



City of Prince Albert

RPT 2024-176

TITLE: Police Service Yearend Shortfall

DATE: September 12, 2024

TO: Executive Committee

PUBLIC: X

INCAMERA:

RECOMMENDATION:

That the 2023 Prince Albert Police Service operations shortfall amount of \$243,875 be funded as follows:

1. That the amount of \$228,799 be transferred from the Prince Albert Police Service Operating Reserve; and,
2. That the remaining amount of \$15,076 be transferred from the Proactive Policing Reserve.

EXECUTIVE SUMMARY:

The Prince Albert Police Service has an operating reserve for the purpose of managing surpluses and deficits year over year. As per the intention of the operating reserve, it is recommended that the 2023 financial shortfall experienced by the Police Service be funded from the balance of reserve funds available with the remaining amount to be funded by the Proactive Policing Reserve which is an operating reserve.

BACKGROUND:

For Year 2023, City Council approved a \$531,560 increase to the Police Service for an overall budget of \$18,694,760.

On May 16, 2024, the Prince Albert Board of Police Commissioners provided correspondence to the City Clerk referring the 2023 Police Service Year End Financial Report to City Council as per the following approved motion from the Board of Police Commissioners May 14, 2024 public meeting:

“That the request to fund the 2023 Police Services financial shortfall in the amount of \$243,875 be forwarded to City Council for consideration.”

The purpose of this report is to provide additional information and context with respect to the Board's funding request

PROPOSED APPROACH AND RATIONALE:

From review of the yearend financial report, it is apparent that many of the overages in 2023 were due to unanticipated costs. This is not unusual with budget submissions being required prior to the start of a new fiscal year and the assumptions that must be made for anticipated revenues and expenses. Once fluctuations and final revenues / expenses have been accounted for, there will most certainly be a surplus or a deficit at yearend. To better manage the ebbs and flows from year to year, it is good financial management to have a reserve account for this purpose.

Accordingly, in 2016, an operating reserve was established by the Prince Albert Board of Police Commissioners for the following purpose (as noted on page 17 of the Board Report):

"The intent of the Police Service Operating Reserve is as follows:

- *That any surplus funds from Audited Year-ends for the Prince Albert Police Service be forwarded to that reserve.*
- ***That any deficit in Audited Year-ends for the Prince Albert Police Service be funded from the Police Operating Reserve.***
- ***That the Reserve fund any special projects or unanticipated expenses and/or emergency costs.***
- *That the Board approved any spending of funds from the Recorded Operating Reserve."*

Considering the intention of the operating reserve is to fund unanticipated costs and/or deficits overall, it would be the expectation that the operating reserve should be utilized for this deficit. The City recognizes that the balance of the operating reserve at the end of 2023 is \$228,799 and therefore utilizing the reserve for the full amount would result in the reserve itself being pushed into a deficit of \$15,076. Therefore, the remaining small amount should be allocated from the Proactive Policing Reserve which received excess revenue from the Special Tax.

When the operating reserve was established, it was capped at an accumulated total of \$500,000. Due to surpluses realized by the Service over the last several years and the wish to not reduce the Police Service total budget allocation, funds were transferred from the reserve during budget deliberations which allowed the reserve to remain under the capped amount and "contributed" to assisting the City's budget constraints. In this regard, it is important to convey that the 2023 approved increase to the Police Service budget was \$531,560, with an approved transfer from the Police Operating Reserve of \$200,000. This resulted in the City contributing \$331,560 in additional funding to the Service, and the Service funding \$200,000 of their increase from their reserve. **For the Service to truly contribute to the City's budget constraints, and not their own increase, would require that there be no increase to the Service's budget amount approved in addition to a transfer amount to The City, which would ultimately reduce the overall financial strain for the corporation.**

CONSULTATIONS:

The Financial Services Department was consulted for a review of the information provided within the 2023 Prince Albert Police Service Yearend Financial Report in addition to providing relevant data relating to the historical surpluses and deficits for the Police Service.

COMMUNICATION AND/OR ANNOUNCEMENT PLAN:

Following a decision of City Council, direction will be provided to the Board of Police Commissioners, the Police Service and Financial Services on the funding of the shortfall amount.

BUDGET/FINANCIAL IMPLICATIONS:

The financial implications of the recommendation would result in the Police Service Operating Reserve being reduced to a zero balance with the remaining shortfall of \$15,076 being transferred from the Proactive Policing Reserve.

In 2023 the Proactive Policing Special Tax generated \$553,439, with expenses of \$534,178 resulting in excess revenue of \$19,261. The remaining deficit, not covered by the operating reserve, could therefore be covered by the excess revenue generated on the Police Special Tax, leaving \$4,181 available to transfer to the Proactive Policing Reserve. If \$4,181 was transferred to the Proactive Policing reserve, it would have a balance of \$360,317 at the end of 2023.

OTHER CONSIDERATIONS/IMPLICATIONS:

Entities who receive funding from the City of Prince Albert have a responsibility to adhere and manage their finances within the budget approved by City Council. The Police Service has traditionally had a favourable yearend with the surpluses being transferred to their operating reserve. If overages in the budget are expected to be paid by the City of Prince Albert without utilizing the reserve which was established for this purpose, there is risk of the Police Service expecting that The City will continue to manage any and all deficits on the backs of the extreme hard work of City Administration to manage The City's budget allocation.

OPTIONS TO RECOMMENDATION:

There are two available options to fund the 2023 shortfall:

Option 1

That the entire shortfall amount of \$243,875 be funded by the Police Service Operating Reserve. This option is not recommended as it will result in the Reserve being in a negative balance in the amount of \$15,076. This shortfall would be expected to be covered by savings realized in the 2024 budget to bring the reserve to a neutral or positive balance.

Option 2

That the full amount of the shortfall be funded by the City's Fiscal Stabilization Fund. This option is not recommended because it is the responsibility of entities who operate under their own Board to manage their respective budgets and exhaust all avenues (such as reserves) before

requesting additional monies from the City of Prince Albert. To have The City be held responsible for the shortfall removes the expectation of financial accountability and does not align with the intended purpose of the Operating Reserve which the Board established.

The City's Fiscal Stabilization is an accumulation of the City's surpluses and deficits since inception. The audited financial statements indicate a balance of \$15,890,580 in the General Fund at the end of 2022, however, this balance includes funds that are earmarked for a specific purpose. For example, the balance includes \$16,000,000 in debt funding received, however not all of the \$16,000,000 had been spent before the end of 2022. Allowing City funded organizations access to the Fiscal Stabilization balance will begin to put a strain on the City's financial position.

STRATEGIC PLAN:

The recommendation supports the Strategic Priority of Organizational Effectiveness and the Council Direction to ensure that all Council Committees assist in achieving our corporate goals.

OFFICIAL COMMUNITY PLAN:

There are no OCP strategies or plans to this report.

PUBLIC NOTICE:

Public Notice pursuant to the Public Notice Bylaw No. 24 of 2015 is not required.

PRESENTATION:

Verbal Presentation by Sherry Person, City Manager.

Written by: Sherry Person, City Manager

Approved by: City Manager