



HAMILTON POLICE SERVICE

INFORMATION REPORT

TO:	Chair and Members Hamilton Police Service Board
BOARD MEETING DATE:	June 27, 2024
SUBJECT:	2023 Capital Financing – Investigative Service Division Debt
REPORT NUMBER:	23-057a
SUBMITTED BY:	Frank Bergen, Chief of Police
SIGNATURE:	

EXECUTIVE SUMMARY

- The Hamilton Police Service (HPS) began budgeting for the debt repayment (principal and interest) requirements of the Investigative Service Division (ISD) facility in its 2020 fiscal year
- To date, the debt for the ISD facility has not yet been issued
- Treatment of the 2023 budgeted ISD debt repayments remained consistent with the prior years, where the HPS capital financing surplus was transferred to the City's reserves to offset other capital pressures
- The City retaining the HPS capital financing surplus for a purpose other than repayment of the ISD future debt has a negative budget impact on future net levy requirements

INFORMATION

In 2020, the HPS began budgeting for the annual debt repayment requirements of the ISD facility based on a City-provided 15-year amortization schedule. The 2020 budget included a half-year of debt-repayment, a standard municipal budgeting practice for the initial year of the building possession. Subsequent annual budgeted principal and interest repayments, net of development charges revenue, have been as follows:

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Annual ISD Capital Financing Budget (Net)*	
2021	\$1.14M
2022	1.14M
2023	1.14M
Total	\$3.43M

**Anomalies due to rounding*

As of December 31, 2023, the debt remained unissued. Therefore, no payments were required, resulting in a cumulative positive budget variance of \$3.43M over three years.

Since 2021, the HPS has consistently requested that the City's Corporate Finance Department transfer the annual capital financing surplus to an HPS reserve and restrict its use towards future annual debt repayments once the debt is issued. No such transfer was completed for any of the fiscal years.

The annual HPS capital financing surpluses were instead transferred to the City's Reserve which is used to fund the City's capital expenditures in subsequent capital budgets or in-year capital funding requests. Treatment of the 2023 budgeted ISD debt repayment surplus remained consistent with the previous two years.

As of 2023 year-end, HPS expected to be approximately 3.5 years into its 15-year repayment term. As the debt remains unissued, debt repayments have not started. Instead, the capital financing surplus of \$3.43M has been absorbed into the City's Reserve for the purpose of offsetting their capital pressures.

The City did not provide a firm expectation as to whether the debt will be issued in 2024. HPS anticipates that ISD debt repayments will continue to be included in the annual operating budget beyond 2035 (the projected end of the initial 15-year debt term), resulting in unanticipated negative future budget pressures in any affected years.

The future financial and budgetary impact of this issue will continue to compound in 2024, and beyond, as long as the ISD debt continues to go unissued, and the City maintains its established treatment of the annual HPS capital financing surplus.

APPENDICES AND SCHEDULES ATTACHED – Not applicable.

FB/S.Dzaferi

c: Ryan Diodati, Deputy Chief of Operations
Paul Hamilton Deputy Chief of Support
Sanela Dzaferi, Director of Finance

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