




# HAMILTON POLICE SERVICE

## RECOMMENDATION REPORT

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| <b>TO:</b>                 | Chair and Members<br>Hamilton Police Services Board                               |
| <b>BOARD MEETING DATE:</b> | December 16, 2021   |
| <b>SUBJECT:</b>            | 2022 Hamilton Police Service Operating & Capital Budgets                          |
| <b>REPORT NUMBER:</b>      | 21-133  |
| <b>SUBMITTED BY:</b>       | Frank Bergen, Chief of Police   |
| <b>SIGNATURE:</b>          |  |

### RECOMMENDATION

That the Hamilton Police Service Board (Board) approve the 2022 Hamilton Police Service (HPS) operating and capital budgets, representing a 3.94% increase over 2021.

### EXECUTIVE SUMMARY

The proposed 2022 HPS budget represents increases to both operating and capital expenses, as highlighted below.

The 2022 budget request includes thirteen (13) Sworn - Police Constables and one (1) Civilian FTE position.

Collective Agreement increase is the main cost driver for 2022 operating budget, followed by increase in cost allocations from the City of Hamilton (City) for WSIB recoveries and insurance.

Other significant increases include computer software licenses, storage and camera maintenance, COVID related medical supplies/PPE, fuel costs for the Police vehicles and horticultural and cleaning costs.

In addition, two specific grants/subsidies have been eliminated for 2022.

Capital expenditures have increased for 2022, mainly due to Police vehicle replacements, transition from 40-caliber magazines to 9mm platform, and facilities security upgrade.

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## FINANCIAL – STAFFING – LEGAL IMPLICATIONS

### Financial:

As detailed in the table below, the proposed 2022 HPS total combined budget (Operating + Capital) represents an overall increase of \$6.96M or 3.94% over the 2021 total combined budget.

| Description             | 2021 Budget          | Proposed Increase  | 2022 Proposed Budget | % Increase<br>** |
|-------------------------|----------------------|--------------------|----------------------|------------------|
| Operating Budget        | \$173,671,366        | \$6,461,989        | \$180,133,354        | 3.66%            |
| Capital Budget          | \$ 2,915,661         | \$ 493,524         | \$ 3,409,185         | 0.28%            |
| <b>Total HPS Budget</b> | <b>\$176,587,027</b> | <b>\$6,955,513</b> | <b>\$183,542,539</b> | <b>3.94%</b>     |

\*\* % increase over the Total 2021 Combined Budget, anomalies due to rounding

As at September 30, 2021, the HPS is projecting a year-end surplus of approximately \$0.27M, inclusive of any potential COVID-19 recoveries through the 2021 Provincial COVID-19 Relief Funding for Municipalities program. Appendix F is the Budget Variance Report as at September 30, 2021 as reported in PSB 21-120.

### Staffing:

The 2022 HPS budget request include fourteen (14) new FTE's:

- 13 – Sworn - 4<sup>th</sup> Class Police Constables - *Deployment, September 2022*
- 1 - Civilian - Board Communications & Research Advisor - *requested by the Board*

### Legal Implications:

Not applicable.

## INFORMATION

In accordance with Section 39 of the *Police Services Act*, the Board is required to approve annual budget allocations to provide the funding necessary for the operations of the Police Service. The annual operating and capital budgets, along with strategic planning documents, including the HPS Business Plan, enable the Service to establish and achieve its strategic priorities, while meeting the policing needs of the Community, in an adequate, effective and efficient manner.

### 2022 OPERATING BUDGET – (Appendix A)

The HPS, along with the Board's Budget Sub-Committee, engaged in a lengthy budget deliberation and examination of the 2022 combined operating and capital net budget arriving at the request of \$183.54M (2021 - \$176.59M).

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Total operating expenditures budgeted for 2022 \$192.02M (2021 - \$185.82M) which is offset by non-levy revenue of \$11.89M (2021 - \$12.15M). This request represents an increase of \$6.46M or 3.66% over the 2021 HPS combined budget (Appendix A).

The table below summarizes the key drivers for the net increase of \$6.46M, which are explained in greater detail in sections to follow.

**2022 Total Operating Budget  
(\$ million) \*\***

| Category                               | Incremental Change |              |
|--|--------------------|--------------|
| 1. Employee Related Costs              | \$4.95             | 2.80%        |
| 2. Operating Expenditures              | \$1.25             | 0.71%        |
| 3. Revenues – Decrease                 | \$0.26             | 0.15%        |
| <b>Total Operating Budget Increase</b> | <b>\$6.46</b>      | <b>3.66%</b> |

*\*\* % increase / decrease over the Total 2021 Combined Budget, anomalies due to rounding*

**Employee Related Costs - \$4.95M or 2.80% increase**

The table below summarizes drivers to employee related costs for the 2022 operating budget.

**2022 Employee Related Costs  
(\$ million) \*\***

| Compensation Items   | Increase      | % Increase   |
|--|---------------|--------------|
| Salary/Wages/Benefits – Collective Agreements  | \$3.85        | 2.18%        |
| New 2022 FTE – Salary/ Benefits – 13 – 4 <sup>th</sup> Class Constables, 1 Board Communications & Research Advisor | \$0.47        | 0.26%        |
| Other employee related costs   | \$0.63        | 0.36%        |
| <b>Incremental Increase</b>  | <b>\$4.95</b> | <b>2.80%</b> |

*\*\* % increase over the Total 2021 Combined Budget, anomalies due to rounding*

The HPS budget is mostly composed of employee related costs. Employee related costs (i.e. salaries, wages, benefits) account for \$172.94M or 90.06% of the total 2022 gross operating budgeted expenditures of \$192.02M. Consequently, employee related costs represent the most significant budget pressure each year, mostly related to the negotiated collective agreements.

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The current Sworn and Civilian Collective Agreements, with the Hamilton Police Association (HPA), expired on December 31, 2020. In 2021, the Board and the HPA negotiated and reached a tentative agreement on a 5 year term (2021 – 2025).

The Civilian Agreement was ratified by both the Civilian membership of the HPA and the Board. However, the Sworn membership of the HPA rejected the negotiated tentative agreement. To date, the HPA Sworn agreement has not been reached nor ratified and an arbitration meeting is scheduled for early 2022.

The current Collective Agreement with the Senior Officers Association (SOA) expires December 31, 2022.

As such, an estimated percentage is used to reflect a potential contractual increase for 2021 and 2022. The budget impact on salary and wages for 2022 is estimated at \$3.85M or 2.18%. This estimated increase also includes other monetary Collective Agreement obligations such as merit increases, general allowances and job evaluation increases.

As a result of the collective agreement increases, employee benefits will increase accordingly (OMERS, Government and Employer benefits). In addition, the government/employer benefits reflect year 4 of the CPP contribution increase, per Bill C-26, CPP Enhancement (1% by 2023).

The 2022 budget request includes thirteen (13) new Sworn 4<sup>th</sup> Class Constables for front-line patrol. In 2022, the HPS will embark on a 10-year Human Capital plan to ensure the number of Police Officers is commensurate to the expected population growth in Hamilton. An additional 13 Officers will be added each year over the next nine (9) years to maintain our current Cop-to-Pop (population) ratio of 146 Officers per 100,000 population.

In addition, the budget request also includes a new civilian position created by/for the Board. The newly created Communications & Research Advisor position will assist with Board communications, Board meetings, office administration, document management and retention. The full salary and benefits are included in the 2022 budget submission and shown in Appendix A.

Other employee costs have significantly increased over 2021 budget mainly due to the cost allocation recovery by the City to reflect actual charges related to HPS members on WSIB. The provincial government's presumptive Post Traumatic Stress Disorder (PTSD) policy has created significant WSIB charges for emergency services, including Police, for all Police Services, including HPS, in the province. These charges and other employee costs are shown in Appendix A.

Overall, employee related costs account for 2.80% of the 3.94% requested total budget increase for 2022.

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**Operating Expenditures - \$1.25M or 0.71% increase**

The largest HPS operating expenditures increase \$0.50M over the 2021 budget is the insurance cost allocation from the City. The City's insurance premiums have significantly increased for 2022 (City-Wide Report – LS21027) and, like all other City departments, HPS share of the insurance allocation has increased and is based on its insurance premiums, claims and administration.

Other major cost drivers for operating expenditures include Material & Supplies - \$0.30M, vehicle expenses - \$0.18M, Facilities – Buildings & Grounds - \$0.10M and Financial - \$0.07M, Contractual - \$0.04M and Consulting - \$0.05M, totaling \$0.74M.

Appendix A summarizes the increases/decreases by category while Appendix C provides line-by-line increase/decrease for the HPS for 2022.

**Operating Revenues – \$0.26M or 0.15% - decrease**

Several provincial grants and other subsidies will end and no longer exist at the end of 2021 or early 2022. These grants include Justice Officials Protection and Investigations Section (JOPIS - \$0.14M), Ontario Strategy to End Human Trafficking \$0.04M and Court Branch disclosures \$0.02M.

Furthermore, funding from St. Joseph's Healthcare for the COAST program \$0.15M has ended and revenues are reduced for General Occurrences/ID Photo to anticipated actual levels.

These reductions in grants, subsidies and budgeted revenue is offset with an increase of \$0.12M in Court Security & Prisoner Transportation grant and other minor increases in Provincial Firearms Program, Regional Cannabis Intelligence Coordinator, Cannabis Enforcement Team and Freedom of Information (FOI).

The operating revenues also includes funding of \$0.58M (2021 - \$0.58) from the Police Tax Stabilization Reserve to mitigate some 2022 budgetary pressures.

Appendix A summarizes the increase/decrease in budgeted revenues.

**Operating Budget – Summary**

The net operating budget request of \$6.46M represents an increase of 3.66% over the 2021 combined net HPS budget.

The driving factors for the proposed increase is attributed to fourteen (14) new FTE positions, the collective agreement increases, significant cost allocation charges from the City of Hamilton for WSIB and Insurance, and reductions in provincial policing grants, subsidies and other revenues.

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**2022 CAPITAL BUDGET – (Appendix B)**

The HPS adheres to the City's policy and practice for capital expenditures, which is defined as any asset expenditure greater than \$50,000 and an estimated useful life greater than one year.

As such, the HPS has completed its 2022 capital expenditure budget process resulting in a net budget request of \$3.41M (2021 – \$2.92M), an increase of \$0.49M or 0.28% over the 2021 HPS combined budget.

The incremental enhancements are driven by an increase in police vehicles purchases including the Mobile Command Van (via PSB 21-098), transition from 40-caliber magazines to 9mm platform, and facilities security system. These increases are netted against reductions in computers/desktops/tablets and central division retro-fit. These capital items are shown in Appendix B.

**Reserve / Capital Recoveries - Capital**

For 2022, HPS proposes to fund \$0.30M from the Police allotted reserves (\$0.12M - Police Tax Stabilization, \$0.18M – Police Capital Reserve) to partially fund and offset the increase in one-time capital projects.

**Capital Budget – Summary**

The 2022 net capital budget request of \$3.41M represents a \$0.49M or 0.28% increase over 2021 HPS combined budget.

**SUMMARY – Combined Net HPS Budget**

The total 2022 HPS budget request amounts to \$183.54M, a combined (operating + capital) budgetary increase of \$6.96M or 3.94% increase over the 2021 total combined HPS budget.

The main factors driving the requested budget increase over prior year are:

- Collective Agreement Requirements
- Cost Allocation charges for insurance and WSIB from the City of Hamilton
- Reduction/elimination of several provincial grants, subsidies and other revenues.

This requested increase represents the necessity to provide adequate and effective policing to meet the needs of the Community.

*\*Several Police Services throughout the Province receive budgeted assessment growth projection in their budget requests from their respective municipalities. If the HPS considers the same assessment growth projections of 1.0%, as provided by the City of Hamilton, the 2022 combined budget request would be 2.94%.*

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**Multi – Year Budgets**

The City initiated the multi-year rolling budget process in an effort to increase accountability and transparency for all City departments, boards and agencies, including the HPS. It provides the Board and the public with a better understanding of HPS cost drivers, services, and performance for both current and future budget years. Appendix E provides a table of the multi-year rolling budget for HPS for the period 2023 – 2025.

Appendix G shows HPS discretionary reserves as at November 30, 2021 along with year-end projected balances.

**APPENDICES AND SCHEDULES ATTACHED:**

Appendix A – 2022 Operating Budget Analysis

Appendix B – 2022 Capital Budget Analysis

Appendix C - 2022 Budget Increases / Decreases Analysis

Appendix D - 2022 Detailed Budget

Appendix E – 2022 - 2025 Multi-Year Budget Forecast

Appendix F – Budget Variance Report as at September 30, 2021

Appendix G – HPS Summary of Discretionary Reserve Balances

cc: Frank Bergen, Chief of Police  
Ryan Diodati, Deputy Chief – Operations  
Paul Hamilton, Deputy Chief – Support  
John Randazzo, Director - Finance/CFO