



Subject: CAO Recommendation for Policing Services

Department: CAO Office

Report #: CAO-2019-011

Meeting Date: November 11, 2019

Orangeville Forward – Strategic Plan

Priority Area: Strong Governance and Community Stewardship

Objective: Financial responsibility, safe and protected services

Sustainable Neighbourhood Action Plan

Theme: Corporate and Fiscal

Strategy: Create and integrate sustainable principles into Town policies, processes and practices

Recommendations

For consideration on November 11, 2019:

That report CAO-2019-011, CAO Recommendation for Policing Services, be received;

For consideration before December 10, 2019:

That Council of The Corporation of the Town of Orangeville accept the Ontario Provincial Police Costing Proposal for Municipal Policing presented to Council on June 10, 2019;

And that a request be submitted to the Ministry of the Solicitor General to approve a Police Service Delivery Proposal for policing of the Town of Orangeville by the Ontario Provincial Police;

And that Council direct that the appropriate actions be taken to enter into a transition contract with the Ontario Provincial Police, at the end of which

the Town of Orangeville will be integrated into the Ontario Provincial Police Municipal Policing Billing Model;

And that the Chief Administrative Officer be directed to report to Council at the appropriate time with information about the required actions to be taken;

And that Council pass a by-law to confirm its acceptance of the Ontario Provincial Police Costing Proposal for Municipal Policing proposal presented to Council on June 10, 2019;

And that Council direct the Orangeville Police Services Board, Orangeville Police Service and the Chief Administrative Officer to take the necessary steps to implement the transition and amalgamation of the Orangeville Police Service with the Ontario Provincial Police.

Background

In 2017, Council requested and received a Costing Proposal from the Ontario Provincial Police (OPP). An evaluation and analysis of the OPP Costing Proposal was conducted by Town staff and peer reviewed by the Town's auditors, BDO Canada. The auditors concluded, "the assumptions utilized and analysis completed was reasonable". Staff determined that significant savings, approximately \$4.3M annually, under the new OPP Billing Model would be recognized by accepting the OPP Costing Proposal and concluded that one could expect the similar level of policing for the Town if it were to transition its policing services to the OPP. Council opted to stay with its local police force, Orangeville Police Services (OPS).

Council requested a second costing proposal from the OPP in December 2018.

The following provides a timeline of events in chronological order with respect to the review of policing services in the Town, starting with the Town's second request for a costing from the OPP:

December 2018	Council Resolution to request a costing proposal from OPP.
January 2019	Confirmation that the Town's request for OPP to prepare a costing proposal for the provision of policing services for the Town was approved and an initial meeting with OPP was held.
April 29, 2019	OPP presentation of Billing Model.
May 13, 2019	Council resolution directing CAO to issue requests for proposals/quotes for a consultant to analyze the cost and services for policing services.
June 10, 2019	OPP Contract Costing Proposal presented to Council.

July 4, 2019	RFP-2019-01 Study and Analysis of Policing Services awarded to MPM Consulting in the amount of \$42,000.
September 9, 2019	OPS Community Information presentation and Question and Answer session.
September 10, 2019	OPP Community Information presentation and Question and Answer session.
September 16, 2019	The Town and MPM Consulting Inc. decide to amicably part ways as there is a different interpretation of requirements for the deliverables.
September 17, 2019	The Town retained Pomax Consulting Inc. as the consultant to analyze the cost and services for policing services with a contract for \$49,650.
October 7, 2019	A panel of mayors from the City of Brockville, Town of Caledon and City of Pembroke attended a Council meeting and answered questions from Council and the public regarding their policing services experiences.
November 4, 2019	Pomax Consulting Inc. presented its Study and Analysis of Policing Services for the Town.

In 2019, at the request of Council, the Town engaged the services of an independent consultant to conduct an evaluation and analysis of the 2019 OPP Costing Proposal and policing services for the Town. In general, the consultant was to analyze the cost and services outlined in the OPP Costing Proposal presented to the Town and the cost and services currently provided by the OPS. The consultant's analysis was to include service levels, the cost of services, the cost of any enhancements required from the OPP to equate to services currently provided by OPS, and any other criteria necessary to effectively evaluate the cost of policing in the Town. The consultant was also to compare similar sized municipalities with a similar call volume that have engaged the OPP for policing to determine both their officer to call ratio and related billing model impact over a span of 15 years.

Throughout the review of policing services, the email, oppcosting@orangeville.ca, has been available for the public to submit questions. The questions were answered by the OPP, OPS or Town staff. The questions and answers have been posted on the Town's website and reported to Council.

Consultant's Study Results

The consultant, Pomax Consulting Inc., presented the findings to Council on November 4, 2019. The following provides a high-level summary of the study results.

Note: Extracts have been taken directly from the Pomax Consulting Inc. Study and Analysis of Policing Services for the Town.

Budget Forecast

Table 1 - November 4, 2019 Consultant Presentation Slide

Budget Model	Start-up Year Differential	Cost Recovery Year 2	Initial Cost Returned by Year 2024	Difference 2036
Forecast based on OPS current approved	\$7,170,372	(\$1,591,756)	(\$1,687,739)	(\$61,090,337)
Forecast based on OPS request (Nov. 5, 2019)	\$7,265,859	(\$1,659,997)	(\$1,890,577)	(\$58,647,393)
Based on approved budget + 3% OPP annual increase starting in 2024	\$7,170,372	(\$1,591,756)	(\$1,529,676)	(\$54,170,634)
Based on requested budget + 3% OPP annual increase starting in 2024	\$7,265,859	(\$1,659,997)	(\$1,728,617)	(\$53,490,142)
Start-up year costs include revenues, severance, initial costs, station changes, records management, part year OPS operations cost, part year OPP operations costs.				
Subsequent years include court costs, overtime, prisoner transportation.				

- The consultant reported significant cost saving for the Town if it transitions to OPP for policing services. The projected savings ranged from \$61,090,337 to \$58,647,393 depending on the OPS budget used and the applied inflation increases.
- In addition to projected OPP annual increase, the consultant also showed the impact of an additional 3% annual inflationary increase to the OPP budget starting in 2024.
- In year one of the transition contract, the consultant reported a one time start-up cost between \$7,170,372 and \$7,265,859 based on the OPS budget used.

- In year two of the transition contract, the Town would see cost recovery between \$1,591,756 and \$1,659,997.
- By year 2024 the initial start-up cost would be recovered and additional savings of \$1,687,730 to \$1,890,577 would be recognized.

Staffing Levels

The analysis shows that during the transition period the OPP will provide a greater number of officers in Orangeville than the OPS is currently able to provide.

There is no indication that after the transition period, the number of OPP officers will decline below the current number of officers currently experienced in the Town.

Response Times

A statistical analysis of the OPS response times from 2015 to 2019 was conducted. The consultant concluded that there is no information or evidence to suggest there will be a decline in performance to high priority events if the Town accepts the OPP's proposal. The OPP response times within the Town will be similar or better than at present.

Police Service Boards

Legislation specifies core functions of community policing and the comparative responsibilities of local police services boards and OPP detachment boards. Responsibilities of each entity are comparable and, whether policed by a local police service or the OPP, municipalities have a duty to ensure continued oversight of the police service.

Level of Service

All evidence indicates that the OPP can provide at least the same level of policing to the Town for a significantly lower cost.

Consultant's Conclusion

The consultant concluded that evidence leads us to the conclusion that accepting the OPP's proposal will enable the Town to experience essentially the same level of policing as at present at a saving of approximately 58 million dollars based on the period 2020 to 2036.

Analysis

Financing Options

There are transition costs that would be required to move from the OPS to the OPP. The consultant estimated that the initial cost to transfer would be \$7,170,372. The transition cost includes initial start-up, severance, changes required to the Police Station

and records management. The consultant further identified that the initial cost would be recovered, from saving realized from transitioning to the OPP, by year 2024 (Table 2).

Table 2 (Information from scenario 1 based on approved 2019 budget)

Based On Approved Budget	2020	2021	2022	2023	2024	2025
Net Difference - OPP Service Proposal	\$7,170,372	(\$1,591,756)	(\$1,670,910)	(\$1,750,160)	(\$3,845,285)	(\$4,139,561)
Running Total - OPP Service Proposal	\$7,170,372	\$5,578,616	\$3,907,706	\$2,157,546	(\$1,687,739)	(\$5,827,299)

The Town has different financing tools available to fund the transition cost. The following are presented for Council's consideration:

Option One: Internal Borrowing Against Reserves

Reserves are established by Council to assist with long-term financial stability and financial planning. They can be used for a variety of purposes including to fund one-time expenditure requirements.

The Town currently has \$47,284,002 in all of its Reserves, which includes Obligatory Reserves (such as Development Charges) at \$17,780,599, Water/Waste Water Reserves at \$13,106,824 and Discretionary Reserves at \$16,396,579.

The Town has the option to borrow the funds internally from its own Discretionary Reserves. This would allow the Town to fund the transition costs with no interest and use the subsequent savings from the transition as proposed in the Consultant's report within 5 years to restore the Reserves.

Funding the transition cost through the Discretionary Reserves would reduce the balance in those reserves to \$9,226,207.

This option represents an opportunity to fund the transition costs with no interest acquired and can be completed fairly quickly. However, recognizing that maintaining a healthy reserve balance is viewed to be an important indicator in financial planning, staff would recommend that should this option be selected that the repayment schedule be endorsed and adhered to throughout the payback cycle. Given the savings that will be realized following the transition year, staff recommend those funds be directed to payback the reserves within five years.

Option Two: Debt Financing

The traditional approach is a bank loan, which currently would have a fixed interest rate of 2.8%. Given the projected savings from the OPP costing model, assuming the

payback model is also five-years, a five-year loan at 2.8% would result in \$563,628 in interest.

Considerations: Municipal Fiscal Climate

There have been several legislative and funding changes announced recently that have either come into effect or are proposed. The following list identifies several areas that need to be considered when looking at financial pressures on the Town:

Ontario Community Infrastructure Fund (OCIF)

- The OCIF funding envelop has seen some drastic changes in 2019. OCIF provided steady, long term funding for small, rural and northern communities to develop and renew infrastructure projects. The application based stream of the funding envelop has been eliminated as of 2019. The formula based stream ensures funding allocation until 2020 which may be subject to change pending 2020 Provincial budget deliberation. With the potential elimination challenges for the formula based OCIF looming on the horizon, the Town is looking at an approximate \$800K revenue loss.

Bill 108, *More Homes, More Choices Act 2019*

- This Act impacts a variety of pieces of legislation that have implications, including financial, for municipalities such as the *Development Charges Act* and the *Planning Act*. As examples, there have been changes made that impact how and when development charges can be collected. There are also changes relating to the collection of funds for “soft services” such as parks, recreations centres and libraries that still need to be defined and will require the municipality to first prepare a community benefits charge strategy.

Asset Management

- Like many municipalities, the Town faces the challenge of rehabilitating or replacing existing infrastructure while at the same time, investing in new infrastructure and delivering high quality services. Financial restraints and competing priorities create a gap between infrastructure requirements and the resources available to meet them. This gap is often referred to as the “infrastructure deficit.” According to the Town’s 2016 Asset Management Plan, the estimated total replacement value of the assets was \$678.8 million. The funding shortfall per the same plan is \$5.35 million. While progress has been made, the funding gap has not been closed and the Town needs to ensure its investments are sufficient to sustain the asset portfolio in the long-term. The next iteration of the Town’s Asset Management Plan is scheduled for 2020.

Climate Change

- Climate change leading to extreme weather events (e.g. floods, wildfires, hurricanes) presents a risk for effective and long-lasting infrastructure. Long-term climate

changes (e.g. rising temperatures, rainfall patterns) impacts infrastructure over time and creates increased funding pressures to ensure our assets are “climate resilient” in order to prevent service disruption. Addressing climate change comes with a cost.

A full fiscal impact of the challenges noted above are not fully recognized at this time; however municipalities must be prepared to address these additional financial pressures as we will face these pressures regardless of the organization responsible for policing the Town.

CAO’s Conclusion

The consultant concluded that evidence leads us to the conclusion that accepting the OPP’s proposal will enable the Town to experience essentially the same level of policing as at present at a saving of approximately 58 million dollars based on the period 2020 to 2036. The CAO has no reason to disagree with this conclusion.

The OPS is capable and professional police force. The recommendations contained in this report are not intended to reflect negatively on the OPS or its members.

The OPP is also a capable and professional police force that provides policing services to approximately 325 of the 444 municipalities in Ontario, both rural and urban communities. The OPP integrated model has proven to be effective policing.

The acceptance of the OPP proposal provides the Town an opportunity to realize significant savings, reduce its liability associated with municipal policing, and enable Council to address many future fiscal challenges.

The CAO's recommendation is based on the outcomes of the review process including the findings of the consultant's report; and focuses on recommending the best policing option for the Town, considering fiscal responsibility, levels of policing service and overall impact on our community now and in the future.

Financial Impact

As per the financial information indicated above, accepting the OPP proposal for policing in the Town, even with the forecasted transition and possible financing costs, would result in significant savings for the Town.

Respectfully submitted

Ed Brennan,
Chief Administrative Officer

Attachment None