

Report To:	Regional Chair and Members of Regional Council
From:	Keshwer Patel, Commissioner, Finance and Regional Treasurer
Date:	November 17, 2021
Report No:	FN-40-21
Re:	2022 Budget Overview – Halton Regional Police Service

RECOMMENDATION

THAT Report No. FN-40-21 – “2022 Budget Overview – Halton Regional Police Service” be received for information.

REPORT

Executive Summary

- The 2022 tax supported operating budget for Halton Regional Police Service (Police Services) is \$175.9 million, an increase of \$7.1 million or 4.2% over the 2021 budget (with a tax impact of 2.5% after assessment growth) as shown in Table 1 in this report.
- The 4.2% increase, which is greater than the 3.7% guideline provided by Regional Council, is driven by resourcing requirements to address various demands.
- The 2022 tax supported capital budget for Police Services is \$11.8 million, an increase of \$5.5 million or 88.4% over the 2021 budget. The primary drivers of this increase are related to the Facilities (\$3.3 million), Specialized Equipment (\$1.4 million), and Technology (\$0.7 million) programs as compared to the 2021 budget.
- The 2022 Police Services budget was approved by the Halton Regional Police Service Board on October 28, 2021.

Background

The *Police Services Act*, R.S.O. 1990, c. P.15 requires that Police Service Boards submit operating and capital estimates of maintaining the police force and providing it with the necessary equipment and facilities to Regional Council. The purpose of this report is to

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provide Regional Council with additional information on the 2022 funding request for Police Services, which was approved by the Halton Regional Police Service Board on October 28, 2021.

Discussion

2022 Operating Budget

As shown in Table 1, the Police Services 2022 operating budget is increasing from \$168.8 million to \$175.9 million, an increase of \$7.1 million or 4.2% over the 2021 operating budget (with a tax impact of 2.5% after assessment growth), which is above the guidelines provided by Regional Council.

Table 1: Halton Regional Police Service 2022 Budget

\$000s	2021		2022			Change			
	Approved Budget	Base Budget	Strategic Investments	Requested Budget	2022 Base/2021 Approved		2022 Requested/2021 Approved		
Halton Regional Police Service									
Personnel Services	\$ 151,481	\$ 154,689	\$ 1,818	\$ 156,507	\$ 3,208	2.1%	\$ 5,027	3.3%	
Materials & Supplies	7,420	7,241	170	7,411	(178)	-2.4%	(9)	-0.1%	
Purchased Services	10,899	12,320	-	12,320	1,421	13.0%	1,421	13.0%	
Financial & Rent Expenses	365	457	-	457	92	25.4%	92	25.4%	
Total Direct Costs	170,163	174,707	1,988	176,695	4,544	2.7%	6,532	3.8%	
Allocated Charges	1,971	2,090	-	2,090	119	6.1%	119	6.1%	
Gross Operating Expenditures	172,134	176,797	1,988	178,785	4,663	2.7%	6,651	3.9%	
Trf to Reserves - Capital	5,308	6,205	-	6,205	897	16.9%	897	16.9%	
Trf from Reserves - Capital	(1,303)	(1,698)	-	(1,698)	(395)	30.3%	(395)	30.3%	
Debt Charges	3,432	3,230	-	3,230	(202)	-5.9%	(202)	-5.9%	
Capital Financing Expenditures	7,437	7,737	-	7,737	300	4.0%	300	4.0%	
Total Gross Expenditures	179,571	184,534	1,988	186,522	4,963	2.8%	6,951	3.9%	
Subsidies	(5,961)	(5,803)	-	(5,803)	158	-2.7%	158	-2.7%	
Other Revenue	(4,777)	(4,772)	-	(4,772)	5	-0.1%	5	-0.1%	
Total Revenue	(10,739)	(10,575)	-	(10,575)	164	-1.5%	164	-1.5%	
Net Program Expenditures	\$ 168,832	\$ 173,959	\$ 1,988	\$ 175,947	\$ 5,127	3.0%	\$ 7,114	4.2%	

Schedule may not add due to rounding

The most significant driver of the increase in operating expenditures is a \$5.0 million or 3.3% increase in Personnel Services. This is primarily due to contract-related compensation costs of \$2.0 million, costs related to new positions of \$1.8 million and increase in benefit costs of \$1.1 million. The 2022 operating budget includes the net addition of 16 uniform and 8 civilian positions required to meet the policing needs consistent with Halton Region’s growth.

An actuarial review completed in 2020 determined that there was a large increase in the Police Services Workplace Safety and Insurance Board (WSIB) benefit obligation due to a number of factors including claim experience (both Loss of Earnings and Health Care benefits) and historically low discount rates. As a result, the Police Services WSIB Reserve liability is increasing very rapidly and a strategy is needed to manage and fund this liability. Police Services is working on increasing their operating budget over time

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and expect to increase the WSIB budget over the next few years. The 2021 base budget for WSIB was increased by \$200,000 and Police Services will monitor for 2022 and plan for additional funds from 2023 and beyond. Police Services plans to continue to make these added contributions and will review the status of the WSIB reserve and look to create a longer-term strategy once the next actuarial review is conducted.

Materials and supplies are decreasing by (\$9,000) or -0.1% over the 2021 budget, due to savings and efficiencies, partially offset by increased fuel costs.

Purchased services are increasing by \$1.4 million or 13.0% over the 2021 budget. This is primarily due to an increase in software and hardware maintenance agreement costs as well as additional building maintenance costs. The software and hardware maintenance agreements increase relates to the Public Safety Broadband Network (LTE data network), licenses related to new hardware purchased for the new Headquarters, and new technologies.

Financial and rent expenses are increasing by \$92,000 or 25.4% over the 2021 budget, mainly due to vehicle leases for surveillance purposes.

Allocated charges are increasing by \$119,000 or 6.1% over the 2021 budget, primarily due to increased insurance costs for the new headquarters and police vehicles.

Capital financing expenditures are increasing by \$300,000 or 4.0% over the 2021 budget. The planned increase in capital expenditures reflects the financing requirements to support the expanding capital program.

Subsidies and other revenue are decreasing by \$164,000 or -1.5% over the 2021 budget. The decrease is mainly due to a reduction of government funding for the Court Security and Prisoner Transportation program.

2022 Capital Budget

The Police Services' 10-year capital program for the 2022 budget and forecast is shown in Table 2 below.

Table 2: 2022 Capital Budget

Police Capital Program (\$,000s)							
	2022	2023	2024	2025	2026	2027 - 2031	Total
Facilities	\$ 3,585	\$ 2,990	\$ 350	\$ 600	\$ 2,300	\$ 4,250	\$ 14,075
Vehicles	2,826	2,949	2,668	2,564	2,584	15,050	28,640
Technology	4,088	2,978	5,178	6,250	2,318	8,575	29,387
Specialized Equipment	1,254	400	300	300	150	400	2,804
Total	\$11,752	\$ 9,317	\$ 8,496	\$ 9,714	\$ 7,352	\$28,275	\$ 74,905

Includes financing cost. Schedule may not add due to rounding.

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The 2022 capital budget is \$11.8 million, an increase of \$1.7 million over the 2022 forecast included in the 2021 budget. This increase is due to a \$684,000 increase in specialized equipment, a \$406,000 increase in vehicle costs, a \$400,000 increase in technology costs, and a \$225,000 increase in facilities.

10-Year Capital Budget & Forecast

The 10-year capital budget and forecast totals \$74.9 million, which is \$14.1 million higher than the 2021 10-year capital program. This increase is due to increases of \$5.5 million in facilities, \$3.4 million in vehicle, \$4.0 million in technology, and \$1.2 million in specialized equipment costs as noted below.

The 2022 10-year capital program includes:

- **\$14.1 million for Facilities Projects.** This amount includes \$5.1 million for 1 District Facility in 2022/23, which will be funded by debt. The facilities capital program also includes as-needed building rehabilitation/renovation needs of \$6.2 million, office space re-alignments of \$1.1 million, facility security system upgrades of \$1.0 million, furniture replacement program of \$0.5 million, and new fitness equipment of \$0.2 million. The total forecast for facilities projects has increased by \$5.5 million over the 2021 10-year capital program.
- **\$28.6 million for Vehicles.** This amount includes scheduled fleet vehicle replacements, as well as special-use vehicles such as the marine vessels of \$1.3 million, mobile command units (MCU) of \$1.7 million, armoured rescue vehicle of \$0.4 million, and Emergency Service Unit (ESU) robot replacement of \$0.2 million. The total forecast for vehicles has increased by \$3.4 million over the 2021 10-year capital program due to increases of \$1.6 million in vehicle replacement costs and \$1.8 million in special-use vehicle costs.
- **\$29.4 million for Technology Programs and Projects.** This amount is required to address ongoing technology needs including infrastructure replacements, upgrades and new projects to support core business needs. A major component of this capital amount is related to the continuing implementation of the LTE infrastructure (\$3.4 million), the potential replacement of the Computer Aided Dispatch (CAD) system (\$2.5 million), P25 portable radio replacement (\$2.6 million), P25/LTE Backhaul replacement (\$1.4 million), and Human Resource Information System (HRIS) (\$1.0 million). The total forecast for technology projects has increased by \$4.0 million over the 2021 10-year capital program primarily due to the addition of P25 portable radio replacement and P25/LTE Backhaul replacement projects.
- **\$2.8 million for Specialized Equipment.** This amount is required for vehicle and body-worn cameras of \$900,000, operational program support of \$500,000 to upgrade/enhance/replace operational assets, Night Vision equipment of \$400,000, and the acquisition and replacement of other specialized equipment of \$1.0 million.

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The total forecast for specialized equipment projects has increased by \$1.2 million over the 2021 10-year capital program due to the addition of acquisition and replacement of some of specialized equipment.

Operating Budget Forecast

In preparing the 2023 to 2026 forecasts, Police Services considered a number of budget pressures including anticipated contract settlements, inflation, projected debt financing/reserve transfers, increases in benefit costs, and anticipated subsidies from the Province.

Table 3 outlines the operating budget forecast for the next four years.

Table 3: Operating Budget Forecast

\$000s	2021	2022	Forecast			
	Approved Budget	Requested Budget	2023	2024	2025	2026
Personnel Services	\$ 151,481	\$ 156,507	\$ 162,999	\$ 170,055	\$ 177,485	\$ 185,514
Materials & Supplies	7,420	7,411	7,583	7,761	7,943	8,130
Purchased Services	10,899	12,320	12,889	13,494	14,137	14,821
Financial & Rent Expenses	365	457	466	475	485	495
Total Direct Costs	170,163	176,695	183,937	191,785	200,050	208,959
Allocated Charges	1,971	2,090	2,138	2,187	2,237	2,288
Gross Operating Expenditures	172,134	178,785	186,076	193,972	202,287	211,248
Trf to Reserves - Capital	5,308	6,205	6,547	6,547	6,597	6,657
Trf from Reserves - Capital	(1,303)	(1,698)	(2,255)	(2,563)	(2,563)	(2,648)
Debt Charges	3,432	3,230	3,680	4,131	4,131	4,131
Capital Financing Expenditures	7,437	7,737	7,972	8,115	8,165	8,140
Total Gross Expenditures	179,571	186,522	194,048	202,087	210,453	219,388
Subsidies	(5,961)	(5,803)	(5,803)	(5,803)	(5,803)	(5,803)
Other Revenue	(4,777)	(4,772)	(4,867)	(4,965)	(5,064)	(5,165)
Total Revenue	(10,739)	(10,575)	(10,671)	(10,768)	(10,867)	(10,969)
Net Program Expenditures	\$ 168,832	\$ 175,947	\$ 183,377	\$ 191,319	\$ 199,585	\$ 208,420
% Increase Before Assessment Growth		4.2%	4.2%	4.3%	4.3%	4.4%
Forecast as per 2021 Budget	\$ 168,832	\$ 175,051	\$ 181,760	\$ 190,468	\$ 199,444	
% Increase Before Assessment Growth		3.7%	3.8%	4.8%	4.7%	

Schedule may not add due to rounding

Personnel Services continue to be the main driver of the forecast, comprising 89% of the total operating budget and increasing at an average rate of \$7.3 million or 4.3% annually over the next four years. This reflects contract wage settlements and projected annual hiring of uniformed and civilian staff in response to growth in Halton Region.

Capital expenditures are increasing throughout the forecast period to support the expanded vehicle program and to replenish the capital reserve to address the increasing capital program as well as debt charges are increasing for the future debenture issuance for the 1 District Facility project. Any savings in the capital program either through

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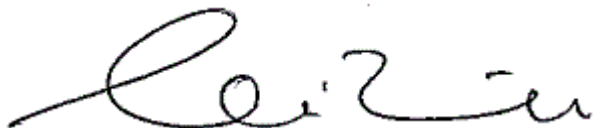
retirement of debt or project savings will be transferred to the Police Services capital reserve to fund future state-of-good-repair projects.

The 2022 budget forecast anticipates annual budget increases between 4.2% and 4.4% before assessment growth for the 2023 to 2026 period. This is similar to the 3.7% and 4.8% impact projected in the 2021 budget forecast for the 2021 to 2025 period.

FINANCIAL/PROGRAM IMPLICATIONS

There are no financial implications in this report. The Region's 2022 Budget & Business Plan includes the Halton Regional Police Service levy requirements. The 2022 Halton Regional Police Service budget was approved by the Halton Regional Police Service Board on October 28, 2021.

Respectfully submitted,



Keshwer Patel
Commissioner, Finance and Regional
Treasurer

Approved by



Jane MacCaskill
Chief Administrative Officer

If you have any questions on the content of this report,
please contact:

Keshwer Patel

Tel. # 6005

Attachments: None