



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

Thursday, February 8, 2024, 9:30 am
Niagara Regional Police Service - Headquarters
Community Room 1st Floor, 5700 Valley Way, Niagara Falls

To view the live-stream meeting proceedings, please visit <https://calendar.niagarapolice.ca/meetings>

Pages

1. **CALL TO ORDER**
2. **LAND ACKNOWLEDGEMENT STATEMENT**
3. **DECLARATIONS OF CONFLICT/PECUNIARY INTEREST**
4. **ADOPTION OF MINUTES**

There are no minutes from previous meetings.

5. **PRESENTATIONS**

There are no presentations.

6. **NEW BUSINESS**

6.1 Financial Variance Overview for the Year Ending December 31, 2023

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Service report dated February 2, 2024 providing an analysis of the 2023 year-end financial results of the Service and the Board at a combined net expenditure, before indirect allocations surplus, of \$3,707,206.03 from normal operations, to which for the reasons detailed in the report the Service is requesting a transfer of \$21,212.00 from the Ontario Police Video Training Alliance (OPVTA) Reserve Fund; a transfer of \$47,120.06 to the Police Vehicle and Equipment Replacement Reserve Fund and a transfer of \$1,909,651.54 to the Police Contingency Reserve Fund. The Service is also requesting that the remaining consolidated Service and Board surplus of \$1,771,646.43 be transferred to the Region to allow Council to consider the full impact of all consolidated levy results and direct any remaining surplus/deficit in accordance with the Region's Operating Surplus/Deficit Policy C-F-022.

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

1. A transfer of \$21,212.00 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. A transfer of \$47,120.06 to the Police Vehicle and Equipment Replacement Reserve Fund to return the surplus proceeds from sale of assets in accordance with the Niagara Region Procurement By-Law No. 02-2016 and Tangible Capital Asset Policy C-F-003;
3. A transfer of \$1,909,651.54 to the Police Contingency Reserve Fund to fund one-time 2024 expenditures related to the implementation of the Community Safety and Policing Act, 2019 (CSPA); and
4. That the Niagara Regional Police Service and Board's remaining operating surplus before indirect allocations of \$1,771,646.43 be transferred to the Region and be used to mitigate any levy program deficits in accordance with the Niagara Region Operating Surplus/Deficit Policy C-F-022.

6.2 Reserve Fund Continuity Schedule for the Period Ending December 31, 2023

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Service report dated February 2, 2024 providing the Board with a status report on the Niagara Regional Police Service and Board Reserve Funds in accordance with Board By-Law 384-2019, Paragraph 6.3.19. (Niagara Police Services Board Financial Reporting, Control and Procurement), and the Niagara Region's Reserve and Reserve Fund Policy (C-F-013), which outlines both the appropriate use and funding of all Reserves and Reserve Funds.

That the information be received.

7. OTHER NEW BUSINESS

8. ADJOURNMENT



NIAGARA REGIONAL POLICE SERVICE

Police Services Board Report

PUBLIC AGENDA

Subject: Financial Variance Overview for the Year Ending December 31, 2023

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

Report Date: 2024-02-02

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 Services Board (Board):

- 1) Approves the transfer of \$21,212.00 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) Approves the transfer of \$47,120.06 to the Police Vehicle and Equipment Replacement Reserve Fund to return the surplus proceeds from sale of assets in accordance with the Niagara Region Procurement By-Law No. 02-2016 and Tangible Capital Asset Policy C-F-003.
- 3) Approves the transfer of \$1,909,651.54 to the Police Contingency Reserve Fund to fund one-time 2024 expenditures related to the implementation of the Community Safety and Policing Act, 2019 (CSPA).
- 4) Approves that the Niagara Regional Police Service and Board's remaining operating surplus before indirect allocations of \$1,771,646.43 be transferred to the Region and be used to mitigate any levy program deficits in accordance with the Niagara Region Operating Surplus/Deficit Policy C-F-022.

Key Facts

- The purpose of this report is to provide an analysis of the 2023 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 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, 2023, the Service and Board have a combined net expenditure, before indirect allocations surplus, of \$3,707,206.03 from normal operations.

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 \$21,212.00 of reserve funds from the OPVTA reserve, mitigating the deficit in OPVTA operations for 2023. The recommended transfer has been approved by the Region Treasurer.

Approval of recommendation 2 provides for the transfer of \$47,120.06 of surplus proceeds of sale of capital vehicles to the Police Vehicle and Equipment Replacement capital reserve. In accordance with Procurement By-Law No. 02-2016, “the respective capital reserve shall be credited with the net proceeds, if any, from the disposal of surplus assets unless otherwise agreed upon.” This recommended transfer has been approved by the Region Treasurer.

Approval of recommendation 3 provides for the transfer of \$1,909,651.54 to the Police Contingency reserve to fund one-time 2024 expenditures related to the implementation of the CSPA, that will be enacted on April 1, 2024. The announcement regarding the implementation of the new Act was made on December 18, 2023, and as such, expenditures were not known during the 2024 budget process. This recommended transfer has been approved by the Region Treasurer. To utilize these funds in 2024, a budget amendment will be completed, which will require the approval of the Board and Regional Council, as well as public notice.

It is recommended that the remaining consolidated Service and Board surplus of \$1,771,646.43 be transferred to the Region to allow Council to consider the full impact of all consolidated levy results and direct any remaining surplus/deficit in accordance with the Region’s Operating Surplus/Deficit Policy C-F-022. At the time of Q3 reporting of the consolidated levy budget, Region staff reported the levy programs were operating at a net forecasted deficit. The Region’s Operating Surplus/Deficit Policy C-F-022 outlines that any surpluses from levy programs will be used first to offset any consolidated levy deficits prior to considering recommendations for unbudgeted reserve transactions.

Analysis

The year end variance overview provides a synopsis of the combined financial operations for the Service and the Board for the period ending December 31, 2023. As detailed in Appendix 1, the Service and Board have a combined Net Expenditure Before Indirect Allocations surplus of \$3,707,206.03, which represents 2.1% of the total budget.

The table below summarized the year end surplus:

	Surplus/(Deficit)
Niagara Regional Police Service	\$ 3,780,842.17
Police Service Board	(73,636.14)
Service and Board Net Expenditure Before Indirect Allocations	\$ 3,707,206.03

There are several events that occurred since the approval of the 2023 budget, which culminated into the year end surplus. The main contributors were an overall savings to salary and benefits resulting from a lag in recruitment to fill both uniform and civilian vacancies, which was partially offset by an increased usage of overtime to cover vacancies in key operational areas. Further, savings experienced in budgeted fuel rate and consumption, maintenance agreements, and vehicle maintenance and leases, due to supply shortages, have also contributed to the surplus.

The Board's surplus from normal operations of \$75,394.84 was mainly attributable to a favourable variance in legal and consulting expenses. However, a year end accrual for a contingent liability regarding a retroactive pay for Board Member remuneration, currently under review, was recorded and resulted in a Net Expenditure Before Indirect Allocations deficit of \$73,636.14.

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

Compensation:

For the year ending December 31, 2023, compensation costs were below the approved budget by \$2,881,487.27, which represents 1.6% of the total compensation budget. The following items were the main drivers that contributed to the surplus position in this category.

Uniform salaries and wages were below the approved budget by \$690,351.35. This favourable variance is the result of vacancies and the lengthy lag time required to fill permanent uniform positions. The Service started 2023 with approximately 11 vacancies, which increased further due to retirements during the year. Recruitments of new hires and currently serving officers allowed the Service to end the year with no vacancies remaining. Savings in salaries from these vacancies are partially offset by an increased dependency on overtime, to fill operationally essential shifts on the frontline.

Civilian salaries and wages were below the approved budget by \$1,208,629.78. This favourable variance is the result of a lag in recruitment for several highly specialized senior civilian positions. While these positions were vacant for most of the year, the Service has filled all positions in the third quarter of 2023 and the first quarter of 2024.

Benefits and WSIB were below the approved budget by \$1,486,449.44. This favourable variance is mainly the result of rate savings in Long Term Disability (LTD) Benefits and OMERS savings due to the vacancies noted above. These savings were partially offset by overages in WSIB expenditures based on claims experienced during the year.

The overall favourable variance in compensation is partially offset by additional compensation being above the approved budget by \$682,468.98. This is the result of salary related contingent liabilities recorded at year end, which includes a retroactive pay that is under review and a provision for an on-going WSIB appeal, which will be retroactively applied to past years if successful.

Administrative:

For the year ending December 31, 2023, administrative costs were above the approved budget by \$234,265.69, which represents 5.5% of the total administrative budget.

This unfavourable variance is mainly the result of overages in staff development and employee medical expenses. Staff development overages are a combined result of increased travel and meals costs experienced with a return to in-person conferences and seminars following COVID-19. Increased hotel and meal expenses to attend the Ontario Police College for courses, other than the recruit program, often occurred due to limited availability for lodging at the college. Lodging at the college has been reserved for the recruit program, which expanded in 2023 to include a fourth intake, along with increased class sizes. Also, there was an increase in Canadian Police College course fees due to the correction of an administrative error where prior year invoices were not received.

Employee medical expenses have increased based on current recruitment requirements for constables, special constables, auxiliary police, and communicators. Medical testing involves both psychological and physical testing for new recruits, as well as psychological safeguarding programs for existing service members.

These overages were partially offset by savings in third party consulting services, monthly cell phone charges due to the timing of the rollout of the connected officer program, and contract savings in Niagara Regional Broadband Network (NRBN) data lines.

Operational and Supply:

For the year ending December 31, 2023, operational and supply costs were below the approved budget by \$11,504.06, which represents 0.4% of the total operational and supply budget.

This favourable variance is the result of savings experienced in investigation expenses, due to fewer special investigative projects initiated in 2023, offset by overages in uniform expenses required to outfit new constable recruits.

Occupancy and Infrastructure:

For the year ending December 31, 2023, occupancy and infrastructure costs were below the approved budget by \$81,589.18, which represents 21.8% of the total occupancy and infrastructure budget.

This favourable variance is the result of savings in minor building renovations based on fewer projects completed during the year than planned.

Equipment, Vehicles, and Technology:

For the year ending December 31, 2023, equipment, vehicles, and technology costs were below the approved budget by \$1,040,837.36, which represents 11.1% of the total equipment, vehicles, and technology budget.

The favourable variance in minor equipment and equipment maintenance of \$424,150.81 is the result of savings in purchases for minor equipment across the Service, as well as savings in equipment maintenance agreements within the Technology Services Unit. Minor equipment replacement requirements are assessed by each department within the Service, and equipment is replaced on an as needed basis. The savings in equipment maintenance resulted from a detailed review of Technology Services' storage solutions. At the time of preparation of the 2023 budget, it was expected that the Service would be required to switch to a consumption model storage solution, however it was determined that an enterprise storage server, purchased through the 2024 capital budget, provided a greater financial and operational benefit to the Service.

The favourable variance in gasoline is mainly the result of rate savings experienced between the budgeted fuel rate of \$1.76 and the average actual fuel price for January to December 2023 of \$1.54.

The favourable variance in vehicle maintenance is mainly the result of savings in vehicle leases due to supply chain issues causing delays and shortages, as well as some savings in vehicle parts supply, in Fleet, based on current year maintenance requirements.

Intercompany Charges:

For the year ending December 31, 2023, intercompany charges were below the approved budget by \$130,460.52, which represents 5.8% of the total intercompany charges budget.

Intercompany charges represent expenses incurred for services provided by the Region, with the annual budget being determined by the Region. The unfavourable variance was the result in an overage of vehicle and equipment repairs, completed by the Region on Service vehicles. Expenditures were in line with prior years and the 2024 budget has been updated accordingly.

Revenues and Recoveries:

For the year ending December 31, 2023, revenues and recoveries were above the approved budget by \$56,241.74, which represents 0.3% of the total revenue budget to date.

In January 2023, the Ministry of Solicitor General announced Court Security and Prisoner Transportation (CSPT) 2023 annual grant funding of \$7,338,474.39, an increase of \$894,870.74 from the previous year and the 2023 budget.

Fees for service were under budget by \$855,959.85, mainly determined by a \$634,319.00 revenue shortfall from the City of Niagara Falls (City) for casino funding. The City transfers 18% of casino funding to a maximum of \$4,200,000.00 per annum to the Service. The City received a total of \$19,809,337.00 in funding from the Ontario Lottery and Gaming Corporation in 2023 and as such, the Service receives \$3,565,681.00 for this period. Additionally, special duty fees for service were \$214,976.50 below budget. Special duties are only completed when frontline staffing levels allow.

Conclusion:

The detailed variance analysis has been prepared based on results of operations as of December 31, 2023. The Service experienced a budget surplus of \$3,780,842.17 from normal operations, combined with a Board deficit of \$73,636.14, for an overall net surplus of \$3,707,206.03. This surplus will mitigate 2024 budget pressures related to the implementation of the CSPA with the remainder being transferred to the Region in accordance with the Operating Surplus/Deficit Policy C-F-022.

Alternatives Reviewed

The included recommendations include three reserve transfers, as well as a transfer to the Region.

Alternatives to these recommendations are for the Board to:

1. Approve a combination of the reserve transfers but not all; or
2. Recommend additional reserve transfers outside of those proposed by Service Staff.

Relationship to Police Service/Board Strategic Priorities

To comply with the provisions of By-Law 384-2019 - 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 384-2019 - Financial Reporting, Control and Procurement of Goods and Services in the Niagara Regional Police Service.
- By-Law No. 02-2016 – A By-Law to define the procurement policies and procedures for the Regional Municipality of Niagara.
- C-F-002 - Niagara Region Operating Surplus/Deficit Policy.
- C-F-013 – Reserve and Reserve Funds Policy.

Other Pertinent Reports

8.16.2023.06.22 Financial Variance Overview for the Period Ending March 31, 2023

8.10.2023.09.28 Financial Variance Overview for the Period Ending June 30, 2023

8.5 2023.11.23 Financial Variance Overview for the Period Ending September 30, 2023

This report was prepared by Courtney Woods, Financial Planning Coordinator, Finance Unit, and reviewed by Laura Rullo, Manager, Finance Unit and Mario Lagrotteria, Superintendent, Corporate Services. Recommended by Luigi Greco, Acting Deputy Chief, Support Services.



Submitted by:

Luigi Greco, #9366

Acting Deputy Chief of Police

Appendices

Appendix 1 2023 Operating Statement of Revenue and Expenses

Appendix 2 2023 Operating Statement by Object of Expenditure Sub-Category

Niagara Regional Police Service and Board

Appendix 1: 2023 Operating Statement of Revenue and Expenses

Object of Expenditure	2022 Jan. - Dec. Actual	2023 Jan. - Dec. Actual	2023 Jan. - Dec. Budget	Variance Surplus / (Deficit)	%
Gross Expenditures					
Compensation	170,453,194	176,242,127	179,123,614	2,881,487	1.6%
Administrative	3,781,305	4,493,476	4,259,210	(234,266)	(5.5%)
Operational & Supply	2,564,826	2,681,118	2,692,622	11,504	0.4%
Occupancy & Infrastructure	168,998	293,411	375,000	81,589	21.8%
Equipment, Vehicles & Technology	7,259,269	8,318,751	9,359,588	1,040,837	11.1%
Financial Expenditures	2,567	(273)	-	273	0.0%
Intercompany Charges	(1,975,900)	(2,108,964)	(2,239,424)	(130,461)	5.8%
Transfers To/From Reserve Funds	3,470,000	3,955,000	3,955,000	0.01	0.0%
	185,724,259	193,874,646	197,525,610	3,650,964	1.9%
Revenues					
Provincial Grants	(10,021,691)	(11,051,240)	(10,195,162)	856,078	(8.4%)
Fees for Service	(4,964,458)	(4,936,930)	(5,792,890)	(855,960)	14.8%
Other Revenues	(3,353,513)	(3,735,927)	(3,679,803)	56,124	(1.5%)
	(18,339,661)	(19,724,097)	(19,667,855)	56,242	(0.3%)
Net Expenditures Before Indirect Allocations	\$ 167,384,597	\$ 174,150,550	\$ 177,857,756	\$ 3,707,206	2.1%

Niagara Regional Police Service and Board

Appendix 2: 2023 Operating Statement By Object of Expenditure Sub-Category

	2022 Jan. - Dec. Actual	2023 Jan. - Dec. Actual	2023 Jan. - Dec. Budget	Variance Surplus / (Deficit)	%
Gross Expenditures					
Compensation					
Uniform Salaries & Wages	94,509,831	97,597,682	98,288,034	690,351	0.7%
Civilian Salaries & Wages	33,869,199	35,273,755	36,482,385	1,208,630	3.3%
Benefits & WSIB	36,409,376	38,190,387	39,676,837	1,486,449	3.8%
Additional Compensation	4,455,897	4,197,457	3,514,988	(682,469)	(19.4%)
Special Duty	396,498	224,936	392,412	167,476	42.7%
Sick Leave Payout	812,393	757,909	768,959	11,050	1.4%
	170,453,194	176,242,127	179,123,614	2,881,487	1.6%
Administrative					
External Professional Services	873,683	1,081,865	1,188,150	106,285	9.0%
Staff Development	1,094,703	1,398,689	1,086,665	(312,024)	(28.7%)
Office, Advertising, Travel	511,671	651,985	553,325	(98,660)	(17.8%)
Telephone & Communications	1,019,326	988,227	1,108,226	119,999	10.8%
Licensing & Permits	80,851	82,220	102,846	20,626	20.1%
Employee Medicals	121,787	173,955	89,900	(84,055)	(93.5%)
General Administrative Costs	79,283	116,534	130,098	13,564	10.4%
	3,781,305	4,493,476	4,259,210	(234,266)	(5.5%)
Operational & Supply					
Program Specific Supplies & Materials	1,339,928	1,239,858	1,243,302	3,444	0.3%
Uniforms	770,900	1,044,033	757,770	(286,263)	(37.8%)
Investigation Expense	340,421	269,794	567,950	298,156	52.5%
Other Expenses	113,577	127,432	123,600	(3,832)	(3.1%)
	2,564,826	2,681,118	2,692,622	11,504	0.4%
Occupancy & Infrastructure					
Property Leases	105,449	99,885	106,900	7,015	6.6%
Property & Infrastructure Maintenance	63,549	193,525	268,100	74,575	27.8%
	168,998	293,411	375,000	81,589	21.8%
Equipment, Vehicles & Technology					
Minor Equipment & Equipment Maintenance	1,860,305	1,957,244	2,381,395	424,151	17.8%
Gasoline	1,882,898	1,650,371	2,188,300	537,929	24.6%
Vehicle Maintenance	1,017,896	1,192,825	1,314,300	121,475	9.2%
Computer Licences & Support	2,498,170	3,518,311	3,475,593	(42,718)	(1.2%)
	7,259,269	8,318,751	9,359,588	1,040,837	11.1%
Financial Expenditures	2,567	(273)	-	273	0.0%
Intercompany Charges	(1,975,900)	(2,108,964)	(2,239,424)	(130,461)	5.8%
Transfers To/From Reserve Funds	3,470,000	3,955,000	3,955,000	0	0.0%
Total - Gross Expenditures	185,724,259	193,874,646	197,525,610	3,650,964	1.9%
Revenues					
Provincial Grant Funding	(10,021,691)	(11,051,240)	(10,195,162)	856,078	(8.4%)
Fees For Service	(4,964,458)	(4,936,930)	(5,792,890)	(855,960)	14.8%
Other Revenue	(3,353,513)	(3,735,927)	(3,679,803)	56,124	(1.5%)
Total - Revenues	(18,339,661)	(19,724,097)	(19,667,855)	56,242	(0.3%)
Net Expenditures Before Indirect Allocations	\$ 167,384,597	\$ 174,150,550	\$ 177,857,756	\$ 3,707,206	2.1%



NIAGARA REGIONAL POLICE SERVICE

Police Services Board Report

PUBLIC AGENDA

Subject: Reserve Fund Continuity Schedule for the Period Ending December 31, 2023

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

Report Date: 2024-02-02

Recommendation(s)

That the Niagara Police Services Board (Board) receive this report for information.

Key Facts

- The purpose of this report is to provide the Board with a status report on the Niagara Regional Police Service (NRPS) and Board Reserve Funds as per Police Service Board By-Law 384-2019 Paragraph 6.3.19.
- Niagara Region's Reserve and Reserve Fund Policy (C-F-013), which applies to all departments, Agencies, Boards, and Commissions (ABCs), outlines both the appropriate use and funding for all Reserve and Reserve Funds.
- The purpose of the policy is to formalize guidelines to effectively manage Niagara Region reserves and reserve funds, ensuring adequate reserves are held for both planned and unexpected future expenditures.
- Those reserves, identified as NRPS and Board reserves, are reconciled, and considered as part of the annual operating and capital budget decision making process.

Financial Considerations

There are no financial considerations relating to the recommendations contained within this report.

Analysis

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

The total reserve balance, for December 31, 2023, including recommended year end transfers, is \$12,813,406.00 illustrated in Appendix 1. Approximately 67.5% or \$8,652,479.00 of the reserves held by the Service, is classified as future liabilities. Future liability reserves fund the pay-out of future expenses resulting from current or prior period obligations for accumulated sick leave bank, Workers Safety and Insurance Benefits (WSIB), and post retirement benefits. Under the Region Reserve Policy, ABCs are required to hold a reserve balance equal to 40% of the total obligation. To date, the NRPS reserve balances represent approximately 12.5% of the total obligation, which indicates it is underfunded.

For the upcoming operating budget cycle, Service staff will develop and recommend a funding strategy to the Board that will ensure the 3 future liability reserves achieve reserve policy target levels, as outlined in Policy C-F-013.

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

Future Liability Reserve - Accumulated Sick Leave Reserve:

Sick leave liability represents the unused sick leave for members in the accumulated sick leave program, which was grandfathered in 1990, and no longer provided to newly hired members since that time. The liability has been decreasing over time as members retire and receive payouts. As of December 31, 2023, there are 26 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 funds 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 the annual budget are offset by transfers to or from the sick leave reserve. The balance of \$430,491.00 as of December 31, 2023, is expected to be fully depleted by approximately 2027.

Future Liability Reserve - WSIB Liability Reserve:

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

The Service is a "Schedule 2" employer. Schedule 2 employers operate on a system of individual liability, meaning the entire cost of a claim is borne by the employer plus an administration fee paid to WSIB. The WSIB liability value represents the amount that the

Service would be responsible for if the entity was dissolved. The actuarial valuation incorporates known workplace safety instances and projects future payments based on experience.

As of December 31, 2023, the WSIB Liability Reserve Fund balance is 4,069,590.00; this fund exists to partially fund the \$30,416,468.00 WSIB liability. The fund balance represents approximately 13.8% of the estimated WSIB liability, which is below the target ratio of 40% as set out in Policy C-F-013. The operating budget includes a transfer to the WSIB reserve account of \$200,000.00 per year, to ensure the fund balance is indexed for the inflationary pressures impacting the liability account. However, this contribution is falling short of the annual indexed amount.

Future Liability Reserve - Post-Retirement Benefits Reserve:

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

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 to age 75. On December 31, 2023, the estimated post retirement benefit liability was \$36,101,924.00. This is based on estimates provided by an independent actuarial valuation.

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, as new retirees are added, and others drop off.

The Post-Retirement Benefits Reserve balance on December 31, 2023, is \$4,152,398.00, which represents approximately 11.5% of the estimated post-retirement benefits liability of \$36,101,924.00. This fund is also underfunded as per Region Reserve Fund Policy C-F-013.

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

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

The funding target for the contingency reserves, according to the Region's policy, is a minimum of 10% and a maximum of 15% of gross operating expenditures (excluding reserve transfers and capital costs). As recommended by Service staff, the Board has

adopted a stabilization reserve strategy to reach a 1% target, equal to \$1.9M, which represents 1% of the gross operating expenditures by contributing \$250,000.00 per annum from the operating budget.

For the 2023 operating year, Region Treasurer approved the recommendation by Service staff to transfer \$1,909,651.54 of the year end surplus to fund the implementation of the new Community Safety and Policing Act. To draw these funds, a budget amendment and Council approval is required. As of December 31, 2023, the Board's Contingency Reserve is \$242,119.00; and the Police Service Contingency Reserve is \$3,113,983.00.

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 that are shorter than common debenture terms to maturity. This financing is also used for projects with costs lower than the Region's debenture threshold.

The recommended net contributions from operations to the Capital Levy Reserve and Vehicles and Equipment Replacement Reserve Fund are recommended and approved annually as part of the capital budget and 9-year forecast. As contributions to these reserves have an immediate impact on the operating budget, the forecast serves as a comprehensive guideline for the Service that is very important for ensuring the sustainability of funding for future capital requirements. Including approved year end close out transfers from capital projects, on December 31, 2023, the balance of the Capital Levy Reserve is \$647,341.00. The Capital Levy Reserve account must maintain a minimum balance of \$200,000.00.

For the 2023 operating year, Service staff recommended the transfer of \$47,120.00 to the Vehicle and Equipment Replacement Reserve resulting from the surplus from the proceeds of asset revenue account. The request was approved by Region Treasurer to support the capital financing strategy that aims to reduce the gap between capital expenditures and capital funds. The Vehicles and Equipment Replacement Reserve balance on December 31, 2023, is \$78,165.00

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 2023, the OPVTA financial position resulted in a deficit balance of \$21,212.00. Therefore, the balance as of December 31, 2023, after the year end transfer from the Reserve of \$21,212.00 is \$79,318.00

Alternatives Reviewed

Not applicable.

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 (384-2019)

Other Pertinent Reports

Not applicable.

This report was prepared by Laura Rullo, Finance Manager, Finance Unit, reviewed by Mario Lagrotteria, Superintendent, Corporate Services. Recommended by Luigi Greco, Acting Deputy Chief, Support Services.



Submitted by:

Luigi Greco, #9366
Acting Deputy Chief of Police

Appendices

Appendix 1 - Reserve Fund Continuity Schedule for the period ending December 31, 2023

Niagara Regional Police Service and Board

Appendix 1 - Reserve Fund Continuity Schedule for the period ending December 31, 2023

Description	Fund 20050 - 20550	Balance at 1/1/2023	Transfer From /(To) Operating Budget	Capital Expenditures	Year End Close Out Report	Balance at 12/31/2023
Future Benefit Liabilities -Accumulated Sick Leave	562	630,491	(200,000)	-	-	430,491
Future Benefit Liabilities -WSIB	564	3,869,590	200,000		-	4,069,590
Future Benefit Liabilities - Post Retirement Benefits	563	4,152,398			-	4,152,398
Police Contingency Reserve	534	954,332	250,000		1,909,652	3,113,983
PSB Contingency Reserve	535	242,119	-	-	-	242,119
Capital Levy Reserve	507	419,412	1,705,000	(1,715,500)	238,430	647,341
Vehicle and Equipment Replacement Reserve	506	31,045	2,000,000	(2,000,000)	47,120	78,165
OPVTA Reserve	505	100,530	-	-	(21,212)	79,318
TOTAL		10,399,917	3,955,000	(3,715,500)	2,173,990	12,813,406