



Toronto Police Services Board Report

October 17, 2016

To: Chair and Members
Toronto Police Services Board

From: Mark Saunders
Chief of Police

Subject: Toronto Police Service – 2017 Operating Budget Request

Recommendations:

It is recommended that:

- (1) the Board approve the Toronto Police Service's 2017 net operating budget request of \$1,002.7 Million (M), which is a \$2.0M or 0.20% decrease over the 2016 approved budget;
- (2) the Board forward a copy of this report to the City's Deputy City Manager and Chief Financial Officer (C.F.O.) for information; and
- (3) the Board forward a copy of this report to the City Budget Committee for approval.

Financial Implications:

The Toronto Police Service's (Service) 2017 operating budget net request of \$1,002.7M (\$1,123.8M gross) is \$2.0M or 0.20% below the 2016 approved budget.

A summary of the Service's 2017 changes in the net operating budget request is provided in Table 1.

Table 1- 2017 Summary of Changes

	\$M's	\$ change over 2017 Request	% change over 2016 Request
2016 Net Budget	1,004.7		
2017 Request	1,002.7		
Impact of 2017 Salary Settlement		\$17.3	1.72%
Net impact of salary and benefit costs		(\$28.1)	(2.80%)
Reserve Contributions		\$4.3	0.43%
Other Expenditures		(\$1.6)	(0.16%)
2017 Gross Budget Decrease		(\$8.1)	(0.81%)
Revenues		<u>\$6.1</u>	0.61%
2017 Net Budget Decrease		(\$2.0)	(0.20%)

Background / Purpose:

The purpose of this report is to provide the Toronto Police Service's Board (Board) with the Service's recommended 2017 operating budget request. The report includes information on the level of funding required in 2017 to provide public safety services to the City of Toronto (City), based on the current service delivery model. The recommended request has been developed with a focus on achieving as many reductions as possible, while still maintaining adequate and effective policing.

Discussion:

This report contains the following sections:

- Managing the Toronto Police budget – budget drivers and sustainable savings
- Police Governance – Adequate and Effective Policing
- Transformational Task Force – Implications for the Operating Budget
- Crime Evolution and the Changing Face of Policing
- Major Crime Indicators
- 2017 City Budget Direction
- 2017 Operating Budget Development Process
- 2017 Pressures Facing the Service and Actions to Reduce:
- 2017 Operating Budget Request – Details

Managing the Toronto Police budget – budget drivers and sustainable savings:

The 2017 operating budget request cannot be looked at strictly on its own. It must also be reviewed and considered in the context of previous years, and the action taken to sustainably reduce the Service’s request, as well as the on-going pressures the Service has and continues to face.

The Service’s net operating budget has increased by \$250.3M since 2006, growing from \$752.4M to \$1,002.7M in 2017.

Table 2 summarizes budget increases between 2006 and 2017. Attachment A provides more detailed information with respect to the breakdown of the overall increases.

Table 2 – Summary of Year-Over-Year Change - Net Operating Budget (\$Ms)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net Budget	752.4	786.2	822.0	854.8	888.2	930.4	935.7	936.4	965.5	980.3	1004.7	1002.7
\$ Increase		33.8	35.8	32.8	33.4	42.2	5.3	0.7	29.1	14.8	24.4	-2.0
Total % increase		4.5%	4.6%	4.0%	3.9%	4.8%	0.6%	0.1%	3.1%	1.5%	2.5%	-0.2%
Collective Agreement (% impact)		2.8%	3.1%	2.0%	3.2%	3.4%	2.5%	2.7%	2.9%	2.0%	2.4%	1.8%
Other (% impact)		1.7%	1.5%	2.0%	0.7%	1.4%	-1.9%	-2.6%	0.2%	-0.5%	0.1%	-2.0%

Based on the above chart and the more detailed information in Attachment A:

- Approximately \$254.2M or 102% of the total budget increase of \$250.3M from 2006 to 2017 is attributable to salary and benefit increases that have arisen from negotiated and arbitrated collective agreement settlements between the Board and the Toronto Police Association (T.P.A.) and the Senior Officers’ Organization (S.O.O.). These significant increases are beyond the Service’s control.

- \$3.9M in reductions or -2% relates to costs not attributable to the collective agreements. These net decreases are in non-salary accounts, such as caretaking/utilities, information system maintenance contracts, gasoline, telephones, uniforms and vehicle/communication equipment parts. Through management review and action, overall decreases were achieved despite inflationary increases to these accounts. The non-salary changes from 2006 to 2017 averages -\$0.3M annually over that period. Over the last several years, the Service has exercised a number of measures to manage the budget and effectively mitigate significant increases. This was done while continuing to provide public safety services as efficiently, effectively and economically as possible, in the face of changing demographics (e.g. aging population) and crime evolution (e.g. cyber). To this end, the budget impact within the Service's actual control was below zero for many years. 2012 included -1.9% (-\$17.9M), 2013 included -2.7% (-\$24.8M) and 2015 included -0.3% (-\$3.6M) in reductions, achieved through heightened resource and contract management, lower actual uniform and civilian staffing levels and premium pay reductions.

Police Governance – Adequate and Effective Policing:

The Ontario *Police Services Act* (P.S.A.) outlines the principles by which policing services will be provided in Ontario. As a result, in order to ensure the safety and security of all persons and property in Ontario, municipalities are responsible for providing funds to enable adequate and effective policing, which must include, at a minimum, the following core services:

- Crime prevention;
- Law enforcement;
- Assistance to victims of crime;
- Public order maintenance; and
- Emergency response.

Under the P.S.A., the Board is required to submit the operating and capital estimates to municipal council that are required to “maintain the police force and provide it with equipment and facilities.”

In its role as the primary governance body for the Service, the Board is responsible for the provision of adequate and effective policing services in Toronto, working with the Chief of Police, to establish objectives and priorities with respect to police services and establishing policies that ensure effective management within the Service.

In order to carry out this responsibility, the Board ensures that the Service consists of a Chief of Police and such other police officers and other employees as are required, and ensures that those officers and employees are provided with adequate equipment and facilities in order to execute their public safety mandate.

The 2017 operating and capital budgets, presented to the Board for approval, include amounts that will be required to maintain the level of police personnel, along with the requisite equipment and facilities that are required in the provision of adequate and effective policing. The 2017 budget submission is a responsible accumulation of expenditures that will maintain an average deployment of 5,072 uniform members, along with the essential infrastructure and direct and administrative support, that ensures public safety, as mandated in the P.S.A., is maintained. Although the Board and Service have collaborated on developing a new service delivery model through the Transformational Task Force, the 2017 budget request represents the funds required to transition the Service while maintaining its mandate.

Transformational Task Force – Implications for the Operating Budget:

With the release of the interim Transformational Task Force (Task Force) report in June 2016 – *The Way Forward: Modernizing Community Safety in the Toronto, the Service* will be moving forward with unprecedented changes. These changes will impact not only how our services are organized and delivered, but also how we budget to ensure that we get the most out of every dollar, and ensure that every dollar spent contributes to the goals of the Service.

The Task Force has shared preliminary recommendations and a vision for a new path forward. Their vision is reflected in a newly planned community-centric service delivery model with three goals:

- Be where the public needs the Service the most;
- Embrace partnerships to create safe communities; and
- Focus on the complex needs of a large city.

To achieve these goals, the Service will adopt a roadmap that will include changes in five major areas:

- How we relate to the public: focussing on safe communities and neighbourhoods;
- How we deliver our services: from Primary to Priority response;
- Access to Services;
- Affordability and Sustainability; and
- Culture Change.

Over and above the core policing services that provide the framework for adequate and effective policing of the City, the above goals and strategies will determine where resources and efforts will be focused. Guided by these goals, the Service will continuously look for ways to improve the delivery of public safety within an affordable and sustainable financial envelope.

Although the Task Force's interim report identifies 24 interim recommendations, most of the ideas shared are at a conceptual phase and require further planning and business process changes to enact them. Accordingly, until the details regarding the changes are identified, the impacts on the 2017 and future budgets, beyond the hiring moratorium, are unknown and cannot be factored into the budget.

Despite the interim status of the Task Force's work, the largest single impact of the recommendations is already factored into the 2017 budget request – the hiring moratorium. By factoring in savings from not hiring, the Service is laying the groundwork for the changes to programs that will occur with implementation of current and future task force recommendations.

In addition to the impact of the hiring moratorium, the 2017 budget request has been adjusted to reflect the divestment of the Lifeguard and School Crossing Guard Programs, as recommended by the Task Force.

Lifeguard Program

The Service's Marine Unit has been administering the Lifeguard Program since 1982. Approximately 84 Lifeguards and 13 Head Lifeguards, who are temporary, part-time non-Toronto Police Association employees, are responsible for 11 beaches. One civilian member of the Marine Unit oversees the program. Lifeguards are trained, equipped and supervised by the Service. Wage rates are set by the Toronto Police Services Board.

The Task Force has recommended that the Lifeguard program and its \$1.1M budget become the responsibility of the appropriate department in the City of Toronto. Currently, the Service provides lifeguard services for the beaches while the City provides lifeguard services for indoor and outdoor pools. This change would allow the Service to move the responsibility of the program to an organization with a mandate more aligned to this service and focus on the new service delivery model that puts police where they are needed the most.

Crossing Guard Program

Approximately 700 crossing guards are currently managed by Service members, mostly police officers working at divisions and Traffic Services. In this current arrangement, police officers are sometimes required to cover crossing guard locations in emergent situations.

The Task Force has recommended that the School Crossing Guard program be provided by the appropriate department at the City or through an alternative service delivery option. Accordingly, the operating budget has been reduced by \$2.7M for 2017, based on a July 2017 transfer date. The annualized reduction in 2018 will be \$6.8M. This change enables the Service to focus on the new service delivery model, and shift from primary to priority response, referring non-policing situations to other City departments or organizations that are better suited to provide the service.

Crime Evolution and the Changing Face of Policing:

The Toronto Police Service is challenged by a rapidly changing and increasingly complex society that requires our members to continuously adapt and change. One of the main challenges for police is the constantly evolving nature of crime. New crimes and threats continue to emerge, adding to the multitude of existing crimes that police are expected to respond to. Police need to deal with broader ranges of crime coupled with crime's changing nature. Although the Transformational Task Force has made recommendations that will improve the effectiveness of police interactions, new types of crimes, such as cybercrime, terrorism and environmental threats, and a diversity of calls for service, reshape the landscape in which Toronto Police Service officers operate. These crimes are often complex, multi-jurisdictional and can be potentially more harmful than the interpersonal crimes currently reported and responded to.

Cybercrime

With the expanded use of technology, globalization and the rapid growth in interconnectivity, cybercrime can increase victimization to individuals, companies or governments from anywhere in the world. Cybercrime is a crime that is committed via the internet or computer network. Types of crime include financial crime, child exploitation or luring and attacks against computer hardware and software. The growth in incidences of cybercrime and exploitation is a well-established trend, fuelled by rapidly changing technology and income disparity.

The Service has recognized the rising impact of these far reaching crimes, creating a Cyber Crime Unit (C3) whose mandate is to provide online investigative support and guidance for Service members regarding current best practices. C3 members also support investigations involving social media platforms, website analytics and photo deconstruction. It will be important for the Service to maintain, and likely expand, the resources allocated to both proactive and investigative activities arising from cybercrime.

Terrorism threats

Terrorism continues to be a threat for individual Canadians and their interests. As global conflicts evolve, the need to remain vigilant and take extraordinary security measures remains a top priority within both the Service and policing services across Canada. The need for police services across borders to collaborate has never been greater, requiring that the Service put transnational structures in place to support that collaboration. For this reason, policing networks continue to come together to coordinate a counterterrorism response intended to mitigate human safety risks.

For these reasons, the Service is actively involved in measures intended to mitigate the impact of such threats.

Environmental threats

Environmental threats are on the rise, as seen through increased climate change or natural disasters. Police officers are first responders, along with their Fire and

Emergency Services partners, expected to put operational plans and processes in place that ensure the safe movement of the public during evacuations, participate in search and rescue efforts and maintain law and order. The City's plan to grow population density impacts public safety and security risks should an emergency event occur. For this reason, the Service has developed operational plans to address such emergency events to ensure preparedness when Service members are called upon to assist in maintaining order during chaotic situations.

Changing nature of calls for service

As first responders, police officers must deal with a number of diverse calls for service. Whether called to an incident involving a senior or people with mental health issues, police must be equipped to handle these differing situations. The Service must also remain proactive in the recognition of these special instances of calls.

For example, the elderly are hesitant to report their victimization for a variety of reasons. The Service is working with community agencies to encourage the reporting of abuse, and ensuring that all complaints of abuse are fully investigated in a timely manner. In addition, increased calls for service related to individuals with possible mental health issues require an altered approach to the use of force. As a result, increased training, support and resources must be made available to police to effectively carry out this mandate.

The changing challenges for the policing community underscore the need for the Service to continue adapting the way members interact with different segments of the public. The service delivery model will address community needs in a more proactive way, and the modernization of our human talent will ensure that our members have the right competencies to perform this role. However, the changing face of crime will also require investments in technology that, although expensive up front, will bring efficiencies into the Service and assist in the ability to respond to these challenges.

Major Crime Indicators:

Seven major crime indicators are used as a key barometer of crime within the City. All of these indicators can, and are used, to measure how safe a city is, which in turn, is one of the dynamics that impacts quality of life, entertainment, economic development, investment and tourism in a city. A safe city is therefore an important factor in terms of where people live, play, invest, do business and visit. Toronto is one of the safest cities in North America, and the Service has, and will continue to work hard with its community partners and other stakeholders to keep it that way.

Major crime rates decreased significantly from 2006 to 2015 (25% overall). However, in 2016 crime trends have changed. Table 3 below highlights that, overall, crime has increased by 3% in 2016 compared to 2015 (as of August 31, 2015).

Table 3 - Major Crime Indicators - as at August 31st					
Offence	2014		2015		2016
	Total	% Chg	Total	% Chg	Total
Murder	29	21%	35	37%	48
Sex Assault	1,512	5%	1,589	-4%	1,528
Assault	10,886	8%	11,769	6%	12,420
Robbery	2,466	-7%	2,303	10%	2,537
Break and Enter	4,688	-5%	4,431	-4%	4,241
Auto Theft	2,282	-11%	2,029	3%	2,095
Theft Over	640	7%	682	1%	692
Total	22,503	1%	22,838	3%	23,561

The table above shows that crime is down in only two of the seven categories. The remaining categories show increases, with the increase in murders of most concern.

In addition to this, shooting events have also increased this year with 330 shootings up to October 16, 2016 compared to 216 at the same time last year for a 52.8% increase.

Victims of shootings have also increased over this period from 337 in 2015 to 464 in 2016 – an increase of 114 or 37.7%.

The 2017 operating budget request has been prepared with the objective of keeping the City safe, balancing this goal with the need to fund current public safety activities while transitioning to a modernized service delivery model that puts communities at its core while tackling changing crime.

2017 City Budget Direction:

In a memo from the Deputy City Manager and Chief Financial Officer to Division Heads and Heads of Agencies in June 2016, the Deputy City Manager outlined directions and guidelines for the 2017 budget with the aim to tackle the identified pressures creating the City's \$483M estimated operating budget shortfall.

The City's estimated 2017 shortfall assumes that the Service's budget request would be a \$0 increase as the Service would address all financial pressures through management actions. Based on preliminary estimates for the Service's 2017 operating budget requirements, this would mean various reduction strategies would be required to find \$47.4M in savings.

Subsequent to the Deputy City Manager's memo, City Council, at its July 12, 2016 meeting, approved 2017 across-the-board operating budget targets of 2.6% below the 2016 approved budgets for all city programs, agencies and boards. For the Service, this would translate to a savings target of \$73.5M to both absorb pressures and come in at -2.6% over 2016.

2017 Operating Budget Development Process:

In developing the 2017 operating budget, the Service took City guidelines and Council direction into consideration. The Service also incorporated the known actions required to facilitate the new roadmap for a modern Toronto Police Service, which will not only impact how services are organized and delivered, but the associated budget and demonstrated value for the dollars spent.

In prior years, the Service budget was developed based on submissions from units, which underwent various levels of review and approval prior to being consolidated at a corporate level. With the challenging financial environment and the roadmap for change as the guide, the approach was altered significantly, applying a more strategic and corporate view of the budget. Using the approved 2016 budget as the starting point, a number of strategies were executed in order to find the reductions needed for 2017:

- Review of historical spending trends and reduction of funds not historically spent
- Elimination or reduction of discretionary spending and expenditures on non-core business requirements
- Across the board reductions to specific accounts by a flat-line percentage
- Reduction of internal services received and paid for
- Consolidation of equipment and contracted services funds with central management based on Service priorities and goals
- Fund cost increases to existing contracts or commitments from within existing budgets

The approach to developing the 2017 operating budget also included a number of recommended policy changes that would drive reduced use of budgeted funds.

In addition to a changed approach, governance previously applied to the process was also changed. Several reviews of the full Service budget were performed with the Chief, Command Officers and senior managers (Staff Superintendents and Directors) to ensure that priorities were aligned with the future direction of the Service, but to also increase awareness of the corporate-wide financial challenges that the Service would face during this transitional year and going forward.

Governance over the budget process included meetings with the Board Budget Subcommittee (BSC). As a result of meetings with the BSC, held on September 21 and 27, 2016, the Service's budget estimate reflects a 0.2% or \$2M decrease over 2016. Details of the Service's budget were also posted on the Board's website, through a number of documents, in preparation for a public meeting of the BSC, where deputations on the Service's budget request were received from members of the public. The following documents were made available to the public in preparation for that meeting:

- Preliminary budget breakdown by unit for major expense categories

- Service and unit organizational charts
- Unit summaries that outline the mandate and activities performed
- Detailed line by line request, and
- Presentations to the BSC on September 21 and 27, 2016

Throughout this review period, Service staff continued to fine-tune the budget request with more up-to-date information and analysis. In order to meet the City's requirements, meetings with City Finance staff continued throughout the process. In addition, meetings with the City's Chief Financial Officer and City Manager, as well as a Budget Committee Informal Review, are scheduled to occur on October 21, 2016.

2017 Pressures Facing the Service and Actions to Reduce:

Early in the budget process, preliminary net pressures on the 2017 budget were forecasted at \$47.4M, for a preliminary estimated 2017 net operating request of \$1,052.1M (4.7% increase over the 2016 net approved budget). Table 4 shows these pressures, including those that are outside of the Service's control, along with the actions taken to find savings and the final 2017 net operating budget request.

The 2017 preliminary budget estimate included pressures facing the Service:

- Toronto Police Association and Senior Officer Organization collective agreement settlements;
- Bargained provisions that impact costs such as legal indemnifications, medical and dental benefits and retention pay;
- Anticipated increases/decreases in vendor contracts and revenue sources (e.g. fees);
- Pressures in mandatory accounts/statutory obligations;
- The application of economic factors and increases based on historical market trends;
- Increases in contributions to reserves to address projections for reserve deficits;
- Additional funds to establish a reserve to modernize the Service and implement Transformational Task Force recommendations; and
- Anticipated realities related to provincial grant funding with no commitments.

It is important to note that the pressures did not include any new initiatives or investments other than the contribution to a modernization reserve of \$3.5M. This reserve is intended to bridge one-time costs for the implementation of the Transformational Task Force initiatives such as a project manager, technological, financial and procurement expertise at various stages of implementation, feasibility and due diligence studies, initial investments and wind-down or amalgamation costs for changes in programs.

Table 4 - Summary of 2017 Budget Pressures and Reductions

	\$ Increase / (Decrease) over 2016	2017 Request \$Ms	% Increase / (Decrease) over 2016 Budget
2016 Net Budget - \$1,004.7M		\$1,004.7	
Pressures:			
Benefits & Non-COLA inflationary pressures	3.5		
Reserves	7.2		
Investments to Modernize	3.5		
Grant Funding Loss	14.9		
Impact of 2017 Salary Settlement	18.3	\$47.4	
2017 Preliminary Net Budget including Pressures		\$1,052.1	4.7%
Reductions:			
Hiring Moratorium	-\$23.1		
Premium Pay Reductions	-\$2.0		
Management Actions to Reduce	-\$7.7		
Staffing Strategies	-\$6.2		
Alternate Funding Sources/Bridging Strategies	-\$6.6		
TTF-identified Non-core Reductions	-\$3.8	-\$49.4	-4.9%
2017 Request		\$1,002.7	-0.2%

Based on the preliminary budget estimate, it was evident that this budget process would be a very challenging one. To achieve a zero increase, \$47.4M in reductions would be required. To achieve the Council-approved target referenced in a previous section of this report, reductions of \$73.5M would be required to both absorb pressures and come in at -2.6% over 2016.

Table 4 above highlights the \$49.4M in budget reductions taken to bring the Service's request down to \$1,002.7M, which represents a 0.2% or \$2M decrease over the 2016 net approved budget.

As mentioned previously, 2017 is a transitional year for the Service. The Task Force has published an interim report that lays out a vision and the initial steps to begin to align Services with that vision and the new guiding principles and goals. The final report, to be presented to the Board in January 2017, will expand on the ideas presented in the interim report and will provide more details about savings and budget reductions along with the investments that will be required to support the new service delivery model.

In the meantime, in this budget process, the Service has begun to align with the principles of sustainability and affordability, and has taken action to reduce costs and change the way that members think about spending. The objective has been to reduce the budget as much as possible, and every unit and Command area has participated in this budget reduction exercise.

How We Closed the Gap on \$47.4M of Pressures, Plus a further \$2M Reduction:

Reductions, as highlighted in Table 4 included:

- **Hiring moratorium:** \$23.1M in net salary savings are reflected in the budget request, representing the savings from not backfilling past vacancies, as well as most vacancies that will occur in 2017. The budget includes only \$1.3M to fill strategic civilian hires where investments in people are required to modernize, to achieve other strategic priorities, to comply with legislative requirements or to provide adequate supervision. Further information on the impacts of these reductions are included in the sections of this report on the HR Strategy for Uniform and Civilian members.
- **Premium pay reductions:** \$2M in premium pay reductions were made. Significant reductions have been made in premium pay since 2010 and, when added to previous reductions, the total since 2010 is more than \$9M. Further information on the premium pay costs included in this budget can be found in the premium pay section of this report below.
- **Management actions to reduce:** \$7.7M has been reduced from the budget through various management actions. To achieve these reductions, we reviewed every unit, account and service delivery requirement.

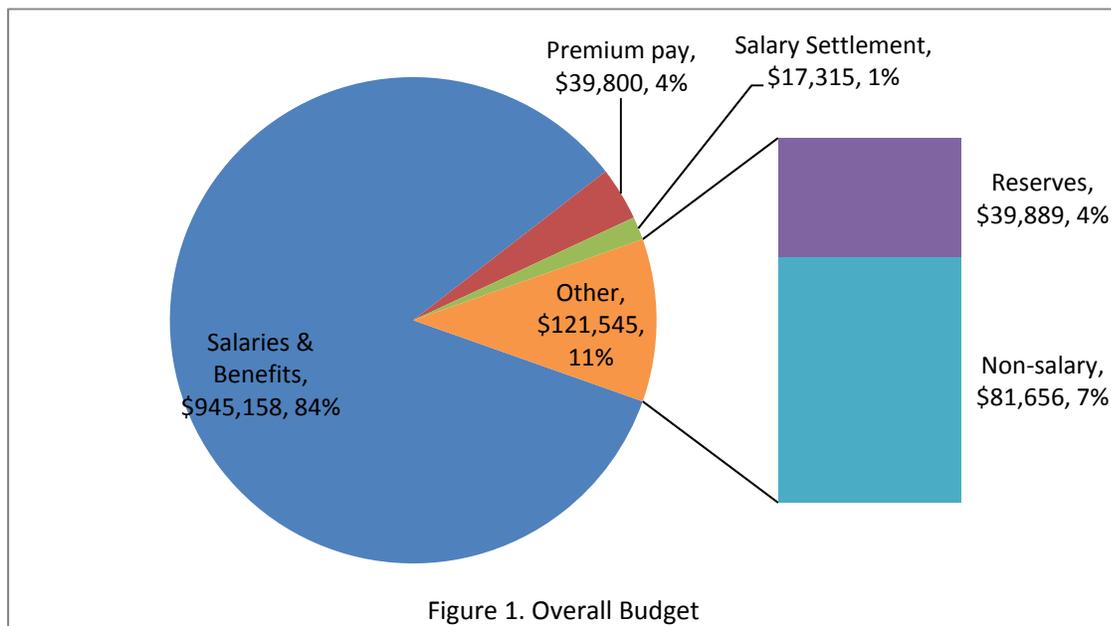
A review and rationalization of our fleet has resulted in a reduction of 104 vehicles. These vehicle reductions yield operating cost savings, revenue from sale of the vehicles as well as savings through reduced reserve contributions required to replace the vehicles. City 2017 budget guidelines set a direction to reduce fleet by 2% based on the City's new Carshare program and other rationalization measures. This reduction of 104 vehicles represents a reduction of over 6% of the Service's fleet.

A comprehensive line-by-line review was done for every cost centre in the Service to determine what reductions could be made based on past experience, changes in service delivery, or other business decisions that could be made to save costs. Budgets for contracted services and equipment were centralized and reduced with a plan to manage those budgets centrally based on Service priorities and needs and to ensure that they align with the Task Force vision, goals and strategies. Across-the-board cuts were made to courses and seminars and public relations accounts. Contracts were negotiated, where possible to bring costs down and accounts were analyzed with any new information available to see where budgets can be leaner.

- **Staffing strategies:** \$6.6M in savings were achieved through staffing strategies. When staffing separations occur in higher ranked positions, lower ranking staff that temporarily fill these positions receive acting pay. Significant reductions were made to acting pay based on staffing strategies that would redeploy existing members to areas that need them the most and examining policies on acting. Reductions have also been made based on new information for current year staffing separations that impact on the 2017 budget.
- **Alternate funding sources/bridging strategies:** \$6.6M of reductions have been made considering a plan to fund some facility related costs through the capital budget and by utilizing current year Service surplus funds to contribute to reserves. By doing so, this would allow for a temporary reduction to the 2017 budget for reserve contributions. This is a bridging strategy only, as pressures on reserves will occur again following the 2017 budget year. Further information on reserves and these reductions can be found later in this report.
- **Transformational Task Force non-core reductions:** \$3.8M of reductions have been made to reflect the Task Force recommendations to move the Lifeguard and School Crossing Guard programs out of the police budget and into the appropriate City budget or for alternative service delivery. This reduction was explained above in the section “Transformational Task Force – Implications for the Operating Budget.”

The above reductions bring immediate savings to the Service budget, most of them sustainable. After considering all reductions, the Service has achieved \$49.4M in savings, a \$2M reduction below the 2016 approved net budget and the first budget below a zero increase in memory. Details regarding the 2017 operating budget and reference to these cuts can be found in the following section of the report.

2017 Operating Budget Request - Details:



The 2017 net operating budget request of \$1,002.7M (\$1,123.8 Gross) will result in the Service operating with an average deployed strength of 5,072 officers in 2017 (which is 376 below the approved complement of 5,448, and 152 below the projected actual average deployment in 2016), as well as services, supplies, equipment and internal services required to effectively support public safety operations.

Figure 1 indicates that, on a gross basis, 89% of the Service's budget is for salaries, benefits, and premium pay (court attendance, call-backs and required overtime). 4% is required to maintain reserve contributions and the remaining 7% supports of our human resources in terms of the replacement/maintenance of and fuel for their vehicles, equipment, technology and information they use, facilities they work in, mandatory training they require, along with the materials and associated costs incurred by any regular business entity.

Table 5 summarizes the current 2017 request by category of increase/decrease, followed by a discussion on each category.

Table 5 - Summary of 2017 Budget Request Changes by Category

	2017 Request \$Ms	\$ Increase / (Decrease) over 2016 Budget	% Increase / (Decrease) over 2016 Budget
2016 Net Budget - \$1,004.7M			
(a) Estimated Impact of 2017 Salary Settlement	17.3	\$17.3	n/a
(b) Salary Requirements	736.9	-\$27.5	-2.74%
(c) Premium Pay	39.8	-\$2.1	-0.20%
(d) Statutory Deductions and Benefits	208.2	\$1.5	0.15%
(e) Reserve Contributions	39.9	\$4.3	0.42%
(f) Other Expenditures	81.7	-\$1.6	-0.16%
(g) Revenues	- 121.1	\$6.1	0.60%
Net Request/Amount above target	\$1,002.7	-\$2.0	-0.20%

a) Estimated Impact of 2017 Salary Settlement

The 2017 operating budget request includes estimated impacts for the T.P.A. and S.O.O. contracts. These contracts were negotiated for a term of 2015 to 2018.

b) Salary Requirements

The total salary requirements for 2017 (exclusive of the impact of the salary settlements), is \$736.9M. This budget represents a decrease of \$27.5M (-2.7%) over the 2016 operating budget.

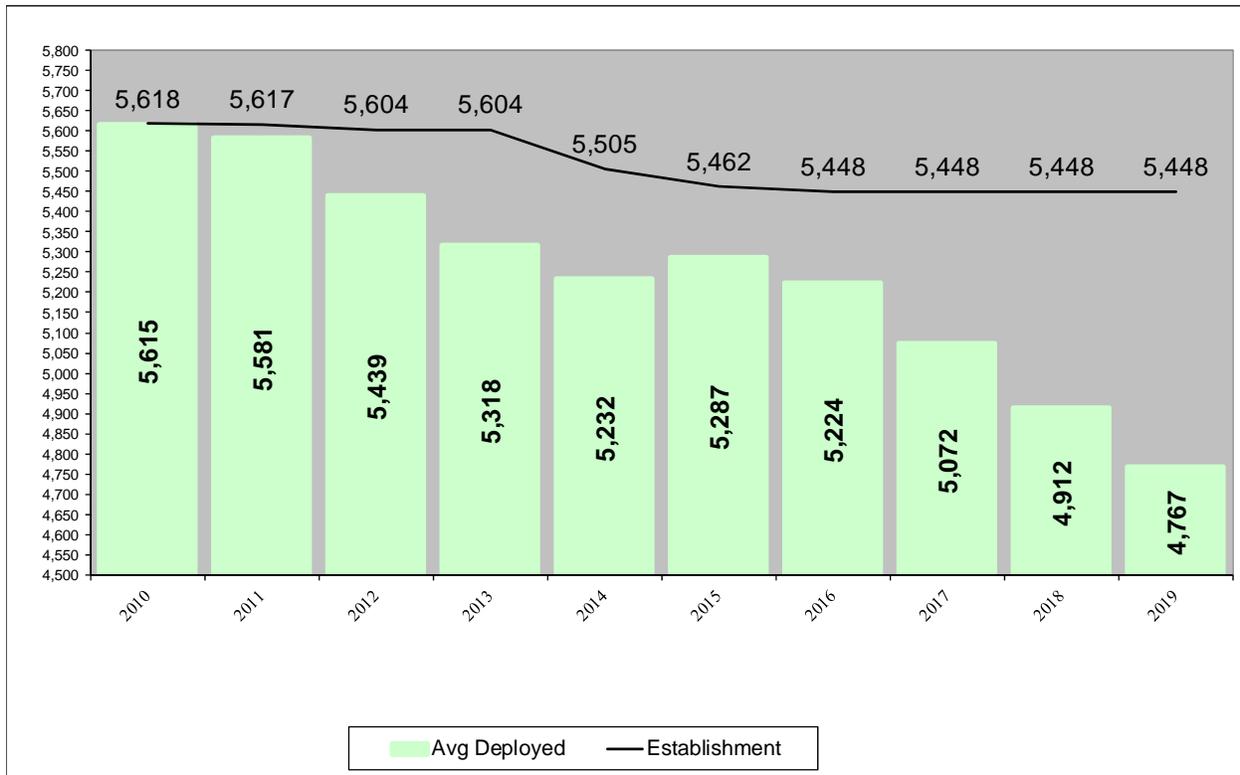
- **Human Resource (HR) Strategy for Uniform Members:** The Service normally plans class sizes for the three intake classes held annually by the Ontario Police College (in April, August, and December), with the goal of maintaining an average deployed strength equal to our approved establishment.

In light of budget pressures, and to find savings, since 2011 the Service has been replacing fewer and fewer officers that leave. This has resulted in average officer deployments each year that are significantly below the approved establishment. As a result, the average uniform deployment in 2017 is 5,072 officers, which is 376 officers below the approved establishment of 5,448 officers.

In 2016, the Transformation Task Force recommended a three-year hiring moratorium that will result in the continued decline of uniform staffing levels. Figure 2 shows the uniform establishment and deployment history from 2010 to 2015 and the projected deployment levels from 2016 to 2019. By 2017, the average number of deployed officers will have decreased from 5,615 down to 5,072, for a total decrease of 543 officers. The decrease in uniform members will grow to approximately 848 officers by 2019.

As the Service transitions to a new service delivery model, reduced facilities and divests itself of certain programs, such as the Transit Unit and TAVIS, the HR strategy will focus on redeployment of officers to activities that place us where the public needs us most.

Figure 2. Uniform Establishment and Deployment History



- HR Strategy for Civilian Members:** The current Board and City-approved establishment for Civilians is 2,230. Similar to the uniform strategy, fewer and fewer vacant Civilian positions have been filled in recent years.

The Service gapping and hiring strategy generally assumes civilian hiring at a rate that would keep pace with separations, assuming an average six-month salary gap for each anticipated vacancy, with the exception of positions that must be fully staffed, such as Communication Operators and Court Officers. As part of the 2013 budget approval, the Board directed that, with the exception of communication operators, there be no civilian hiring, except where warranted and approved by resolution of the Board. The Board's direction resulted in a significant reduction in 2013 hires. Following the lift of the hiring freeze in 2014, efforts were made to fill the significant backlog of positions resulting from the freeze and new vacancies resulting from civilian separations in 2014 and 2015. As a result, the civilian gapping budget increased from an average historical rate of 4.9% for the years 2008 to 2012 up to 8.1% in 2015.

Since that time, the gapping rate has continued to grow. Projected gapping in 2016 is 8.7%, which is well above gapping rates experienced by most City departments. Further, due to the hiring moratorium recommended by the Transformational Task Force, this gapping rate is anticipated to reach 11% in 2017.

As evidenced by the 2013 hiring freeze and further exacerbated in the current moratorium, civilian vacancies throughout the Service are placing a strain on remaining staff. Staff are required to take on critical responsibilities left unfulfilled by vacant positions and are focusing only on mandated responsibilities and functions. As a result, staff's ability to review processes for efficiencies is seriously hindered by their need to focus on day to day work. Overburdening staff has resulted in an increased risk of errors and omissions, which could, in turn, lead to unnecessary or avoidable costs and impact negatively on the Service's ability to maintain public confidence and accountability. The Service continues to strive to provide required services and support, even with the vacancies. However, the risk of activities not being fulfilled, services delayed and errors and omissions occurring continues to be a possible reality until vacancies are filled. Maintaining gapping at reasonable levels is the prudent strategy in the longer term.

Despite the moratorium on hiring, the Task Force considered, in the interim report, that there would be situations where filling vacant civilian positions may be necessary. This may occur where investments in people are required to modernize, to achieve other strategic priorities, to comply with legislative requirements or to provide adequate supervision. The budget request for salaries includes \$1.3M for these strategic hires. It is estimated that the net decrease, after the strategic hires, will be approximately 60 civilian members.

c) Premium Pay

Premium pay is incurred when staff are required to work beyond their normal assigned hours for extended tours of duty (e.g., when officers are involved in an arrest at the time their shift ends), court attendance scheduled for when the officer is off duty, or call-backs (e.g., when an officer is required to work additional shifts to ensure appropriate staffing levels are maintained or for specific initiatives). Figure 3 provides a breakdown by category of premium pay.

Premium pay budgets have been reduced by a total of \$7.1M (after adjusting for salary settlements, and excluding the impact of off-duty court attendance) from 2010 to 2016 to address budget pressures.

The Service's ability to deal with and absorb the impact of major unplanned events (e.g. demonstrations, emergency events, high

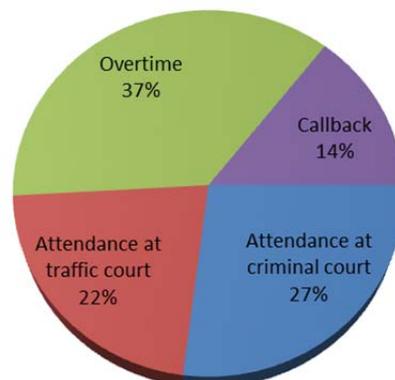


Figure 3. Premium Pay by Reason for Expenditure

profile homicide/missing persons) relies on the utilization of off-duty officers which results in premium pay costs. In light of continued budget pressures at the City, the Service is recommending a \$2.0M reduction in the 2017 request, bringing the total premium pay reduction since 2010 to \$9.1M. This recommended reduction is contingent on the Service's ability to ensure systems and capabilities are in place to sustain the reduction. Given the significant reductions already taken, further reductions are not recommended in premium pay.

d) Statutory Payroll Deductions and Employee Benefits

Total 2017 request for this category is \$208.2M. This category of expenditure represents an increase of \$1.5M (0.15% increase over the Service's total 2016 budget), and is a major component of the budget being requested in 2017. As shown in Figure 4, benefits for the Service are comprised of statutory payroll deductions and requirements as per the collective agreements. A breakdown of the increase follows.

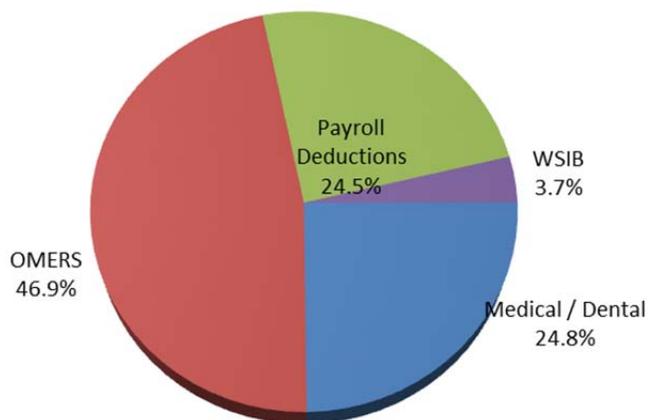


Figure 4. Breakdown of Statutory Deductions and Fringe Benefits

It is important to note that the Service has little control over increases that are required in these accounts. Many of the rates are set by external service providers or government agencies. However, the Service has and will continue to work with our medical and dental benefits services provider to analyse and better understand the reasons for increases in benefit costs so as to determine any action possible to mitigate them.

- **Payroll Deductions:** Statutory payroll (EI, CPP and EHT) and pension (OMERS) benefits are based on specific formulae that are affected by gross salaries. Employment Insurance and Canada Pension Plan rates have been updated to reflect estimated levels for 2017. Total costs are projected to decrease by \$1.0M over 2016 budget.
- **Medical/Dental Coverage:** The budget for the Board's benefit plan is based on the cost of drugs and services, dental fee schedule, utilization rates and administration fees. Costs for drugs and dental services are based on the average increase experienced over the last four years. In 2016, the Service observed a significant

increase for medical coverage. This has been considered in the 2017 request, resulting in an increased request of \$2.9M.

- **Net other changes to benefits:** The various changes in costs in other accounts such as retiree medical/dental, group life insurance and Workplace Safety and Insurance Board (WSIB) resulted in a net decrease of \$0.4M.

e) Reserve Contributions

The Service contributes to reserves through provisions in the operating budget. All reserves are established by the City. The City manages the Sick Pay Gratuity and Insurance reserves, while the Service manages the remaining reserves (i.e., Vehicle & Equipment, Legal, Central Sick Bank and Health Care Spending). The total 2017 budget for contribution to reserves is \$39.9M. This budget represents an increase of \$4.3M over the 2016 contribution amount (a 0.42% increase over the Service's total 2016 operating budget). The 2017 reserve contribution increase is due to the following:

- **Sick Pay Gratuity Reserve (increase of \$2.0M):** The Sick Pay Gratuity reserve is managed by the City, which provides the Service with the annual contribution amount that matches contributions with required payments/draws. A detailed review of this reserve indicated that the Service's annual contribution to the Sick Pay Gratuity reserve should be increased by \$6.5M annually to meet current annual draws/payments. As part of the 2014 budget approval process, it was agreed to phase in this increase from 2014 to 2016.

However, to mitigate budget pressures in 2015, and again in 2016, the City Manager and City C.F.O. agreed to extend the phase-in period by one year, to 2017. Further increases of \$2.0M in 2018 and 2019 will be included so that the budget base includes the funding necessary to meet annual obligations in this regard.

- **Legal Reserve (increase of \$0.6M):** This reserve has been established to fund on-going indemnification of Service members, as required by the *Police Services Act*, and other legal costs incurred by the Service. During 2015, there was a considerable focus and resources devoted to reducing the longstanding backlog of unpaid legal files dating back to 2010. As a result, the reserve balance was significantly depleted. In order to replenish this reserve, an increased contribution of \$0.6M will be required. In addition, to help mitigate the cost for these services, the Board has now capped the hourly rates legal firms can charge for these services.
- **Contribution to Vehicle and Equipment Reserve (increase of \$0.6M):** This reserve is used to fund the lifecycle replacement of the Service fleet of vehicles, information technology equipment, and various other equipment items. Each category of assets funded from this reserve is analyzed to determine how often it should be replaced as well as specific replacement requirements, which in turn determines the level of contribution required annually to enable the replacement. Life cycles for vehicles and computer equipment have been extended as much as

possible without negatively impacting operations and officer safety, or causing significant repair and maintenance costs.

The Service continues to perform a line-by-line review of lifecycle items in the Reserve to determine if any sustainable reductions can be achieved. As part of the budget reduction exercise, the Service is reducing vehicles fleet by 104 (24 marked and 80 unmarked) for a reduced contribution of \$0.6M per year, reducing and/or extending the life of regular furniture replacements, funding furniture and locker replacements for new and renovated facilities from projects and not reserves, funding some projects from state of good repair and reducing cash flow requirements for IT related projects. Based on these initiatives and current financial constraints, the 2017 request is limited to \$0.6M, with planned annual increases of \$3.0M in 2018 and 2019. However, the limited increase in 2017 is contingent on the ability to contribute up to \$2.5M of the projected 2016 operating budget surplus to the vehicle and equipment reserve. It should be noted that at the current level of contribution, this reserve will be in a significant deficit starting in 2019.

- **Contribution to Health Care Spending Account (increase of \$0.1M):** This reserve funds the post-retirement health care benefit negotiated in the collective agreements. The 2017 contribution for this reserve is increasing by \$0.1M. It is anticipated that this contribution will continue to increase at a modest level for several years in future.
- **Contribution to Central Sick Bank Reserve (increase of \$1.1M):** This reserve funds the T.P.A. long term disability benefit provided by the collective agreement. The 2017 contribution for this reserve is increasing by \$1.1M. This funding pressure was identified as part of the 2016 process, but the increased was not approved

f) Other Expenditures

The 2017 budget request for non-salary costs totals \$81.7M and makes up only 7% of the Service's total 2017 operating budget request. The expenditure categories in this total include the materials, equipment and services required for day-to-day operations, which are similar to those incurred by any regular business entity.

Utilizing various budget reduction strategies employed throughout the 2017 budget process, non-salary costs have been reduced by over \$1.5M over the 2016 approved budget amount. In reducing these costs, consideration was given to the fact that some of these costs are collective agreement requirements. The reductions are significant in light of the following:

- \$36.9M, or 45% of the category total represents costs for facilities maintenance and utilities (\$19.7M) and computer maintenance and support (\$17.2M). By the end of 2016, the Service will have reduced its facility footprint by two smaller facilities, which will be returned to the City, contributing to the reduction achieved in this category;

- \$23.4M, or 28.5%, represents transportation costs (\$13.1M), officer outfitting and firearms (\$5.8M) and the operating costs associated with communications systems (\$4.5M).
- \$6.2M, or 7.5%, represents the valued of required contracted services (\$3.6M) and legal costs for indemnified officers that are offset by draws from reserves included in Service revenues (\$2.6M)

The remaining \$15.2M, or 19%, incorporate budget requests from every unit in the Service required to perform their normal operations. These costs include office supplies, external training needs for specialized units, consulting, firearm disposal, animal care and other miscellaneous police business materials. A number of budget reductions have been made to each of these individual line items, either through a review of historical accounts or Service-wide actions such as the implementation of a new digital voice-over internet protocol (V.O.I.P.) telephone system.

The following summarizes the most significant changes:

- Legal Costs (increase of \$0.2M): As a result of considerable effort to reduce the backlog of legal cases from legal indemnifications, the budget for legal costs can now be requested at a more sustainable level, which can be matched to draws from the reserve funding these costs. The increase brings the budget amount to that level. The Service has been working collaboratively with the T.P.A. to develop a more efficient claims process for the future.
- Computer Maintenance (increase of \$0.7M): The cost of computer maintenance is impacted by current contract values, determined through a procurement process, as well as market rates when existing contracts expire. Technological advances and the addition of new systems have enhanced communication, information and efficiencies, but come with increased costs for maintenance and support. The 2017 increase is due to various contract increases for the Service's maintenance of hardware and software.
- Prisoner Meals (increase of \$0.2M): As part of the contract renewal process for prisoner meals, the Board asked Court Services to review the nutritional value of meals provided and present options for consideration. A number of options were reviewed, after a survey was conducted of how prisoner meals are managed at other police services. The Service concluded that prisoners should be provided with two sandwiches rather than one, and that dietary options should continue to be provided. As a result, the contract value is increased for the additional food provided.
- Caretaking, Maintenance and Utility Costs for TPS facilities (decrease of \$0.25M): The City provides caretaking and maintenance services for the Service, and administers the Service's utility costs. The City and Service review the costs for all facilities in detail to determine where efficiencies or changes to internal services levels can be applied to reduce the budget. Pressures in this category are significant, given the increase in utility costs, specifically water and hydro, by 6% to

8% annually, the potential costs associated with a new cleaning contract and staff cost increases for City-cleaned facilities. However, as a result of a service level change for cleaning and the return of two facilities to the City in 2017, all cost increases have been absorbed and in fact, the overall budget was reduced.

- Telephone/Data lines (decrease of \$0.8M): Over the past few years, the Service has been transitioning from an analog telephone system to a new digital V.O.I.P. system, realizing considerable savings. The transition will be completed by the end of 2016, affording the Service another \$0.8M in telephone and data line cost reductions.
- Recruit hiring costs (decrease of \$0.5M): The impact of the hiring moratorium extends to beyond salary related costs. As new classes of recruits are hired, the Service must outfit and ready these officers for their role. Hiring costs are directly associated with the number of individuals brought into the Service annually. As the 2016 budget contained funds to outfit new hires, the amount was reduced to zero for 2017.
- Net other changes (decrease of \$1.0M): In addition to the specific accounts listed above, the non-salary accounts are comprised of many different type of expenditures, including materials and supplies (such as office supplies, health and safety supplies, and fingerprinting supplies) and services (such as repairs to equipment, telephone lines, courses and conferences, etc.). In all cases, the Service applied strategies that would lead to budget reductions or the absorption of required increased into existing budgets. The net reduction resulting from this approach and detailed reviewed produced an overall reduction of \$1.0M.

g) Revenues

Total revenue has been decreased by \$6.1M, resulting in a 0.6% increase over the Service's total 2016 net budget.

Grants Tied to Staffing (decrease of \$14.9M): The Service receives two grants from the Ministry of Community Safety and Correctional Services that require the Service to maintain uniform staffing at specified levels to maximize grant funding: the Community Policing Partnership (CPP) Grant and the 1,000 Officers – Safer Communities Grant (Safer Communities). The contracts for the current grants expire on March 31, 2017 with funding to be earned only to the end of 2016. Without a funding commitment from the province, the Service has removed the current budget of \$14.9M. Should the contracts be extended under the same terms and conditions into 2017, the estimated recovery would still only be \$7.3M due to declining uniform staffing levels.

Provincial funding for Court Security Costs (increase of \$4.3M): In 2011, the Ontario government announced that it will be removing up to \$125M in court security and prisoner transportation costs from municipal budgets by 2018, phasing in the upload of these costs starting in 2012. The Service's share to be phased-in over the seven year period is about \$45M, increasing at a rate of approximately \$6.2M per year. However, due to the reduced staffing levels in Court Services, the increase is expected to be only \$4.3M in 2017.

Unallocated Revenue (increase of \$6.4M): The Service's 2017 operating budget request includes an unallocated reduction of \$6.4M. This unallocated reduction is currently budgeted as miscellaneous revenue. The Service is committed to achieving a zero overall budget increase from 2016; however, the strategy to achieve the further reductions has yet to be mapped out.

Net other changes (decrease of \$2.1M): Draws from reserves have decreased by \$2.5M; this decrease is offset by a corresponding decrease in budgeted expenses. This lost revenue has been partially offset by increases of \$0.4M in various other accounts (e.g. recoveries and fees).

2018 and 2019 Outlooks:

The chart below provides the 2018 and 2019 outlook budgets for the Service. The current collective agreement expires at the end of 2018, therefore the 2019 salary settlement outlook is an estimate based on inflation.

The outlooks in Table 6, below, demonstrate that the Service anticipates a 0.45% pressure in 2018 and a 1.14% pressure in 2019, based on economic indicators and contractual and legislative obligations known at this time. Although Service staffing levels are expected to decrease significantly during 2018 and 2019 as a result of the continuing moratorium, the Service is still facing significant budget pressures during the next several years. However, given that the implementation of the Task Force's recommendations has not yet been fully planned, no quantifiable savings have been incorporated into the 2018 and 2019 outlooks.

Table 6 – 2018 & 2019 Outlooks (\$Ms)

	2018	2019
Starting Request	\$1,002.7M	\$1,007.2
Salary savings from non-hiring	(\$23.0)	(\$18.0)
Benefit cost increases	\$2.9	\$3.1M
Reserve contributions	\$10.3	\$5.1
Non Salary – inflationary and contract increases	\$3.5	\$4.3
Revenues	(\$6.3)	\$0.0
Total change before salary settlement	(\$12.6)	(\$5.5)
Salary settlement	\$17.1	\$17.0
Net Change	\$4.5	\$11.5
Outlook	\$1,007.2	\$1,018.7M

Conclusion:

The Service's 2017 budget request outlines the cost of policing services for the next fiscal year in the City of Toronto. The request considers the costs of maintaining current operations while transitioning to a new service delivery model to be implemented as a result of recommendations made by the Transformational Task Force. The modern Service will continuously evaluate its services and business processes in order to better serve the public, will make investments that enable officer to connect with the communities they serve and will implement strategies that make policing affordable and sustainable for the citizens of Toronto.

Given the roadmap towards a new and modernized police service, the 2017 net operating budget request is \$1,002.7M, which is \$2.0M or -0.2%, lower than the 2016 approved budget. This request includes a number of reductions made as a result of:

- Staffing strategies that include a hiring moratorium for uniform and civilian positions
- Alternate funding source or bridging strategies
- Management actions to reduce costs, and
- The divestment of services that are not core to policing

However, the Service is in a transition year, therefore, funding for existing operations must continue as investigations, traffic enforcement and responding to calls activities require an allocation of resources and the necessary equipment. Given that the majority of these front-line activities represent core services that define adequate and effective policing, funding to allow the Service to continue these operations, along with the necessary internal support, will ensure the safety and security of the city.

Although the Service is moving forward, the efforts made in prior years to reduce its operating budget requirements, in light of increased equipment and technology needs, inflationary pressures and other cost increases, cannot be ignored. As the business of policing evolves, new equipment and staff training are required to meet the Service's public safety mandate, all of which comes at a cost. Since 2006, the budget has increased by \$250.3M. Included in that increase is \$254.2M from the impact of COLA, offset by a decrease of \$3.9M in non-COLA. The non-COLA impact is significantly lower than the average CPI for the City of Toronto.

The Transformational Task Force has committed to identifying \$100M in reductions and savings in the Service's operating budget over the next three years, money that will not need to be included in future budget requests. The 2017 operating budget request has incorporated one quantifiable recommendation, the hiring moratorium that will contribute to the committed savings. However, the request goes beyond just this one recommendation – it is, for the first time in recent memory, below zero, despite salary settlement and other pressures. This fact cannot be ignored.

Despite the significant efforts made to achieve the budget request before the Board, the Service is unable to achieve the City's target of a negative 2.6% decrease from the 2016 approved budget. As 89% of the Service budget relates to human resource requirements, all staffing strategies have been incorporated and non-salary costs represent only 7% of the total request, further reduction options simply do not exist. Furthermore, until current service delivery transitions completely to the new model, further reductions would significantly risk the Chief's ability to provide adequate and effective policing.

The Service has therefore strived to produce a responsible budget that balances, to the extent possible, the need to provide required core public safety services with the need to meet the fiscal pressures of the City in an environment that will change and evolve over the next three years. This budget represents a prudent funding request that will meet the needs of a safe community and city.

Mr. Tony Veneziano, Chief Administrative Officer, Corporate Services Command will be in attendance to answer any questions from the Board.

Respectfully submitted,

Mark Saunders, O.O.M.
Chief of Police

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Toronto Police Service Summary of Year-Over-Year Change - Net Operating Budget (\$Ms)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017 Req.	2006- 2017	Avg.
Net Budget	752.4	786.2	822.0	854.8	888.2	930.4	935.7	936.4	965.5	980.3	1004.7	1002.7		
\$ Increase		33.8	35.8	32.8	33.4	42.2	5.3	0.7	29.1	14.8	24.4	-2.0	250.3	
Total % increase		4.5%	4.6%	4.0%	3.9%	4.8%	0.6%	0.1%	3.1%	1.5%	2.5%	-0.2%	33.3%	
Collective Agreement (\$ impact)		21.2	24.7	16.7	27.2	30.2	23.2	25.6	27.3	18.4	22.4	17.3	254.2	23.1
Hiring (\$ Impact)		12.6	4.6	1.8	3.5	0.2	-9.4	-10.0	-2.2	-2.2	4.4	-25.3	-22.0	-2.0
Other (\$ impact)		0.0	6.5	14.2	2.7	11.8	-8.5	-14.8	4.0	-1.4	-2.4	6.0	18.2	1.7
Collective Agreement (% impact)		2.8%	3.1%	2.0%	3.2%	3.4%	2.5%	2.7%	2.9%	1.9%	2.3%	1.7%	33.8%	2.6%
Hiring (% Impact)		1.7%	0.6%	0.2%	0.4%	0.0%	-1.0%	-1.1%	-0.2%	-0.2%	0.4%	-2.5%	-2.9%	-0.2%
Other (% impact)		0.0%	0.8%	1.7%	0.3%	1.3%	-0.9%	-1.6%	0.4%	-0.1%	-0.2%	0.6%	2.4%	0.2%
Collective Agreement (% of total increase)		62.7%	69.0%	50.9%	81.4%	71.6%	437.7%	3657.1%	93.8%	124.3%	91.8%	-865.0%	101.6%	
Hiring (% of total increase)		37.2%	12.9%	5.6%	10.5%	0.4%	-177.4%	-1428.6%	-7.6%	-14.9%	18.0%	1265.0%	-8.8%	
Other (% of total increase)		0.1%	18.2%	43.3%	8.2%	28.0%	-160.4%	-2114.3%	13.7%	-9.5%	-9.8%	-300.0%	7.3%	