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REPORT DATE: March 17, 2022
BOARD MEETING DATE: March 30, 2022
BOARD REPORT # 2022-FIN003

TO: Surrey Police Board
FROM: Finance Committee **FILE:** 60540-20-04
SUBJECT: Budget Update - 2021 Expenditures

RECOMMENDATION

The Finance Committee recommends that the Surrey Police Board (the "Board") receive this report for information.

PURPOSE

This report presents a summary of the expenditures incurred during the 2021 fiscal year. Please note that the City of Surrey’s annual financial statement audit is still ongoing; the financial results presented below may be subject to minor audit adjustments. No adjustments are currently expected at the time of writing.

BACKGROUND

The Five-Year Financial Plan 2021 – 2025 endorsed by Council in December 2020 provided budget allocations for policing services which includes one-time establishment costs for SPS and annual operating funding.

The 2021 operating budget (per the 2021 – 2025 Financial Plan) is presented in the following table:

<i>(in thousands)</i>	2021	2022	2023	2024	2025
DEPARTMENT SUMMARY	BUDGET	PLAN	PLAN	PLAN	PLAN
SPS Operating	61,142	148,036	192,567	198,218	204,034
City Policing Support Services	26,028	8,252	2,326	2,326	2,326
RCMP Contract	96,892	33,112	-	-	-
Total Police	184,062	189,400	194,893	200,544	206,360

For 2021, an operating budget of \$61.1M was approved for SPS, which was based on the deployment of 242 sworn members. When the budget was prepared and presented to Council, it was unknown how much policing services would be provided by the RCMP and how much would be provided by SPS when it is approved for operations by the Province. As such, the City of Surrey estimated a 75/25 split, assuming 75% would be provided by the RCMP, and 25% by SPS. The exact proportion of funding was to be decided during the year based on the final SPS deployment model approved by the SPTTC.

In addition to the operating budget, a total budget of \$63.7M proposed for the capital/one-time transition to SPS is presented in the following table:

<u>SUMMARY</u>	<u>2020 BUDGET</u>	<u>2021 BUDGET</u>	<u>2022 BUDGET</u>	<u>2023 BUDGET</u>	<u>2024 BUDGET</u>	<u>TOTAL</u>
Police Transitional One-Time Funding	\$ 25,200	\$ 23,084	\$ 5,400	\$ 5,000	\$ 5,000	\$ 63,684

The one-time expenditures for 2020 were budgeted at \$25.2M, of which \$20.6M was not spent and carried forward into the 2021 fiscal year. The one-time expenditures for 2021 were budgeted at \$23.1M; a total of \$43.7M was available for 2021.

SPS and the City of Surrey are working collaboratively with both the Province of BC and the Government of Canada on the transition. The specific timing of SPS' implementation is dependent on decisions made by all three levels of government which affects the timing of expenditures.

DISCUSSION

SPS Operations

For the fiscal year ended December 31st, 2021, total expenditures were \$36.1M favourable compared to the budget and \$6.1M favourable compared our projections. SPS incurred total operating expenditures of \$25.0M compared to \$61.1M budgeted and \$31.2M projected, as presented in the following table:

	2021					
	BUDGET	YEAR-END ACTUAL	VARIANCE	PROJECTED	YEAR-END ACTUAL	VARIANCE
<i>Operations Summary</i>						
Salaries and Benefits	39,341,000	10,500,531	28,840,469	12,096,200	10,500,531	1,595,669
Lower Mainland Integrated Teams	15,806,000	13,580,447	2,225,553	15,806,000	13,580,447	2,225,553
Other Expenditures (Including Capital)	5,995,000	946,350	5,048,650	3,263,800	946,350	2,317,450
Surrey Police Service Operations	\$ 61,142,000	\$ 25,027,328	\$ 36,114,672	\$ 31,166,000	\$ 25,027,328	\$ 6,138,672

During 2021, SPS had incurred \$11.4M in total expenditures (excluding contributions to Lower Mainland Integrated Teams), of which \$10.5M was for Salaries and Benefits and \$946K for Other Expenditures. Appendix I provides a breakdown of expenditures by bureau.

Lower Mainland Integrated Teams (LMIT) are funded by each jurisdiction within the region and provide services throughout the Lower Mainland, including:

- Integrated Homicide Investigation Team (IHIT)
- Emergency Response Team (ERT)
- Integrated Forensic Identification Services (IFIS)
- Integrated Police Dog Services (IPDS)
- Integrated Collision Analysis and Reconstruction Service (ICARS)
- Real Time Intelligence Centre (RTIC)

When the 2021 budget was prepared, Surrey's contribution to LMIT was included in SPS' budget. As such, the associated costs are part of SPS' expenditures. In 2021, a total of \$13.6M was spent on LMIT with a favourable budget variance of \$2.2M.

On December 31st, 2021, there were a total of 163 SPS employees (140 sworn members and 23 civilians). Of these employees, 30 were assigned to the recruitment unit and their salaries and benefits were allocated to the One-time Policing Transitional Project as SPS establishment costs.

Included in SPS Operations, are Salaries and Benefits of \$10.5M for 133 employees (113 sworn members and 20 civilians). These employees were engaged in the following initiatives:

- Community policing
- Development of policies and procedures
- Development of training programs, including operational and leadership skills development
- Procurement (equipment, uniforms, firearms, etc.)
- Tri-lateral coordination (human resources, asset transfer, facilities, etc.)
- Occupational health and safety development and organization
- Community engagement
- Staffing coordination and budget planning

Other Expenditures of \$946K included \$693K of supplies and materials, primarily by the Support Services and the Community Policing bureaus as we grow our operations and deploy members; \$57K of communication expenses; \$27K of training; \$23K of relocation costs for new hires; \$98K of professional services; \$15K of memberships and professional dues; \$27K of equipment rental; and \$6K of travel expenses.

Police Transitional One-Time Funding

The one-time transitional expenditures for 2021 is summarized in the following table:

	2021					
	BUDGET AVAILABLE	YEAR-END ACTUAL	CARRY FWD TO 2022	PROJECTED	YEAR-END ACTUAL	VARIANCE
<i>Transition Project Summary</i>						
One-time Policing Transition Project**	\$43,718,207	\$15,593,281	\$28,124,926	\$17,200,836	\$15,593,281	\$ 1,607,555

** Budget Available includes 2020 unused budget of \$20.6M carried forward to 2021.

Appendix II presents the detail on the spending related to establishing SPS. The unspent \$20.6M carried forward from 2020 has been reallocated to 2021 and future years based on the projects and priorities for the police transition. Expenditures from the one-time fund during 2021 totaled \$15.6M compared to the projected \$17.2M, detailed as follows:

- Recruitment, Assessment, and Training expenses include employees assigned to support the recruiting surge for SPS, along with the costs related to testing and assessment of candidates, and training of new hires. As of December 31, 2021, the recruitment unit consists of 30 employees (27 sworn members and 3 civilians). The total expenditure during 2021 was \$2.9M.
- Infrastructure Operating expenses include fleet maintenance and management, and City of Surrey seconded staff managing SPS' infrastructure. The total expenditure during 2021 was \$142K.
- Information Technology Operating costs include maintenance of IT operating systems, and City of Surrey seconded staff for IT project management. The total expenditure during 2021 was \$745K.

- Human Resources expenses include consultants and City of Surrey seconded staff directly involved with HR matters to set up SPS. The total expenditure during 2021 was \$156K.
- Communications and Marketing expenditures include consultants managing public relations required to support the establishment of SPS. Also included are City of Surrey staff supporting SPS websites, social media, and communications activities with graphic design and videography. The total expenditure during 2021 was \$548K.
- Financial Services expenses include outsourced financial services advisors and personnel to support setting up SPS. The total expenditure during 2021 was \$402K.
- Legal expenditures are for matters related to collective bargaining, human resources, trademarks, and other establishment legal costs. Also included in Legal, were the cost of in-house counsel seconded from the City of Surrey. The total expenditure during 2021 was \$383K.
- Strategy and Policy expenses include consulting, research, and policy advice. As a great deal of groundwork was done in 2020, the total expenditure during 2021 was \$103K.
- Information Technology Capital expenditures are related to building the data centre, dispatch systems, administrative systems, and telecommunication assets. The total expenditure during 2021 was \$8.8M.
- Armoury and Outfit Capital costs are related to firearms, uniforms, and personal issue kits. The total expenditure during 2021 was \$906K.
- Fleet Capital relates to the purchase of new vehicles. The total expenditure during 2021 was \$168K.
- Facilities Capital include retrofit costs for SPS to occupy facilities currently owned or leased by the City of Surrey. The total expenditure during 2021 was \$382K.

At the end of the 2021 fiscal year, SPS had incurred total expenses of \$15.6M against the one-time transitional funding. \$28.1M will be carried forward to 2022 and future years to support our ongoing transition costs and infrastructure development.

CONCLUSION

Expenditures for the fiscal year ended December 31st, 2021, supporting SPS' operations and the One-time Policing Transition Project, have been managed in accordance with the Council-adopted 2021-2025 Financial Plan. All expenditures during the fiscal year were within the available budget for 2021 and consistent with projected amounts.



Elizabeth Model
Chair, Finance Committee

Appendix I Surrey Police Service Operations - Year-to-Date Expenditures – December 31, 2021
Appendix II One-time Policing Transition Project – 2021 Fiscal Year End Budget Reconciliation –
December 31, 2021

APPENDIX I

Surrey Police Service - Operations Year-to-Date Expenditures - December 31, 2021

	BUDGET	YEAR-END ACTUAL	VARIANCE
<i>Surrey Police Board</i>			
Salaries and Benefits	431,000	317,114	113,886
Other Expenditures	163,000	33,425	129,575
Surrey Police Board	594,000	350,539	243,461
<i>Office of the Chief Constable</i>			
Salaries and Benefits	2,414,000	1,350,110	1,063,890
Other Expenditures	195,000	73,602	121,398
Office of the Chief Constable	2,609,000	1,423,713	1,185,287
<i>Community Policing Bureau</i>			
Salaries and Benefits	20,354,000	4,408,242	15,945,758
Lower Mainland Integrated Teams	15,806,000	13,580,447	2,225,553
Other Expenditures	2,045,000	207,552	1,837,448
Community Policing Bureau	38,205,000	18,196,241	20,008,759
<i>Investigative Services Bureau</i>			
Salaries and Benefits	10,338,000	1,495,247	8,842,753
Other Expenditures	937,000	6,673	930,327
Investigative Services Bureau	11,275,000	1,501,920	9,773,080
<i>Support Services Bureau</i>			
Salaries and Benefits	5,804,000	2,929,817	2,874,183
Other Expenditures	2,655,000	625,098	2,029,902
Support Services Bureau	8,459,000	3,554,915	4,904,085
Surrey Police Service Operations	\$ 61,142,000	\$ 25,027,328	\$ 36,114,672

APPENDIX II

One-time Policing Transition Project 2021 Fiscal Year End Budget Reconciliation - December 31, 2021

EXPENDITURES	BUDGET CARRIED FORWARD	CURRENT YEAR BUDGET	TOTAL BUDGET AVAILABLE	YEAR-END ACTUAL EXPENSES	BALANCE CARRIED FORWARD	PROJECTED	YEAR-END ACTUAL EXPENSES	VARIANCE
	2020	2021	2021	2021	2022	2021	2021	2021
	(a)	(b)	(a) + (b) = (c)	(d)	(c) - (d) = (e)			
Recruitment, Assessment, and Training	7,082,876	3,692,132	10,775,008	2,882,509	7,892,499	3,191,200	2,882,509	308,691
Infrastructure Operating	350,050	320,650	670,700	141,863	528,837	193,025	141,863	51,162
Information Technology Operating	271,400	4,278,445	4,549,845	744,694	3,805,151	1,000,000	744,694	255,306
Human Resources	475,000	71,900	546,900	155,956	390,944	246,900	155,956	90,944
Communications and Marketing	333,148	277,700	610,848	547,839	63,009	610,848	547,839	63,009
Financial Services	544,350	19,400	563,750	402,299	161,451	444,100	402,299	41,801
Legal	363,923	120,800	484,723	382,542	102,181	383,000	382,542	458
Strategy and Policy	244,853	80,000	324,853	102,640	222,213	100,000	102,640	(2,640)
SPS TRANSITION - OPERATION SUBTOTAL	9,665,600	8,861,027	18,526,627	5,360,342	13,166,285	6,169,073	5,360,342	808,731
Information Technology Capital	4,354,563	11,296,150	15,650,713	8,777,153	6,873,560	8,500,000	8,777,153	(277,153)
Armory and Outfit Capital	5,799,215	2,024,612	7,823,827	905,781	6,918,046	1,661,723	905,781	755,942
Fleet Capital	592,000	525,000	1,117,000	167,957	949,043	270,000	167,957	102,043
Facilities Capital	222,829	377,211	600,040	382,048	217,992	600,040	382,048	217,992
SPS TRANSITION - CAPITAL SUBTOTAL	10,968,607	14,222,973	25,191,580	10,232,939	14,958,641	11,031,763	10,232,939	798,824
TOTAL BUDGET BALANCE	\$ 20,634,207	\$ 23,084,000	\$ 43,718,207	\$ 15,593,281	\$ 28,124,926	\$ 17,200,836	\$ 15,593,281	\$ 1,607,555