



INFORMATION REPORT

Meeting Date: July 12, 2021

Title: Policing Cost Projections and Financial Impacts

Prepared By: Steven Lansdell-Roll

Department: Finance

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Background:

On October 26, 2020, Council passed a motion to request a contract police costing from the Ontario Provincial Police (OPP). On May 17, 2021 the OPP presented their contract policing proposal (OPP Proposal) to Council for consideration. The OPP Proposal called for 7 additional uniformed police officers (Constables) to what the Dryden Police Services currently has in order to provide adequate and effective policing as set out in Regulation 3/99 of the PSA, Adequacy and Effectiveness of Police Services.

On June 14, 2021, the Dryden Police Services (DPS) Board Chair and DPS Police Chief made a presentation to Council. During that presentation it was stated that DPS would require 3 additional positions (2 uniformed police officers and 1 crisis response/mental health worker) in 2022.

Discussion:

Regardless of the direction Council chooses, with the most recent OPP Proposal in hand and the presentation made by the DPS Board Chair and Police Chief, it is apparent that policing costs in Dryden are going to rise significantly in 2022. It is imperative that Council consider how the City is going to accommodate the increased costs as we prepare for the 2022 budget.

DPS

Currently (2021), the DPS Operating budget, excluding School Safety Guards, totals \$3,911,996. This consists of the following:

- Uniformed Police - \$3,317,303
- Civilian, incl. dispatch services - \$600,564
- Court Security - \$(5,871)

Out of the \$3,911,996 2021 Operating budget, the labour component (salaries and benefits) is \$3,510,200 (90%).

Forecasting the DPS Operating budget for 2022, we need to incorporate the following:

1. Reduction of \$27,350 in the Court Security and Prisoner Transport (CSPT) funding from the Province (2021 Budget was \$137,657 in funding but actual funding in 2021 is \$110,307)
2. Estimated wage related inflationary increase for 2020 of \$97,230 (2.77% x \$3,510,200)
 - 2.77% is the historical (2013-2019) wage increase
3. Estimated wage related inflationary increase for 2021 of \$99,925 (2.77% x {\$3,510,200+\$97,230})
4. Estimated wage related inflationary increase for 2022 of \$102,695 (2.77% x {\$3,510,200+\$97,230+\$99,925})
5. \$281,030 (\$140,515 x 2) for the 2 additional Uniformed Police Officers
 - \$140,515 is the 2022 average loaded salary costs as per the MNP June 7, 2021 report
6. \$100,000 for the 1 additional Crisis Response/Mental Health Position
 - It was noted by the DPS Police Chief that they anticipate obtaining grant funding for this additional position, but absent an identifiable grant or accepted grant proposal conservatively we should not budget for the grant revenue until confirmation has been received

Incorporating the items noted above, the forecasted 2022 DPS Operating budget totals \$4,620,226.

Comparing the forecasted 2022 DPS Operating budget of \$4,620,226 to the current (2021) Operating budget of \$3,911,996 represents an estimated increase of \$708,230, equivalent to a ~4.9% property tax levy increase.

OPP

As per the Contract Policing Proposal received from the OPP on May 17, 2021, the OPP Annual Billing Statement Estimate was \$5,260,738 (excl. the \$55,325 uniform and equipment year-one adjustment).

Factoring \$27,740 for the Police Services Board related costs (2021 Operating Budget) and \$(110,307) for the CSPT Grant (2021 actuals), the total estimated 2022 costs under an OPP contract would be ~\$5,178,171.

Comparing the estimated 2022 costs under an OPP contract of \$5,178,171 to the current (2021) Operating budget of \$3,911,996 represents an estimated increase of \$1,266,175, equivalent to a ~8.8% property tax levy increase. The \$1,266,175 increase in 2022 Operating costs would represent an additional ~\$557,945 (\$1,266,175-\$708,230) over the projected DPS 2022 Operating budget.

In addition to the increased operating costs, if Council accepts the OPP proposal, there will be a significant initial cost associated with the transition that are estimated to be between \$3.06M and \$3.14M. The following outlines the estimated components of the initial costs:

1. Disbandment costs of an estimated \$2,025,285
2. OPP Initial Start-Up Costs (uniforms, equipment, vehicles, etc.) of \$710,775
3. OPP facility upgrades between \$325,000 and \$400,000

Accommodating the Increased Costs

There are 4 primary sources of funds that Council will need to consider to fund the impact of the increased policing costs in 2022. They are:

1. Property Tax Revenue
 - The current Property Tax Levy will not be able to accommodate the increased policing costs, so a Levy increase is an option to provide the additional revenue required.
2. Service Level Reduction/Expense Reduction
 - Reducing service levels/expenses in other programs and services would provide savings that could be re-allocated to policing costs.
3. Reserves
 - Drawing from Reserves can provide revenues required for future Operating and Capital requirements.
 - 2020 Year-end Reserve and Reserve Fund balances totaled \$5.63M. The 2021 Budget (Capital and Operating) has planned draws from Reserves and Reserve Funds of \$0.763M, which would leave a projected Year-end balance of \$4.867M.

4. Borrowing

- The City cannot borrow for Operating expenditures but can borrow for Capital requirements.
- If limited internal funds are available, debt is a consideration for funding future Capital plans.
- The City's current banking agreement includes a credit facility in which we can take out up to \$1.6M for Asset and Capital financing. If additional debt is required that would need to be secured separately.

Accepting the OPP Proposal

If Council accepts the OPP Proposal, the financial impacts would be under two categories:

1. Initial
2. Year 1 (2022) Operational

The Initial costs (\$3.06M-\$3.14M) would need to be funded from the City's Reserves/Reserve Funds. With an estimated 2021 Year-end balance of \$4.867M, funding the Initial costs from the Reserves/Reserve Funds would leave a balance of between \$1.807M and \$1.727M.

The Year 1 Operational costs, as noted above, would represent an increased operating cost of \$1,266,175. This would need to be funded utilizing the primary sources of funds noted above (excluding Borrowing).

Rejecting the OPP Proposal

If Council rejects the OPP Proposal, the only 2022 impacts would be the anticipated increased Operating costs noted above (projected Operating cost increase of \$708,230) and DPS 2022 Capital requirements. These impacts would also need to be funded utilizing the primary sources of funds noted above.

Investment Opportunity

Accepting the OPP Proposal comes at a significant upfront cost.

Looking at it purely as an investment, one would only make such an investment if there was a return on that investment that makes sense.

MNP has done a good job of providing the City with various scenarios that illustrate the potential cost savings and return on investment, with all scenarios showing a significant return. In today's low interest environment, there is not an investment that the City could make that would generate these projected returns.

As with any investment, there are risks and uncertainty, but it is reasonable to expect, due to economies of scale, that the OPP could provide policing at a lower cost. One could look at a regional example (Kenora) that would support that assumption. In 2008, their last year operating their municipal police service, Kenora incurred operational costs for policing of \$6,819,335. In 2019, under their OPP contract, policing costs continue to be below that level at \$6,303,507.

However, this is not the same as a traditional investment in which one takes cash and allocates it into an investment product that generates a return. There is a human and personal component to this that makes Council's decision more difficult. This subject is contentious for many citizens of Dryden, especially when one hears comments about Dryden Police Services being the fabric of our community. As well, this could significantly impact the lives of some of our current employees and their families. That fact is not taken lightly, so looking at this solely as an investment or cost avoidance opportunity would be insensitive and is not being recommended.