(1,946,665)	(1,323,887)	622,778	(47.0%)	(2,176,514)	(2,428,380)	(1,731,500)	696,880	(40.3%)
Other Revenue	(1,635,010)	(1,909,562)	(1,851,201)	58,361	(3.2%)	(2,241,415)	(2,525,837)	(2,468,256)	57,580	(2.3%)
Total - Revenues	(10,773,453)	(10,928,050)	(10,357,881)	570,170	(5.5%)	(14,059,432)	(14,363,161)	(13,745,812)	617,349	(4.5%)
Net Expenditures Before Indirect Allocations	\$ 114,260,678	\$ 117,449,168	\$ 119,305,702	\$ 1,856,534	1.6%	\$ 154,741,712	\$ 161,526,465	\$ 161,060,041	\$ (466,424)	(0.3%)