



VANCOUVER POLICE DEPARTMENT

REPORT TO THE VANCOUVER POLICE BOARD

REPORT DATE: June 1, 2021
BOARD MEETING DATE: June 24, 2021
BOARD REPORT # 2106F02

Regular

TO: Vancouver Police Board
FROM: DCC Steve Rai, Commanding, Support Services Division
SUBJECT: Variance Report for the Three-Month Period ended March 31, 2021

RECOMMENDATION:

THAT, the Vancouver Police Board receives the variance report for the three-month period ended March 31, 2021.

SUMMARY:

For the three-month period ending March 31, 2021, the VPD is under budget by 0.7% or \$568,396, primarily due to higher than anticipated recoveries, offset by higher spend on overtime and timing of purchases spent on equipment.

The VPD's 2021 budget approved by Vancouver City Council (Council) was \$5,689,974, or 1.8%, less than the Board's submission. Throughout the first quarter of the year, the VPD experienced an increase in the number of protests and demonstrations, as well as responding to uncontrollable events such as an encampment, rise in anti-Asian hate crimes, social issues, and most recently, increase in gang conflict.

	Year to Date (\$000's)		
	Actual	Budget	Variance
Recoveries	(\$8,263)	(\$5,913)	\$2,350
Expenditures	86,444	84,662	(1,782)
Under Budget	\$78,181	\$78,749	\$568

VPD Management anticipated that the overall budget reduction would not be made apparent in the first half but towards the end of the year. At this time, Management is projecting a \$4.98 million dollar deficit by year-end. This projection is subject to changes, as we progress through the year and with emerging priorities in the community, such as, but not limited to, escalating violent gang conflict, growing number of protests, and changes to COVID-19 Provincial Health Orders with the easing of restrictions.

POLICY:

The Vancouver Police Board has directed that Management provide a variance report on a quarterly basis. This report provides the operating results for the three-month period ending March 31, 2021.

This report is intended as a management report, and as such, the figures contained herein include adjustments to improve readability. These adjustments are detailed in Appendix 2.

BUDGET BACKGROUND:

On December 8, 2020, Council deliberated and voted that VPD's budget be held at the 2020 level. As a result, the VPD's 2021 annual budget is \$316,379,342, which represents a shortfall of \$5,689,974, or 1.8%, from the Board's submission. The overall 2021 budget results in inadequate funding for fixed and contractual cost obligations and includes a 1% reduction of \$3,143,668 related to vacancy savings to address the City's financial challenges. However, Council did approve new funding of \$300,000 for the Community Policing Centres. The Board's budget submission excluded the fourth year of the five-year implementation plan of the Operational Review recommendations to hire an additional 20 police officers and 10 civilian professionals.

This budget reduction equates to approximately 61 fewer recruits, which would bring staffing levels below those of 2009. The Board has a fiduciary responsibility to exercise the highest level of 'duty of care' for the safety of the people of Vancouver, the VPD, and its employees. Therefore, on March 9, 2021, the Board unanimously decided to apply to the Province for a Director's review under Section 27(3) of the Police Act, of Council's \$5.7 million cut to the VPD's 2021 Operating budget.

DISCUSSION:

As expected, the VPD is in a favourable position at the end of March and VPD Management anticipated that the overall budget reduction would not be immediately visible, but that the added pressures would be seen towards the end of the year.

The VPD continues to deal with significant public safety challenges such as intensified and escalating, violent gang conflict, anti-Asian hate crimes increasing, and the opioid crisis continuing to take lives. Protests and demonstrations related to COVID, the environment and climate change movement, and social justice are becoming more frequent and complex, and enforcement for COVID-19 Provincial Health Orders continue to evolve. In addition, police are called to support partners and community members in relation to street disorder and the Strathcona encampment.

Further to public safety challenges, the implementation of the Surrey Police Service and Municipal Pension Plan changes will impact the VPD. Management is cognisant that while these changes could lead to an exodus of staff, the VPD must also ensure public safety within the community. This has a downstream impact, such that the VPD will see more of the pressure in 2022, since the Justice Institute of the BC only holds three training sessions a year in January, May, and September, and it takes approximately 9 months for a recruit to be deployed.

Responding to the COVID-19 pandemic has resulted in extraordinary unbudgeted and unpredictable cost expenditures. The VPD incurred a total of approximately \$3.50 million since the pandemic took place in 2020 for items such as, but not limited to, personal protective equipment (PPE), overtime, members and civilian professionals that were required to self isolate, IT requirements, and enhanced cleaning services. Costs will continue into 2021 in order to comply with Provincial Health Orders and WorkSafeBC policies.

By nature, policing is largely reactive. While the budget was seasonalized using historical actuals and management's best estimate of known expenditure patterns as well as factoring changes as a result of COVID-19 restrictions, in some cases, the year-to-date actual expenditures may have deviated from this pattern. For a summary of the first quarter's recoveries and expenditures, please refer to Appendix 1.

As at March 31, 2021, the year-to-date results and year-end projection are as follows.

Year-to-date Recoveries

As outlined below, total Recoveries were 39.7% or \$2,350,121 better than budget at the end of March primarily due to:

- Higher than budgeted recoveries for third party events related to filming, and road closures at various construction sites,
- Higher government recoveries related to municipal and provincial cost-shared programs,
- Secondment recoveries, and
- Grants and Donations, largely from the Vancouver Police Foundation and Civil Forfeiture Office, but
- Offset by lower Fees for Service for fingerprinting, record checks and employee-paid parking.

Total Recoveries

	Year to Date (\$000's)		
	Actual	Budget	Variance
Third Party Events	(\$1,606)	(\$1,235)	\$371
Government	(\$632)	(163)	470
Secondment	(\$4,951)	(3,669)	1,282
Overtime	(\$80)	(128)	(48)
Grants and Donations	(\$544)	(109)	435
Fees for Service	(\$397)	(518)	(122)
Parking	(\$11)	(39)	(28)
Other	(\$42)	(52)	(10)
	(\$8,263)	(\$5,913)	\$2,350

As a public entity, the VPD is not a profit generating business such that for every dollar recovered, the VPD spends the corresponding dollar. While the Recoveries are favourable, the corresponding dollar spent is showcased below in the expenditures section contributing to higher expenditures compared to budget.

Recoveries also consist of various grants and donations, which will vary every year, and as a result, it is challenging to forecast or budget the amount the VPD will receive. Most of the cost

recoveries are from sporting, filming, or community events that happen throughout the city and as the economy and businesses begin to recover from the COVID 19 pandemic, Management projects that the budget related to recoveries will likely be met at the end of the year.

Year-to-date Expenditures

As detailed below, salaries and benefits were over budget by 1.3% or \$892,193 for the three-month period, which is fundamentally a result of the budget reduction from City Council.

Salaries & Benefits

	Actual	Year to Date (\$000's)			Variance Under/(Over) Budget
		Board's submission	Net Reduction	Council- Approved	
<u>Sworn</u>					
Sworn Salaries	\$42,503	\$42,764	(\$656)	\$42,108	(\$395)
Sworn & Court Overtime	3,495	3,116	(48)	3,067	(427)
Secondment Overtime	482	499	0	499	17
Entertainment District Callouts	166	221	0	221	55
	46,645	46,599	(705)	45,895	(751)
<u>Civilian</u>					
Civilian Professional Salaries	6,048	6,299	(127)	6,172	124
Casual & Temp Salaries	1,327	1,513	0	1,513	186
Civilian Professional Overtime	235	72	0	72	(162)
	7,609	7,884	(127)	7,757	148
Statutory Holiday Pay	1,079	907	(1)	907	(173)
Benefits	16,352	16,401	(165)	16,235	(117)
	\$71,686	\$71,791	(\$998)	\$70,794	(\$892)

Salaries & Benefits

Sworn salaries were over budget largely due to the overall budget reduction, offset by savings due to members not advancing through the pay ranks as anticipated.

VPD Management monitors overtime; however, changes due to attrition, staffing, and unforeseen events that occur within the community can contribute to increased overtime. The higher costs were primarily due to various protests and demonstrations. Additionally, the VPD was requested to assist the Vancouver Park Board on the encampment at Strathcona Park, responding to street urban issues, as well as the Investigation Division addressing various cases. There were also higher overtime costs for police presence at various construction sites; however, these costs were offset by recoveries, resulting in a \$0 impact to the VPD budget.

Entertainment District Callouts were under budget due to reduced deployment in Gastown and the Granville Entertainment District (GED), due to the current pandemic restrictions impacting various restaurant and nightlife establishment closures. With relaxing Provincial Health Order restrictions and warmer weather, the VPD anticipates increased deployment in the Entertainment Districts throughout the summer, including the existing GED deployment covering a greater area to include the growing Yaletown entertainment district. Of note, this cost category was normally over spent before the pandemic, as the VPD is funded for deployment related to only the GED. However, similar to previous years, the City has committed that should the unfunded costs associated to Gastown put the VPD in an overall year-end deficit position, the deficit will be offset by up to \$253,000 from a VPD specific reserve.

Statutory Holiday Pay was over budget due to fluctuations in forecasted attrition and operational necessitated deployment during statutory holiday. Similar to prior years, this line item has been consistently over budget and Management has continued to seek a budget increase but has not been able to achieve it due to other financial challenges.

Civilian professionals staffing costs, which consists of civilian professionals, casual and temporary salaries and overtime, were over budget due to the budget reduction and increased overtime due to the pandemic and other cases mostly related to the recent homicides and gang conflict. Additionally, as per their collective agreement, Teamsters employees can apply to have their position reclassified to ensure equal and fair compensation for duties performed. Prior to 2018, the City's Financial Planning & Analysis (FP&A) Division would fund the wage increases for approved civilian professionals reclassifications; however, a city-wide policy change was implemented for 2018 and subsequent years' budget such that any reclassification is to be funded within the VPD's existing budget. These higher costs are being managed by higher civilian professionals vacancies. The Human Resources Section and the VPD's Position Control Committee continue to closely monitor civilian professionals positions.

Non-salary Items

Overall, non-salary items were over budget by 6.4% or \$889,532, as detailed below:

	Actual	Year to Date (\$000's)			Variance Under/(Over) Budget
		Board's submission	Budget Net Reduction	Council- Approved	
Equipment & Fleet	\$4,134	\$3,982	(\$149)	\$3,833	(\$301)
Criminal Investigation Fund	669	381	0	381	(288)
Training and Travel	80	142	0	142	62
Other Expenses	1,055	1,023	(63)	959	(96)
Professional Fees	1,084	886	0	886	(198)
Facilities & Maintenance	552	555	6	561	9
Supplies & Materials	816	790	(29)	761	(55)
City Allocations	6,368	6,535	(190)	6,345	(23)
	\$14,758	\$14,293	(\$425)	\$13,868	(\$890)

The majority of the variances is a result of the Council approved budget reduction, such that the budgets do not accommodate the base service levels. Additionally, the following provides additional explanations further contributing to the non-salary variances.

The Equipment & Fleet category was over budget primarily due to necessary fleet maintenance.

Criminal Investigation Fund (CIF) is funding allocated for extraordinary investigations, such as a homicide, that can vary dramatically depending on circumstances in the community.

Training and travel saw savings due to travel and group gathering restrictions from Provincial Health Orders as a result of COVID-19.

Other expenses covers a variety of spend such as the flow-through payments to the Community Policing Centres, printing services, employee services, telecommunications and program costs to name a few. It is slightly over budget due to timing of various program costs.

The Professional Fees category is over budget due to higher legal costs for various ongoing files, as well as a higher spend on nursing and medical fees due to the re-negotiated contract for nursing services at the Jail; however, the VPD did not receive a corresponding budget increase for this contract.

The Facilities and Maintenance category is slightly under budget due to deferrals of facilities maintenance projects.

The Supplies & Materials cost category was over budget due to higher spends for PPE for VPD front-line staff and to ensure that the VPD is adhering to WorkSafeBC policies and procedures around COVID-19.

City Allocations are costs for shared city services, base building maintenance provided by the City for all VPD facilities, E-Comm 911 levies (for radio and dispatch) and the Police Records Information Management Environment (PRIME) levy. There is an agreement with the City that since the VPD does not have direct management of these costs actual spend will match budget; however, due to the overall budget reduction, the VPD will have to absorb the associated cost increases.

Year-end Projection

In previous years, the Council-approved VPD budget has equalled the Board's submission. However, as Council voted a significant decrease to the VPD's 2021 budget, the year-end projection is volatile and, at this time, depending on the events in the City, Management's best estimate is that the VPD will be over budget by \$4.98 million by year end. This would be the first time in sixteen consecutive years that the VPD will likely finish the year in a deficit position.

At this time, it is too early to definitively project where the VPD may finish at the end of the year. Given the volatility surrounding COVID-19, uncontrollable events such as increasing protests and demonstrations, rise in anti-Asian hate crimes, encampments, increase of various crime concerns, and the growing violent gang conflict will also affect the VPD's year-end position. However, VPD Management will continue to be fiscally prudent with spending and try to achieve cost savings where available, such as deferring various replacement items, with the focus of purchasing items that are dire or emergency related. As the VPD's budget is comprised of 82%

salaries and benefits, variances may arise as a result of actual to budgeted attrition, which could result in some favourable savings.

Excluded from the year-end projection and currently in discussion with City staff is the potential budget adjustment for 2020 collective agreement wage settlements. In prior years, the City funds any wage settlements; however, as a result of COVID-19, funding earmarked for all City-wide potential collective agreement provisions were re-directed to offset the City's financial challenges. This could further increase the year-end deficit position if VPD were to absorb this cost within the existing budget.

In addition, at the time of the 2021 budget build, many of the benefit rates were unknown and the 2021 benefits budget was built largely using 2020 rates. However, the estimated rates were not provided before Council had approved the 2021 budget. Consistent with the process in prior years, it was agreed with City FP&A that once the 2021 fringe benefits are known and if it results in an increase, a mid-year budget adjustment would be made. VPD Management is continuously working with FP&A to address this budget gap, estimated at \$3.0 million, and will likely require Council approval.

On April 26, 2021 the Vancouver School Board (VSB) voted to remove the School Liaison Officers (SLOs) program from Vancouver schools effective at the end of June 2021. The VPD had 17 dedicated SLOs and is currently considering alternative models to support youth in the community. As a result, there will be no savings realized from the dismantling of the SLO program and therefore, is not considered in the year-end projection.

The VPD does have a VPD-specific contingency fund, such that in any given year there is an extraordinary event, (e.g. impacts of COVID-19 and/or the gang conflict) that may put the VPD in a deficit position, the VPD can draw from it subject to approval from both the Chief and the City's Chief Financial Officer. The amount currently in the VPD-specific contingency fund is \$2,187,068.

CONCLUSION:

The VPD is under budget for the three-month period ending in March. While risk exists as a result of an inadequate 2021 City Council approved budget that is pending a Director's review from the Province, evolving Provincial Health Orders regarding the COVID-19 pandemic, increasing number of protest and demonstrations, a growing violent gang conflict along with other unpredictable costs that can vary significantly in response to community circumstances, Management projects it will likely finish the year over budget.

Author: Melissa Lee Telephone: _____ Date: June 1, 2021

Submitting Executive Member: Senior Director Nancy Eng



(signature)

Date: June 1, 2021

**VANCOUVER POLICE DEPARTMENT
STATEMENT OF RECOVERIES AND EXPENDITURES
For the Three-Month Period Ended March 31, 2021**

	Actual	Year-to-Date Budget	Variance	%	Annual Budget
TOTAL RECOVERIES	\$(8,263,194)	\$(5,913,073)	\$2,350,121	39.7%	\$(24,521,994)
EXPENDITURES					
<i>Salaries & Benefits</i>					
Sworn					
Salaries	42,502,511	42,107,691	(394,820)		174,426,155
Overtime	4,142,695	3,786,830	(355,865)		16,286,937
	46,645,206	45,894,521	(750,685)		190,713,092
Civilian Professionals					
Salaries	7,374,480	7,684,737	310,257		30,542,220
Overtime	234,591	72,268	(162,323)		317,920
	7,609,071	7,757,005	147,934		30,860,140
Statutory Holiday Pay	1,079,318	906,632	(172,686)		5,945,570
Benefits	16,352,200	16,235,445	(116,755)		54,110,330
Total Salaries and Benefits	71,685,796	70,793,603	(892,193)	1.3%	281,629,132
<i>Non-Salary Items</i>					
Equipment & Fleet	4,134,169	3,832,788	(301,381)		15,259,113
Criminal Investigation Fund	669,295	381,034	(288,261)		3,090,558
Training and Travel	79,716	142,163	62,447		2,093,515
Other Expenses	1,054,860	959,342	(95,518)		3,868,116
Professional Fees	1,084,036	886,005	(198,031)		3,637,431
Facilities & Maintenance	551,840	560,980	9,140		2,500,852
Supplies & Materials	816,346	761,406	(54,940)		3,351,272
City Allocations	6,367,837	6,344,849	(22,988)		25,471,348
Total Non-Salary Items	14,758,099	13,868,566	(889,532)	6.4%	59,272,204
TOTAL EXPENDITURES	86,443,894	84,662,169	(1,781,725)	2.1%	340,901,336
NET SURPLUS	\$78,180,701	\$78,749,096	\$568,396	0.7%	\$316,379,342

MANAGEMENT REPORT ADJUSTMENTS
For the Three-month Period Ended March 31, 2021

The variance report is intended as a management report, and as such, the figures contained in the report include the following adjustments to improve readability. These adjustments have no net effect and all net to \$0.

Account	Debit	Credit
1 Salaries	\$460,175	
Salaries - Uniformed		460,175
2 Cost Recoveries	431,047	
Traffic Authority Casual Salaries		431,047
3 Salaries	367,952	
Salaries - Uniformed		\$367,952

1. This salary adjustment is necessary because the system-generated monthly salary accrual combines both sworn and civilian professionals salaries in one line. Management has had discussions with City of Vancouver accounting staff to rectify this issue, but it remains outstanding.
2. Traffic Authority members are casual employees who are called out for events, much of which is recoverable. The purpose of the Traffic Authority adjustment is to net out the casual salaries paid for Traffic Authority members when the cost is being recovered, thus giving a more accurate representation of the VPD's casual salary expenditures.
3. Community Safety Personnel (CSP) are now part of the Vancouver Police Union bargaining unit. There are 20 full time and 30 equivalent part-time CSPs. The budget for the part-time salaries was allocated to Salaries for civilian professionals, but should have been allocated to the Salaries – Uniformed. This adjustment ensures that the actual costs match the associated budget. The budget will be rectified for the Q2 (January to June) Variance report.

