



NATIONAL
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DE LA POLICE
NATIONALE

2021 FIVE YEAR (2021-2025)

FINANCIAL PLAN

SUBMISSION TO CITY OF SURREY FINANCE COMMITTEE

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A. FINANCIAL PLAN 2021 TO 2025

The City of Surrey (“Surrey”)’s cost projections for the transition to the Surrey Police Service (“SPS”) has been updated multiple times, yet Surrey has not provided any additional substantial information to provide clarity on the updates to the cost projections. The most recent projections (as discussed below) include significant increases to the one-time transition costs and decreases to the operating budget, with little explanation. As a result, significant uncertainty remains with Surrey’s cost projections for the SPS as well as its ability to afford the transition to the SPS.

The City of Surrey’s 2021 Five-Year (2021 – 2025) Financial Plan reveals the following:

- One-time transition costs for the transition from the RCMP to SPS increased by over \$40 million in two years;
- Operating costs are grossly underestimated as the cost per capita are not aligned with previous estimates or other municipal police departments;
- There are numerous costs that have not been clearly accounted for or ignored; and
- No risk assessment or feasibility study has been done on the affordability of SPS given the COVID-19 pandemic.

B. FINANCIAL PLAN 2021 TO 2025

The 2021 Financial Plan provides an updated budget for the City’s transition to a municipal police force. Compared to the 2020 Financial Plan, the 2021 Financial Plan proposes an increase in the one-time transition budget and a decrease in the operating budget.

The one-time transition budget was initially projected at \$19.4 million and is currently projected at \$63.7 million, an increase of \$44 million. Surrey anticipates the transition will be fundamentally completed by the end of fiscal 2022 but provides no details on how this is possible. Additional details and comments on the one-time transition budget are provided below.

The operating budget has decreased in 2021, in part due to a slower than promised transition to the Surrey Police Service. In the 2020 Financial Plan, the operating budget for 2021 was \$189.5 million, compared to \$184.1 million in the 2021 Financial Plan. The 2021 Financial Plan provides for 75% of the current funding of the RCMP contract to accommodate the transition in 2021, compared to 25% provided initially.

C. ONE-TIME TRANSITION COSTS

The table below summarizes the changes in the transition costs since the initial projections:

Date	Projected Amount	Source Document
May 2019	\$19.4 million	Surrey Police Transition Plan
2019	\$45.2 million	Financial Plan 2020 – 2024
2020	\$63.7 million	Financial Plan 2021 - 2025

The Surrey Policing Transition Plan (the “Transition Report”) provides a cost break-down for one-time transition costs as follows:

- Information technology - \$7.6 million
- Recruit, administer, and equip newly hired staff - \$11.8 million
- Fleet repurpose - \$0.4 million

In the 2020 – 2024 Financial Plan, Surrey increased the projected one-time transition costs by \$25.8 million to \$45.2 million, however provided no break-down by category. Additional cost items mentioned in the document include the following:

- IT equipment
- Consulting
- Facilities
- HR
- Legal costs
- 15% contingency

No additional information was provided to explain the cost increase of \$25.8 million from the Transition Report to the 2020-2024 Financial Plan.

Surrey increased the projected one-time transition costs by a further \$18.5 million to \$63.7 million in the 2021 – 2025 Financial Plan. No additional expense items were disclosed, neither was any information provided to explain the overall three-fold (\$44 million) increase in the one-time transition cost since the initial projection.

Commentary provided by Surrey in the Financial Plans alludes to the Policing Transition department continuing to procure one-time investments to replace existing Surrey RCMP infrastructure and equipment. While, Surrey is confident the proposed budget includes adequate funding to ensure the complete transition to SPS inclusive of the required IT funding necessary to build out the IT infrastructure, the newly announced SPS Chief and the Surrey Police Board will ultimately be responsible for further budgeting, which could find the current budget is not adequate to meet SPS’ needs. Given the emphasis on the investments in IT infrastructure, it appears the majority of the \$44 million increase comprise IT related costs. Surrey has not disclosed revised projected IT costs, but as IT costs could be substantial, little of the \$44 million increase could be available to allocate to the other one-time cost categories.

Although Surrey states the transition to the SPS is “well underway” no details are provided in the 2021 Financial Plan. Specifically, the 2020 budget of \$25.2 million has not changed since the 2020 – 2024 Financial Plan was released in 2019. As the 2020 year is almost complete a more precise figure should have been provided based on actual expenditures during the year.

The 2021 Financial Plan annual forecast of one-time costs are summarized below:

	2020	2021	2022	2023	2024	2025
One-time costs	\$25.2	\$23.1	\$5.4	\$5.0	\$5.0	0.0

As Surrey is expected to have the transition substantially completed by 2022, the budget forecast of an additional \$10 million (16% of the total budget) implies a slower and lengthier transition is anticipated.

Uncertain elements of one-time transition costs:

Below is a discussion with regards to the one-time transition costs and the categories of expenses included in the costs. Although the discussion is in the context of the one-time cost projection, several of the cost items noted below also have an impact on the year-over-year operating budgets.

IT costs

IT costs are potentially the most significant one-time transition costs, yet almost no information has been provided on the cost estimates. Specifically, the following questions arise:

- 1) Has Shared Services Canada advised Surrey that Option A under the Surrey Policing Transition Plan is not feasible?

- 2) If so, has Surrey's budget for Option B changed from the Transition Report (\$30.6 million to \$34.5 million)? If yes, by how much?
- 3) How much of the increased in the one-transition cost is allocated to IT?
- 4) If Surrey is now implementing Option B, does that impact the projected IT costs in the operating budget? If so, has this been accounted for in the updated operating budget?

HR/recruiting of newly hired staff

A survey of 754 Members of RCMP Surrey, conducted by the RCMP in July 2020, identified only 14% of the current Surrey Detachment would consider joining the SPS. The SPS will need to hire at least an additional 687 new and experienced police officers. The Transition Report grossly overestimated the cross-over from RCMP Members, in particular, Surrey RCMP Members.

Important questions regarding recruiting of newly hired staff include:

- 1) What is Surrey's estimate of the composition of experienced officers (Surrey RCMP and other) versus new recruits (initially 10 to 15% of officers)? New recruits require significantly more time and costs to recruit compared to experienced hires.
- 2) Surrey stated the objective of reflecting the city's diverse population in the municipal police force. This will add strain to recruiting efforts. What "success rate" did Surrey consider in the cost projections for recruiting, i.e. how many of the applicants being processed actually convert into a successful hire? A success rate of 20% would be considered high and unsupported by the research in this area.
- 3) What is included in the kit for the SPS officers? Specifically, does it include pistols and body-worn cameras ("BWCs")? BWCs can be purchased at a very low one-time cost or are provided for free if a data management system is acquired. However, the operating cost of BWCs, which includes downloading, storage, maintenance, access and analysis of the data, is very costly. Moreover, the camera data demands significant police officer hours as it must be reviewed in real time for evidentiary value and for court purposes. While the purchase of BWC's for the SPS could be considered a one-time transition cost, the data management costs would generally be considered an annual operating IT cost.
- 4) Will the City be paying for any top-up in pension for RCMP officers that transfer over to SPS?
- 5) To what degree has Surrey considered the impact of delays and the impact of physical distancing requirement due to Covid-19 on the cost and timing of the training?

Training

It is not clear if Surrey's one-time cost projection includes training of new recruits, the renting of facilities, cost recoveries of other police departments assisting with training, etc. For example, Red Deer, Alberta did a police service review in 2020 and the training per new cadet was estimated at \$40,000/officer. What is Surrey's estimate? Remaining questions with respect to training are:

- 1) What cost did Surrey estimate for new cadet training per cadet?
- 2) The JIBC Police Academy (the "Academy") in New Westminster, is responsible for training all municipal police recruits in BC. All new recruits must attend the 9-month training at the Academy. It is expected that the Academy will have to expand resources significantly to accommodate the influx of new recruits. What will Surrey's cost be to train the new recruits and where is it included in the cost projections?
- 3) The SPS relies heavily on the cooperation of other Metro Vancouver municipal departments to assist with the field training of SPS recruits. What discussions has Surrey conducted with the

other municipal departments about the availability of officers to assist with training, when required, and the cost involved to compensate the departments for their officers' time?

- 4) What commitment has the Province made to the City with respect to increasing the capacity/infrastructure of the Police Academy at JIBC?

Legal costs

Surrey has included legal costs in the one-time transition costs since the initial projection, however, has not provided any details of what is included in legal costs or the amount in the projection. It is assumed the one-time transition cost projection only includes legal costs related to the transition and not ongoing legal costs.

Police vehicle collisions, civil actions, compensation claims, settlements etc. are ongoing operating costs of a police service. Often these claims are mediated and settled outside of court, while others can cost significant amounts to defend and on occasion, millions of dollars to settle when wrongful death or serious injuries occur. Legal costs include legal services, such as in-house lawyers to manage the claims and liability insurance, or the establishing a liability reserve fund if the police department is self-insured.

Specific questions in this regard are:

- 1) What legal costs are included in the one-time transition costs?
- 2) What legal costs are included in the year-over-year operating budget for legal services to manage claims against the SPS?
- 3) Is Surrey contemplating liability insurance or to be self-insured for costs related to claims against the SPS?
- 4) What amount has Surrey included in the operating budget related to legal claims against the SPS?
- 5) What amount has Surrey included in the operating budget for legal fees associated with SPS?

Investigative file continuity – court costs

The Transition Report provides for a process that addresses files that are under active investigation by the Surrey RCMP as the police of jurisdiction prior to the transition date. Payments to Members appearing in court include salaries, overtime, call back and cash in lieu of time. In addition, meals, travel and accommodation is also reimbursed. However, the costs in the Transition Report appears to only include salaries. Does Surrey's revised one-time cost projection consider these additional expenses related to court appearances on files under active investigation at the transition date?

Collective agreement costs

The SPS's sworn members and officers will be members of a police union. As the SPS is expected to have a large, unionized workforce, negotiations of collective agreements will be required as soon as possible to successfully carry out effective recruitment.

The negotiation of a collective agreement is a complex process which could have a significant cost impact on Surrey's transition to a municipal policing model. The Transition Report's financial projections assume wage parity and does not consider increased costs related to the collective bargaining process, arbitration, or grievances. Surrey will be under time constraints to finalize the negotiations to have efficient recruiting of SPS members with regards to wages, benefits, the work environment, etc. The time constraints may result in additional costly benefits.

Questions with regards to collective agreement negotiations include:

- 1) Did Surrey include costs related to the collective bargaining process, arbitration or grievances in the one-time costs or operating costs projections?

2) If so, what were the one-time costs and/or operating costs projected?

D. OPERATING BUDGET & COST PER CAPITA

Surrey’s projected operating budget decreased significantly since the initial projections in the Transition Report. The table below summarizes the projections:

Document	2021	2022	2023	2024	2021-2024 Total
2020 to 2021 Financial Plan	\$189.5	\$199.4	\$203.4	\$209.4	\$801.7
2021 to 2025 Financial Plan	\$184.1	\$189.4	\$194.9	\$200.5	\$768.9
Change, 2020 to 2020	(\$5.4)	(\$10.0)	(\$8.5)	(\$8.9)	(\$32.8)

Between the 2020 and 2021 Financial Plans, the operating budget decreased by approximately \$33 million over the 2021 to 2024 forecast period. This decrease is despite the 2021 Financial Plan projecting the hiring of an additional 10 police officers in 2023 and each subsequent year for capacity improvements. No explanation was provided for the \$33 million decrease in the operating budget. To put the decrease in the operating budget in perspective, we compared the “cost-per-capita” (“CpC”) in the Transition Report under an RCMP model (with wage parity) and an SPS model to the CpC implied in Surrey’s 2021 Financial Plan projections.

The Transition Report estimates the 2021 operating costs for a Surrey RCMP model at \$194.9 million and for the SPS model at \$192.5m. This results in a range of CpCs of \$320 to \$324 as shown below:

Policing Model	Year	Operating Cost	Population	Cost per Cop
SPS*	2021	\$192,500	601,340	\$320
RCMP*	2021	\$194,900	601,340	\$324

*Transition Report

The 2021 Financial Plan assumes a combined RCMP/SPS model with an operating cost of \$184.1 million for 2021, which results in a CpC of \$306. As the RCMP CpC is \$324 as explained above, the implied CpC for the SPS is only \$252 to derive a CPC of \$306 as projected by Surrey.

The 2021 operating budget is significantly understated as it implies a CpC of \$306, lower than any CpC’s derived in the Transition Report. In addition, to achieve a \$306 CpC as projected by Surrey, the SPS CpC is only \$252 which is clearly significantly below a reasonable cost as all the forecasts were above close to \$320 as noted below.

Policing Model	Year	Operating Cost	Population	Cost per Cop
RCMP (Transition Report)	2020	\$187,100	587,000	319
RCMP (Transition Report)	2021	\$194,900	\$601,340	324
SPS (Transition Report)	2021	\$192,500	\$601,340	320
SPS (2021-2025 Plan)	2021	\$184,062	\$601,340	306

The 2021 Financial Plan estimates that 2023 will be the first full year of SPS operations. Although the cost per capita for the years 2023 to 2025 increase year-over-year, they remain below the initial 2021 estimate of \$320, which implies the operating projections for future years are likely understated. Refer to table below:

Policing Model	Year	Operating Cost	Population	Cost per Cop
SPS (Transition Report)	2021	\$192,500	601,340	320
SPS (2021-2025 Plan)	2023	\$194,893	627,692	310

SPS (2021-2025 Plan)	2024	\$200,544	641,297	313
SPS (2021-2025 Plan)	2025	\$206,360	655,198	315

We compare the CpC derived by Surrey in the 2021 Financial Plan with the CpC for Vancouver and Delta. As noted below, the Surrey CpC at \$306 is significantly lower compared to Vancouver at around \$490 and also lower compared to Delta at \$331. At Delta’s CpC of \$331, the 2021 operating budget would have been \$198.8 million compared to the forecast at \$184.1 million.

Policing Model	Year	Operating Cost	Population	Cost per Cop
Surrey				
SPS (2021-2025 Plan)	2021	\$184,062	601,340	306
Vancouver				
Police service (2021 Budget)	2020	\$340,601	692,744	492
Police services (2021 Budget)	2021	\$343,098	699,671	492
Delta				
Police (2020 Financial Plan)	2020	\$36,556	110,585	331

E. OTHER EXCLUDED COSTS

None of the cost projections provided by Surrey seem to include the costs discussed below. These costs are generally operating costs, which year-over-year could result in significant additional costs in the long-term.

Significant events

Unplanned and planned significant events, for example riots, parades and celebrations, could result in a policing need beyond the SPS’s capacity. The RCMP policing model allows the RCMP to second Members on a needs basis to police a significant event, with the greater RCMP having both the capacity, structure and expertise to respond immediately to an emergent event or planning for an anticipated event. A municipality can engage the provincial government for RCMP resources by way of an “Enhanced Policing Agreement”.

Police vehicles

The RCMP generally deploy one officer per vehicle. The Surrey Transition Plan estimated that a significant portion of the fleet would be deployed with more than one officer. This has resulted in budgeting 41 less vehicles compared the RCMP in the Transition Report. The reduction in vehicles reduces police visibility in the community which is a common complaint of citizens.

The Surrey Transition Plan accounted for a police vehicle fleet reduction. However, additional police vehicles may be required to successfully police the community. The potential increased costs related to police vehicles were not quantified by Surrey.

Administrative costs

Division Administrative fees for the Surrey RCMP are delivered by RCMP headquarters. In order to accurately compare RCMP Surrey’s Division Administrative fees with the enabling services for the SPS, greater access to dollar amounts and services delivered from both entities is required to conduct a financial comparison. The potential increased costs were not quantified/disclosed by Surrey.

Veterans Affairs Canada benefits

RCMP Members who have their work functions as a police officer impacted as a result of their service can receive medical support and pensions through Veteran Affairs Canada (“VAC”). Work-related mental

health consequences have received more attention in recent times as illustrated by the September 2020 proposed class-action lawsuit alleging the federal government was negligent and discriminatory in how it handled a “mental health crisis” within the national police force. The suit was filed by four RCMP officers on behalf of Members who have been diagnosed with or suffered from operational stress injuries. The potential increased costs related to operational stress injuries were not quantified by Surrey.

Integrated Homicide Investigative Teams (“IHIT”)

IHIT and Integrated Policing Teams are extremely specialized units requiring significant training, equipment and technology and operate at a high fiscal cost. The whole rationale behind integrated units is to create greater access to specialty/expert services and reduce the financial pressure of specialty training, equipment and expertise, to any single police service through this nationally recognized “best practice” sharing model. These services cost the RCMP Surrey \$15.5 million annually. The Transition Report assumes an annual cost of \$18.7 million should the SPS stay with the current model. However, this cost could increase substantially by \$4.0 to \$4.5 million if the SPS contracts the VPD or create their own specialized teams. The 2021 Financial Plan provides no clarity regarding SPS’s intention with the IHIT.

Tax exemption status and subsidies

SPS is currently eligible to receive federal subsidies and tax benefits under the current RCMP contract. Once the contract is terminated, the SPS will no longer receive the Provincial Sales Tax exemption (\$1.4 million per year) and the British Columbia Employer Health Tax exemption of \$2 per year. The payment of the Provincial Sales Tax is speculated to be higher for SPS in the first years of operation as they make purchases of new equipment and technology. Surrey is also entitled to a 10% federal subsidy towards all RCMP contract costs under the existing Policing Agreement with Surrey. Although the Transition Report refers to these subsidies and tax benefits in the context of comparing 2021 costs under an RCMP model and a SPS model, it is not clear if the loss of the federal subsidy and tax benefits were considered in the projected operating costs.

ABOUT THE NPF

The National Police Federation (NPF) is the sole certified bargaining agent representing ~20,000 Members of the Royal Canadian Mounted Police (RCMP) across Canada and internationally, including approximately 850 RCMP Members in Surrey. The NPF provides strong, fair, and progressive representation to promote and enhance the rights of RCMP Members. We are committed to negotiating fair and respectful compensation and resources to maximize the safety and security of all our Members and the communities they serve.

The NPF was founded in 2016 and was certified by the Federal Public Sector Labour Relations and Employment Board in July 2019. RCMP Members provide effective and committed policing services to uphold our laws and support safer and more livable communities large and small.