

CITY POLICY



POLICY NUMBER: C604

REFERENCE:

ADOPTED BY:

City Council **This date will be added
when Council approves amendment**

SUPERSEDES:

New

PREPARED BY: Financial and Corporate Services

DATE: June 21, 2018

TITLE: **Edmonton Police Service Funding Formula**

Policy Statement:

Establish guidelines and the approach for the planning and approval of the multi-year funding formula for the Edmonton Police Service. This funding formula will provide funding certainty to allow for long-term budgeting and workforce planning. The details regarding calculation and application of this funding formula are captured in the procedure document.

The purpose of this policy is to:

1. The Edmonton Police Service Funding Formula will provide a fixed budget amount for each year within a Budget Cycle to provide planning certainty for Edmonton Police Service and the City of Edmonton.
2. The Funding Formula is intended to cover all impacts related to economic changes as well as changes in population and financial impacts arising from items such as bargaining union settlements, operating impacts of capital and growth.
3. The Funding Formula is not intended to cover capital funding for new buildings, significant changes in legislation or significant growth of the city through annexation.
4. City Council expects that the Edmonton Police Service will continue to operate in the most efficient manner possible and report all identified efficiencies through the City of Edmonton budget process.
5. City Council expects that the Edmonton Police Service will contribute to any city wide cost reduction strategies.



CITY PROCEDURE

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AUTHORITY: City Manager

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1. DEFINITIONS

1.1 Budget Cycle – The multi-year budget term approved by City Council.

1.2 Funding Formula – the mathematical formula used to determine the Net Operating Requirement for Edmonton Police Service.

1.3 Net Operating Requirement – the amount of funding required for Edmonton Police Service expenditures less revenue on an annual basis.

1.4 Base Budget – The Net Operating Requirement used to calculate the Funding Formula for the upcoming budget cycle, is the last year of the current budget cycle, adjusted for one-time budget items and the budgeted Transfer from the Traffic Safety and Auto Enforcement Reserve in that year, in compliance with the Traffic Safety and Automated Enforcement Reserve City Policy C579.

1.5 Economic Change - represents the growth and contraction in the value of resources in a particular region in terms of the production and consumption of goods and services.

1.6 Population Change % – the annual change in the City of Edmonton's population, represented as a percentage, as provided by the City of Edmonton's Chief Economist.

1.7 Police Price Index % – the annual inflation relative to the operating expenditures to provide police service, represented as a percentage, as provided by the City of Edmonton's Chief Economist.

1.8 Transfer from Traffic Safety and Auto Enforcement Reserve – represents the budgeted amount of funding provided to Edmonton Police Service from the Traffic Safety and Automated Enforcement Reserve, as approved by City Council.

1.9 Efficiency Factor - the annual reduction to the funding formula, represented as a percentage, for annual efficiencies.



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2. PROCEDURE

2.1 The Net Operating Requirement will change each year, based on the percentage change in Population, percentage change of the Police Price Index, and an efficiency factor for the Budget Cycle. The change related to Population will ensure that the capacity to provide police services remains in line with the growing population, while a change related to the Police Price Index will be sufficient to manage the change in costs relative to providing existing police services. The efficiency factor is to ensure annual efficiencies are achieved each year.

2.2 The Net Operating Requirement will be calculated as such:
$$\text{Net Operating Requirement} = \text{Base Budget} * (1 + \text{Population Change \%} + \text{Police Price Index \%} - \text{Efficiency Factor \%})$$
. The Net Operating Requirement at the end of the first year becomes the Base Budget for the calculation in the second year, and so forth.

2.3 The Funding Formula and the Net Operating Requirement for each year will be presented and included for City Council's approval as part of the upcoming Budget Cycle.

2.4 The Funding Formula relies on economic forecasts for Population and inflation. Forecasts are subject to differences from what actually occurs. For budget planning certainty and stability, when the Net Operating Requirement is approved for an upcoming Budget Cycle, it will remain fixed for the duration of the Budget Cycle.

2.5 In order to reflect the changes in the economic forecasts, the Funding Formula will be recalculated using the same beginning Base Budget and where available, updated for the actual change in Population and actual Police Price Index as provided by the Chief Economist. Any difference between the resulting Base Budgets at the end of the cycle will be evenly allocated over each year of the next Budget Cycle.