



**REGIONAL MUNICIPALITY OF NIAGARA
POLICE SERVICES BOARD
FINANCE COMMITTEE
PUBLIC AGENDA**

Thursday, February 11, 2021, 9:00 am
Meeting Held By Electronic Participation Only
ZOOM VIRTUAL MEETING

Due to the efforts to contain the spread of COVID-19, Niagara Regional Police Headquarters will not be open to the public to attend Board meetings until further notice. To view the live-stream meeting proceedings, please visit <https://calendar.niagarapolice.ca/meetings>

Pages

1. CALL TO ORDER
2. DECLARATIONS OF CONFLICT/PECUNIARY INTEREST
3. ADOPTION OF MINUTES

There are no Minutes from any previous meeting to adopt.
4. PRESENTATIONS
5. NEW BUSINESS

5.1. Ontario CCTV Grant Program Capital Project

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Service report dated February 1, 2021 seeking Board approval for the creation of a capital project in the amount of \$180,000 to support the Ontario CCTV Grant Program and allow for proper accounting and tracking of asset purchases by way of funding in the amount of \$90,000 from the Ministry of the Solicitor General, \$15,000 from the City of St. Catharines, \$15,000 from the City of Niagara Falls, and \$60,000 from the Niagara Regional Police Service.

That the Board approve a gross capital budget adjustment in the amount of \$180,000 gross and \$0 net for the Ontario CCTV Grant Program funded from Other External Funding in the amount of \$120,000 and from the NRPS Capital Levy in the amount of \$60,000 (transferred from existing projects);

And further, that the Board forward this proposal to the Region's Commissioner and Treasurer for approval.

5.2. P25 Voice Radio System Expansion Capital Project

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Service report dated February 5, 2021 requesting the Board approve a recommendation to Regional Council for the creation of a capital project in the amount of \$2,402,810 gross and \$0 net to support the P25 Voice Radio System Expansion.

That the Board recommend to Regional Council that a capital budget adjustment in the amount of \$2,402,810 gross and \$0 net be approved and initiated for the P25 Voice Radio System Expansion Project and that it be funded through Other External Funding in the amount of \$2,402,810.

5.3. NRPS/PSB Reserve Fund Balance - As at December 31 2020

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Service report dated February 5, 2021 providing the Board with a summary of the Niagara Regional Police Service and Board Reserves in accordance with Board By-Law 384-2019 (Niagara Police Services Board Financial Reporting, Control and Procurement), and the Niagara Region's Reserve and Reserve Fund Policy (C-F-013), to formalize guidelines in order to effectively manage Niagara Region Reserves and Reserve Funds and ensure adequate reserves are held for both planned and unexpected future expenditures.

That the information be received.

5.4. NRPS/PSB Financial Variance Report for Period Ending December 31, 2020

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Service report dated February 5, 2021 providing the Board with an analysis of the 2020 year-end financial results of the Service and Board and requesting, subject to approval by Regional Council, a transfer of \$69,084 from the Accumulated Sick Leave Reserve to offset the additional pay-out of Sick Credits, and a transfer of \$2,250 from the OPVTA Reserve to offset a slight deficit from current year operations.

That subject to the approval by Regional Council of the Consolidated Regional Year End Transfer Report, the Board approves the following:

1. A transfer of \$69,084 from the Accumulated Sick Leave Reserve to offset the additional pay-out of Sick Credits, and;
2. A transfer of \$2,250 from the OPVTA Reserve to offset a slight deficit from current year operations.

6. OTHER NEW BUSINESS

7. ADJOURNMENT

The Police Services Board will adjourn the public portion of the meeting and reconvene in-camera for consideration of confidential matters pursuant to Section 35(4) of the Police Services Act.



NIAGARA REGIONAL POLICE SERVICE

Police Services Board Report

PUBLIC AGENDA

Subject: Ontario CCTV Grant Program Capital Project

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

Report Date: 2021-02-01

Recommendation(s)

1. That the Niagara Regional Police Services Board approves a gross capital budget adjustment in the amount of \$180,000 gross and \$0 net for the Ontario CCTV Grant Program and that the project be funded as follows:
 - Other External Funding - \$120,000
 - NRPS Capital Levy - \$60,000 (Transferred from Existing Projects)
2. That the Niagara Regional Police Services Board forwards this proposal to the Region's Commissioner and Treasurer for approval.

Key Facts

- The purpose of this report is to seek the Board's approval for the creation of a capital project in the amount of \$180,000 to support the Ontario CCTV Grant Program.
- At the November 26 Confidential Board Meeting, the Board approved the Ontario Transfer Payment Agreement for the Ontario CCTV Grant Program.
- The creation of this capital project will allow for proper accounting and tracking of asset purchases.
- The funding of this project will include \$90,000 from the Ministry of the Solicitor General, \$15,000 from The City of St. Catharines, \$15,000 from the City of Niagara Falls, and \$60,000 from the Service.

Financial Considerations

The approval of this recommendation will support the implementation of the Ontario CCTV Grant Program. The Gross expenditure of \$180,000 for the purchase and installation of 12 CCTV cameras will be partially funded by Third-Party revenue sources, which include \$90,000 from the Ministry of the Solicitor General through the grant program, \$15,000 from the City of St. Catharines, \$15,000 from the City of Niagara Falls.

In addition, the Service will be contributing \$60,000 to the project. To ensure there is no further impact to the Capital Levy, as the 2021 Capital Budget has already been approved

by the Board, the Service has performed an extensive review of all existing IT capital projects and identified surpluses in five capital projects that can be reallocated to fund the new project. They include:

Project Number	Project Name	Amount Available
10PO1102	Radio System Infr. & Equipment	\$ 9,970.00
20000734	18-Annual NRPS IT & Equipment	\$ 4,875.00
20000342	NRPS – 2017 Network Infrastructure	\$ 23,000.00
20000159	NRPS – 2016 Network Infrastructure	\$ 3,149.00
10PO1311	Voice Radio System	<u>\$ 19,006.00</u>
Total		\$ 60,000.00

Analysis

In September 2020, the Service applied for the Ontario Closed Circuit Television (CCTV) Grant Program to support the initiative “CCTV Niagara: A long Term Mitigation Strategy to Reduce Gang Related Crime and Violence in our Downtown and Tourist Zones.” This would allow the Service to purchase and install 12 new CCTV cameras to cover 6 locations (2 per location for 360° viewing) at the highest crime areas in the Region’s larger cities. This grant application was subsequently approved in November 2020 and funding for the project is expected to be received in January 2021.

The Service defines a capital asset as durable facilities or equipment and other tangible assets that have a useful life extending beyond one year. In addition, the total cost of the asset must exceed a \$5,000 threshold used by both the Region and the Service in the determination of whether an asset should be included in the capital or operating budget.

As the purchase of the CCTV cameras meets both criteria above, the Service has decided that the creation of a capital project will follow the proper accounting treatment. In addition, it will allow for the purchases to be easily identifiable for grant reporting purposes and ensure that funds are not overspent.

In accordance with the Boards Financial Reporting, Control and Procurement By-Law section 8.5.1, “*Capital and operating budget amendments and/or adjustments will be made in accordance with Region’s Budget Control By-Law.*” The Region’s Budget Control By-Law section 6.6 b) states that, “*In-year receipt of funding for Capital Projects may result in the creation or broadening in scope of a Capital Project in accordance with and when required by the terms of the funding received. If the funding is not included in the Council-approved annual Budget, with the approval of the Commissioner and Treasurer (for amounts not exceeding \$1 million) a Budget Adjustment will be made to reflect the additional revenue and expenses. Amounts exceeding \$1 million will be adjusted with Council’s approval.*”

As the capital budget adjustment request does not exceed the \$1 million threshold, the Service is requesting this proposal be forwarded to the Region’s Commissioner and Treasurer for approval.

Alternatives Reviewed

The Service has reviewed the alternative of recording the third-party revenue and asset purchases in the operating budget, which would not require a capital budget adjustment. However, to ensure compliance with all by-laws, to ensure proper accounting treatment, and for ease of identifying and reporting on purchases, it was determined that a capital budget adjustment was the preferred option.

Relationship to Police Service/Board Strategic Priorities

This capital budget adjustment will support the implementation of the previously approved Ontario CCTV Grant Program.

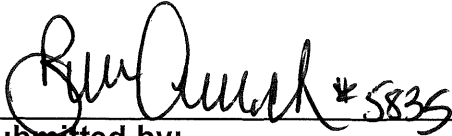
Relevant Policy Considerations

- Regional Municipality of Niagara Police Services Board By-Law No. 384-2019 “A By-law to Regulate Financial Reporting, Control and Procurement of Goods and Services in the Niagara Regional Police Service”
- The Regional Municipality of Niagara By-Law No. 2017-63 “A By-law to Define Budget Control for the Regional Municipality of Niagara”

Other Pertinent Reports

2020/11/26 Confidential 8.1 Ministry of the Solicitor General – 2020/21 Ontario Closed Circuit Television (CCTV) Grant Agreement – NRPS CCTV Expansion Project

This report was prepared by Courtney Woods, Financial Analyst in consultation with Laura Rullo, Finance Manager and Akram Askoul, Director Technology Services, reviewed by Richard Frayne, 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

None



NIAGARA REGIONAL POLICE SERVICE

Police Services Board Report

PUBLIC AGENDA

Subject: P25 Voice Radio System Expansion Capital Project

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

Report Date: 2021-02-05

Recommendation(s)

That the Niagara Police Services Board recommends to Regional Council that a gross capital budget adjustment in the amount of \$2,402,810 gross and \$0 net be approved (and initiated) for the P25 Voice Radio System Expansion and that the project be funded through Other External Funding of \$2,402,810.

Key Facts

- The purpose of this report is to seek the Board's recommendation to Regional Council for the creation of a capital project in the amount of \$2,402,810 gross and \$0 net to support the P25 Expansion.
- At the January 21 Confidential Board Meeting, the Board approved the MOU with the Canadian Border Services Agency (CBSA) regarding the P25 Voice Radio System Licence Agreement and System Expansion as well as the related capital budget adjustment for 2021.
- The Service is bringing forward the capital budget adjustment request in a public agenda so that all budget deliberations can be done at the Region in public.
- This project will be fully funded by the CBSA.

Financial Considerations

The CBSA is assuming full responsibility for the necessary P25 VRS capital acquisition and operating expenses associated with Radio Sites infrastructure expansion equipment, Software Licenses, Professional SI (System Integration) Services, installation, provisioning, and Lifecycle Support Services. The capital investment is required to expand the channel capacity of the P25 VRS to meet the technical requirements for onboarding up to 500 CBSA Subscribers as a maximum upset limit.

There are three payment components:

1. Radio sites infrastructure expansion equipment and software licenses totalling \$2,062,821 (Capital).

2. Professional SI (System Integration) Services, installation, and provisioning totalling \$339,989 (Capital).
3. Warranty/Lifecycle support services totalling \$1,054,018 (Operating).

A capital project will be created for the equipment and installation with third party revenue from CBSA as the funding source. The NRPS will issue a Purchase Order (PO) to Motorola for the entire project and invoice CBSA concurrently based on the payment milestones for the first two components as noted below:

- 25% on contract signing
- 60% on shipment of equipment
- 10% on installation
- 5% on system acceptance

The impact to the Operating Budget will include the Warranty/Lifecycle Support Services annual expense, matching offsetting revenue from CBSA, as well as the annual license fee revenue to recover the Services operating expenses for running the P25 system.

For the Warranty/Lifecycle Support Services, the payments will be annualized throughout the support services lifecycle of ten (10) years. These payments will be an operating expense for the Service which will then be charged back to the CBSA annually.

Analysis

At the January 21 Confidential Board Meeting, the Board approved the MOU with the CBSA regarding the P25 Voice Radio System Licence Agreement and System Expansion as well as the related capital budget adjustment for 2021. The Service is bringing forward the capital budget adjustment request in a public agenda so that all budget deliberations can be done at the Region in public.

As per Regional By-law 2017-63 section 6.6 b) In-year receipt of funding for Capital Projects may result in the creation or broadening in scope of a Capital Project in accordance with and when required by the terms of funding received. If the funding is not included in the Council-approved annual budget, with the approval of the Commissioner and Treasurer (for amounts not exceeding \$1 million) a Budget Adjustment will be made to reflect the additional revenue and expenses. Amounts exceeding \$1 million will be adjusted with Council's approval.

As the Capital Project exceeds the \$1 Million threshold, the Service is requesting the Board forward this proposal to Regional Council for approval.

Alternatives Reviewed

None considered.

Relationship to Police Service/Board Strategic Priorities

The NRPS is dedicated to improving the services it provides its citizens and looks for opportunities to enhance the offering and delivery of those services, while at the same time improving the effectiveness and efficiency of its workforce.

Relevant Policy Considerations

- Regional Municipality of Niagara Police Services Board By-Law 384-2019, 'Financial Reporting, Control and Procurement of Goods and Services in the Niagara Regional Police Service.'
- Regional Municipality of Niagara By-Law No. 2017-63, 'A By-Law to Define Budget Control for the Regional Municipality of Niagara'.

Other Pertinent Reports

This report was prepared by Courtney Woods, Financial Analyst in consultation with Laura Rullo, Finance Manager and Akram Askoul, Director Technology Services, reviewed by Richard Frayne, 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



NIAGARA REGIONAL POLICE SERVICE Police Services Board Report

PUBLIC AGENDA

Subject: Reserve Fund Balance – As at December 31, 2020
Report To: Chair and Members, Finance Committee Niagara Police Services Board
Report Date: 2021-02-05

Recommendation(s)

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

Key Facts

- The purpose of the report is to provide the Board with a summary of the Niagara Regional Police Service and Board Reserves as per Police Service Board By-Law 384-2019.
- Niagara Region's Reserve and Reserve Fund Policy (C-F-013), which applies to all departments, Agencies, Boards and Commissions, outlines both the appropriate use and funding for all Reserve and Reserve Funds.
- The purpose of the policy is to formalize guidelines in order 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 Niagara Regional Police Service 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 Region's Reserve and Reserve Fund Policy outlines both the appropriate use and funding of all Reserves and Reserve Funds in order to effectively manage the Niagara Region's Reserves and Reserve Funds. The use of all Reserves and Reserve Funds require approval of the Regional Treasurer and Council.

The Reserves, identified as Niagara Regional Police Service and Board Reserves are reconciled and considered as part of the annual operating and capital budget decision making process.

The total reserve balance, for December 31, 2020, including recommended year end transfers, is \$10,344,181 illustrated in Appendix 1. Approximately 87% or \$8,982,479 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, WSIB and post retirement benefits. Under the Region Reserve Policy, Agencies, Boards and Commissions (ABC) are required to hold a reserve balance equal to 40% of the total obligation. To date the NRPS reserve balances represent approximately 14.1% of the total obligation which indicates it is underfunded.

The remaining two types of reserve funds: Capital Levy and Contingency reserves as well as the Future Liability reserves are detailed below.

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. There are currently 61 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 \$1,360,491 at December 31, 2020 is expected to be fully depleted at the same time as the liability in approximately 2026.

Future Liability Reserve - WSIB Liability Reserve:

Members who suffer from a work related illness or injury may receive Workers Safety and Insurance Benefits 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 Police 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 in the event that the entity was dissolved. The actuarial valuation incorporates known workplace safety instances and projects future payments based on past experience.

The WSIB Liability Reserve balance at December 31, 2020 is \$3,469,590 which represents approximately 13.6% of the estimated WSIB liability.

Future Liability Reserve - Post-Retirement Benefits Reserve:

The 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 at December 31, 2020 is \$4,152,398 which represents approximately 14.5% of the estimated Post-Retirement Benefits liability.

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). Since the 2019 Budget year, the Service has included a budget transfer of \$250,000 to fund the Contingency Reserve. As at December 31, 2020, the Police Service Contingency Reserve is \$704,332 and the Board's Contingency Reserve is \$242,119.

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 have life expectancies which 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 the approved year end close out transfers at December 31, 2020, the balance of the Capital Levy Reserve is \$284,160. The Capital Levy Reserve account must maintain a minimum balance of

\$200,000. The Vehicles and Equipment Replacement Reserve balance at December 31, 2020 is \$24,044.

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 2020, the OPTVA financial position resulted in a deficit balance of \$2,250. Therefore, the balance at December 31, 2020, after the year end transfer from the Reserve of \$2,250, is \$107,047.

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 Police Services Act.

Relevant Policy Considerations

Niagara Region Reserve and Reserve Fund Policy (C-F-013)
Niagara Police Services Board Financial Reporting, Control and Procurement By-Law (375-2018)

Other Pertinent Reports

This report was prepared by Laura Rullo, Finance Manager reviewed by Superintendent Richard Frayne 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 Reserve Fund Balance – As at December 31, 2020

Niagara Regional Police Service and Board
Appendix 1 - Reserve Fund Balance - As at December 31, 2020

Description	Fund 20050 - 20550	Balance at 31-Dec-2019	Trf. From Operation	Trf. To Operation	Trf. To Capital RE2	Report & YE	Balance at 31/12/2020
Accumulated Sick Leave	562	1,679,575	-	(250,000)	-	(69,084)	1,360,491
Vehicles and Equipment Replacement	506	24,044	1,500,000	-	(1,500,000)		24,044
Future Benefit Liabilities	563	4,152,398	-	-	-	-	4,152,398
WSIB	564	3,269,590	200,000	-	-	-	3,469,590
Contingency Reserve	534	454,332	250,000	-	-	-	704,332
Capital Levy	507	561,163	1,200,000	-	(1,504,500)	27,497	284,160
PSB Contingency	535	242,119	-	-	-		242,119
OPTVA Reserve	505	109,297	-	-	-	(2,250)	107,047
TOTAL		10,492,518	3,150,000	(250,000)	(3,004,500)	(43,837)	10,344,181



NIAGARA REGIONAL POLICE SERVICE

Police Services Board Report

PUBLIC AGENDA

Subject: Niagara Regional Service and Board Financial Variance Overview for the Year Ending December 31, 2020

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

Report Date: 2021-02-05

Recommendation(s)

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

1. Transfer of \$69,084 from the Accumulated Sick Leave Reserve to offset the additional pay-out of Sick Credits and;
2. Transfer of \$2,250 from the OPVTA Reserve to offset a slight deficit from current year operations.

Key Facts

- The purpose of the report is to provide an analysis of the 2020 year-end financial results of the Service and Board as per the Financial Reporting, Control and Procurement of Goods and Services By-Law 384-2019.
- The Niagara 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, 2020, the Service and Board have a combined net expenditure before indirect allocations deficit of \$283,492 or 0.2% above the 2020 approved budget resulting from normal operations and the net impact of COVID-19 expenses.

Financial Considerations

Approval of the recommendations would provide for the transfer of reserve funds from the Services reserves to offset budget shortfalls.

Analysis

The year-end variance summary (Appendix 1) provides a synopsis of the combined financial operations for the Police Service and the Board for the year ended December 31, 2020, including net COVID unbudgeted costs. The combined Service and Board net expenditure deficit before indirect allocations is \$283,492. A summary of the financial impact of COVID-19 pandemic on the Service operations follows.

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 the introduction of administrative leave for identified members out of the workplace due to COVID-19 related restrictions.

For the year ending December 31, 2020, gross costs related to COVID-19 totalled \$5,049,868. Included in this total is \$1,551,136 related to permanent members on administrative leave or rotating shifts. These costs represent a loss of productive time, however, the expense is supported by the base budget. As such, the net incremental unbudgeted costs related to COVID-19 as of December 31, 2020 are \$3,498,732. A financial impact summary, which includes supported salary costs, incremental direct costs, as well as savings as a result of mitigation strategies implemented by the Service, is provided as Appendix 2.

The Services' COVID-19 costs have been included in the Regions applications for Phase 1 and Phase 2 of the Safe Restart Agreement program. The Region received \$12.1M in Phase 1 funding to help with costs incurred in 2020, as well as \$9.184M in Phase 2. Any excess funds after accounting for the 2020 net COVID expenses will be transferred to the Taxpayer Relief Reserve to offset pandemic-related costs experienced in 2021. As a result, the Region has not allocated any of the Safe Restart funding received directly to the ABCs; therefore there is no funding reported in the Services financial results. Since the Service received no direct funding from the Safe Restart Program then any deficit as a result of COVID-19 will be funded by the Region's Taxpayer Relief Reserve.

Through the course of the year, the Service was able to achieve a \$2,966,751 surplus from normal operations. These savings were achieved mainly from uniform hiring lags, benefit claims experience, 2020 NRPA wage settlement and fuel rate savings. This surplus from normal operations offset a significant portion of the \$3,498,732 costs attributed to COVID-19 resulting in a net year-end deficit of \$531,981 for the Service.

For the year ending December 31, 2020, the Police Service Board (PSB) Office ended their fiscal year with a \$248,489 surplus. This was mainly the result of savings to the legal expense budget as a number of outstanding legal matters were deferred to 2021. At the presentation of the PSB 2021 Budget, the Board approved in principle the transfer of any year-end surplus funds from the 2020 Operating Budget to the Boards Contingency

Reserve fund to mitigate future expenses related to legal matters. Any unbudgeted transfers to Reserves must be approved by Regional Council as recommended by the Region's Treasurer. Under Region Reserve Policy C-F-013, "*ABC's must first consult with Niagara Region's Treasurer to gain agreement on the recommendations for reserve transactions outside of the approved budget.*" Under the recommendation of the Region Treasurer, the PSB surplus of \$248,489 is to be used to partially offset the Services' deficit rather than be transferred to the PSB Reserve Fund to mitigate future legal expenses.

For the year ending December 31, 2020, the Service and Board have a combined Net Expenditure before Indirect Allocations deficit of \$283,492. This deficit includes the recommended transfers from Reserves as detailed in the body of this report. The table below illustrates the combined net deficit resulting from normal operations and the cost impact of COVID-19.

	Surplus /(Deficit)
Niagara Regional Police Service -Normal Operations	\$ 2,966,751
Net Incremental Costs related to COVID-19	(3,498,732)
Service Net Expenditure before Indirect Allocations	(531,981)
Police Service Board	248,489
Service and Board Net Expenditure before Indirect Allocations	\$ (283,492)

A detailed discussion of the actual performance to budget by major expense category including the COVID-19 impact and results of normal operations follows.

Compensation:

For the year ending December 31, 2020, Compensation costs were below the approved budget by \$2,762,136, which represents 1.8% of the total Compensation budget. This favorable variance is the net result of savings realized within uniform salaries due to hiring lags, employee benefits and the 2020 NRPA wage settlement, partially offset by increased spending of civilian salaries to backfill operationally essential civilian positions, WSIB claims experience, and sick leave payouts from greater than budgeted retirements.

The incremental unbudgeted cost impact on compensation attributable to COVID-19 is \$310,392. These costs were incurred at the onset of the pandemic when staff were assigned to assist in the implementation of the emergency orders or to replace members off on administrative leave based on Public Health recommendations throughout the year. In addition, some savings in uniform salaries were realized as a result of COVID-19 restrictions including savings in court time as a result of courts operating at reduced and modified capacity, as well as savings in special duty expense due to cancelled events however these savings are fully offset by a reduction in revenue.

Administrative:

For the year ending December 31, 2020, Administrative costs were below the approved budget by \$679,307, which represents 16.1% of the total administrative budget. This favorable variance is the result of savings in legal expenses for the Police Services Board, as well as COVID-19 related savings in staff development due to reduced travel and cancelled events, conferences and training as well as savings in administrative mileage and travel expenses. These savings were offset partially by PPE purchases including gloves, masks and disinfectant purchased at the onset of the pandemic for frontline staff.

Operational & Supply:

For the year ending December 31, 2020, Operational & Supply costs were above the approved budget by \$345,535, which represents 15.2% of the total operational & supply budget. This unfavorable variance is the result of two major special investigations, as well as increased uniform expenses required to outfit the significant number of constables hired during the year as a result of retirements and the 40 Officer Program Change. Also included in Operational & Supply is COVID-19 supply costs for PPE, IT hardware to equip members to work from home, building renovations such as Plexiglas barriers and signage, and deep cleaning decontamination costs.

Occupancy & Infrastructure:

For the year ending December 31, 2020, Occupancy & Infrastructure costs were below the approved budget by \$94,032, which represents 26.1% of the total occupancy and infrastructure budget. This favorable variance is the result of savings in leases for the IT disaster recovery site which is being charged through indirect allocations, as well as minor building renovations based requests and projects completed during the year.

Equipment, Vehicles & Technology:

For the year ending December 31, 2020, Equipment, Vehicles & Technology costs were below the approved budget by \$345,535, which represents 5.0% of the total equipment, vehicles & technology budget. This favorable variance is mainly the result of savings in fuel costs due to lower than budgeted fuel rates throughout the year.

Revenues & Recoveries:

For the year ending December 31, 2020, Revenues & Recoveries were below the approved budget by \$3,917,632, which represents 20.0% of the total revenues and recoveries budget. This unfavorable variance is the result of a shortfall of third party revenue received from the City of Niagara Falls due to the Casino closures as well as reductions in fees for service, special duty and secondment revenues as a result of closures and/or event cancellations imposed by the COVID-19 emergency orders.

Transfers to/from Reserves:

For the year ending December 31, 2020, staff are recommending two unbudgeted transfers from reserve funds as illustrated in the table below. These transfers have been reviewed and approved by the Region's Treasurer. Further, these reserve transfers have been included in the financial results reported above.

	Amount
OPVTA Reserve	2,250
Accumulated Sick Leave	69,084
Total	\$ 71,334

OPVTA Reserve Fund:

Staff recommend a transfer of \$2,250 from the reserve fund to offset a slight expenditure deficit from OPVTA operations. The deficit is the result of lost revenue from lower than budgeted membership levels during the year.

Accumulated Sick Leave Reserve Fund:

Staff recommend a transfer of \$69,084 from the reserve fund to offset the greater than budgeted payouts experienced in the 2020 fiscal year. The Accumulated Sick Leave reserve fund is used to partially fund the liability set aside to pay-out the unused sick leave for members in the accumulated sick leave program which was grandfathered starting in 1990.

Police Service Board Contingency Reserve Fund:

Service staff recommended to transfer \$100,000 of the \$284,489 year-end surplus to the PSB Contingency Reserve Fund to mitigate known outstanding legal matters; however, this recommendation was not supported by the Region's Treasurer.

In accordance with the Region's Reserve Policy C-F-013, "*ABC's must first consult with Niagara Region's Treasurer to gain agreement on the recommendations for reserve transactions outside of the approved budget.*" Further, the Region Treasurer explained using the PSB surplus to offset the Services deficit, as opposed to a transfer to the PSB Contingency Reserve, would reduce the burden of the Service deficit \$531,981, due from COVID-19, on the underfunded Taxpayer Relief Reserve fund. The Safe Restart funding will be used to fund any net COVID expenses and any excess funding will be transferred to the Taxpayer Relief Reserve. This Reserve is currently underfunded at only 3.5% of gross operating expenditures when compared to the target levels of a minimum of 10% to a maximum of 15% of gross operating expenditures as set by the Reserve Policy. In comparison, the PSB Contingency fund balance is currently at 21.6% of the gross annual

operating expenses which exceeds the Reserve Policy target. The Region Treasurer further explained the transfer of the Board surplus to the PSB Contingency Reserve would increase the combined deficit of the Service and Board, which would require additional funding from the Region's Taxpayer Relief Reserve to offset the impact of COVID-19; this recommendation was made despite the risk to the Board to cover all future legal costs resulting from arbitrations and legal indemnification matters.

As a result of these factors, the Service has not included an additional recommended reserve transfer of \$100,000 to the PSB Contingency Reserve.

Appendix 3 summarizes the Service's year-end reserve funds as at December 31, 2020.

Conclusion:

The detailed variance analysis has been prepared based on results of operations at December 31, 2020. The Services year-end deficit of \$283,492 represents 0.2% of the total budget. This deficit includes incremental COVID-19 related costs of \$3.5M which were predominantly offset through savings from mitigation strategies and normal operations.

Alternatives Reviewed

The alternative is to not approve the transfers from reserves, which will increase the deficit of the Service or to further request a transfer to the PSB Contingency reserve against the recommendation of the Region's Treasurer.

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.
- Niagara Region Policy- C-F-013 Reserve and Reserve Funds Policy.

Other Pertinent Reports

- Minute No. 91/2020 - NRPS Financial Variance Overview – Year Ending March 31, 2020

- Minute No. 151/2020 - NRPS Financial Variance Overview – Year Ending June 30, 2020
- 2020/11/26 Public 7.6 - NRPS Financial Variance Overview – Year Ending September 30, 2020

This report was prepared by Courtney Woods, Financial Analyst, in consultation with Laura Rullo, Manager, Finance, reviewed by Richard Frayne, 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 Niagara Regional Police Service and Board Year End Variance Summary
- Appendix 2 Financial Impact of COVID-19 ending December 31, 2020
- Appendix 3 Niagara Regional Police Service and Board 2020 Year End Reserves Schedule

Niagara Regional Police Service and Board
Appendix 1 - Reserve Fund Balance - As at December 31, 2020

Description	Fund 20050 - 20550	Balance at 31-Dec-2019	Trf. From Operation	Trf. To Operation	Trf. To Capital RE2	Report & YE	Balance at 31/12/2020
Accumulated Sick Leave	562	1,679,575	-	(250,000)	-	(69,084)	1,360,491
Vehicles and Equipment Replacement	506	24,044	1,500,000	-	(1,500,000)		24,044
Future Benefit Liabilities	563	4,152,398	-	-	-	-	4,152,398
WSIB	564	3,269,590	200,000	-	-	-	3,469,590
Contingency Reserve	534	454,332	250,000	-	-	-	704,332
Capital Levy	507	561,163	1,200,000	-	(1,504,500)	27,497	284,160
PSB Contingency	535	242,119	-	-	-		242,119
OPTVA Reserve	505	109,297	-	-	-	(2,250)	107,047
TOTAL		10,492,518	3,150,000	(250,000)	(3,004,500)	(43,837)	10,344,181

Appendix 2: COVID-19 Pandemic Financial Impact for Period Ending December 31, 2020

	Expenses as of Date	Actual
Direct Costs Supported by Approved Operating Budget		
1. Permanent Members on Administrative Leave	Dec 26	1,165,282
2. Members on Rotating Shifts	Dec 26	127,331
Associated Benefit Costs	Dec 26	258,523
Direct Costs Supported by Approved Operating Budget		1,551,136
Incremental Direct Costs related to COVID-19		
3. Personnel Costs Specific to COVID-19 Activities	Dec 26	310,392
4. Other Supply Costs	Dec 31	357,628
5. Lost Revenue	Dec 31	3,972,225
Total - Incremental Direct Costs related to COVID-19		4,640,246
6. Savings Related to COVID-19	Dec 31	(1,141,514)
Total Gross Costs related to COVID-19		5,049,868
Less Direct Costs Supported by Approved Operating Budget		(1,551,136)
Net Incremental Costs related to COVID-19		3,498,732

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. Temporary member salaries incurred due to self isolation from travel/contact during initial onset of pandemic. Overtime costs incurred to implement initial phase of pandemic and overtime to cover staff off due to isolation or symptomatic.
4. Includes the purchase of additional and alternative infection control supplies, personal protective equipment and other costs resulting from implementation of COVID-19 measures
5. Anticipated loss of third party revenues; including \$3.2M from City of Niagara Falls OLG Transfer Payments, special duty and fees for services in Records Unit.
6. Savings realized from cancelation of conference/workshop including travel related costs, special duty labor costs and overtime from court attendance

Niagara Regional Police Service and Board
Appendix 3 - Reserve Fund Balance - As at December 31, 2020

Description	Fund 20050 - 20550	Balance at 31-Dec-2019	Trf. From Operation	Trf. To Operation	Trf. To Capital RE2	Report & YE	Balance at 31/12/2020
Accumulated Sick Leave	562	1,679,575	-	(250,000)	-	(69,084)	1,360,491
Vehicles and Equipment Replacement	506	24,044	1,500,000	-	(1,500,000)		24,044
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Capital Levy	507	561,163	1,200,000	-	(1,504,500)	27,497	284,160
PSB Contingency	535	242,119	-	-	-		242,119
OPTVA Reserve	505	109,297	-	-	-	(2,250)	107,047
TOTAL		10,492,518	3,150,000	(250,000)	(3,004,500)	(43,837)	10,344,181