

EDMONTON POLICE SERVICE - REVISED FUNDING FORMULA AND RELATED POLICY

RECOMMENDATION

That revised Edmonton Police Service Funding Formula Policy C604A, as set out in Attachment 1 of the October 3, 2022, Financial and Corporate Services report FCS01331, be approved and replace the suspended policy C604.

Requested Council Action	Decision required		
ConnectEdmonton's Guiding Principle	ConnectEdmonton Strategic Goals		
CONNECTED This unifies our work to achieve our strategic goals.	Healthy City		
City Plan Values	LIVE		
City Plan Big City Move(s)	N/A	Relationship to Council's Strategic Priorities	Community safety and well-being Conditions for service success
Corporate Business Plan	Managing the corporation		
Council Policy, Program or Project Relationships	<ul style="list-style-type: none"> Edmonton Police Service Funding Formula Policy C604 (suspended) Edmonton Police Service Reserve Policy C605 		
Related Council Discussions	<ul style="list-style-type: none"> OCM00569, Executive Committee, May 18, 2022 OCM00991, Community and Public Services Committee, May 16, 2022 CR_8453, City Council, April 6, 2021 CR_4645, Audit Committee, April 12, 2017 		

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Previous Council/Committee Action

At the June 7/8/10/13, 2022, City Council meeting the following motion was passed:

That Administration, in consultation with the Edmonton Police Service and the Edmonton Police Commission, develop a revised funding formula and related policy, and return to City Council for approval as part of the 2023-2026 Operating Budget deliberations.

Executive Summary

- In response to Council's motion, Administration worked with the Edmonton Police Service (EPS) and the Edmonton Police Commission (EPC) to develop a replacement funding formula for Council's consideration.
- The principles shared by Administration, EPS and EPC throughout the development process included predictability, clarity of accountability and an acknowledgement that police services are important to community safety and well-being.
- The formula calculates funding based on EPS' net expenditures for that applicable fiscal year, and ensures that funding growth for EPS does not outpace other civic departments.
- The funding formula splits net expenditures into personnel and non-personnel expenditures, and applies the most relevant indexing factor to each.
- The funding formula will be used to adjust the budget based on a forecast, but the formula will also undergo an adjustment every two years to reflect more up-to-date population growth and inflation forecasts, or actuals when available.

REPORT

To develop a new funding formula and policy, Administration met with representatives from EPC and EPS several times since June 2022. Each group's unique perspectives were documented and integrated in the proposed policy where possible.

As there were some definitions and elements of the previous formula that did not always work as intended, Administration worked with EPS and EPC to develop a replacement formula, rather than revise the existing one. The intent of this approach is to ensure the formula will meet its goals for all stakeholders over the long term.

Principles

The following principles were agreed upon by City Administration, EPS and EPC in development of the EPS Funding Formula:

- Edmonton Police Service is essential for the provision of public safety.
- Certainty and predictability are important for long-term planning.
- Clarity of accountability is necessary while respecting the boundaries of the *Police Act*, the *Municipal Government Act* and the statutory function of police.
- Policing is part of community safety and well-being where there is interconnectivity and interdependency.

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Overview of the Replacement Funding Formula

The EPS Funding Formula was created to provide a predictable level of funding for each year within the four-year budget cycle, with a goal of making it easier for EPS and City Administration to plan stable programs and services.

The formula is intended to manage the financial impacts of:

- a. Population growth,
- b. Inflation, and
- c. Operating impacts of capital for projects that are funded by the Edmonton Police Service.

The formula is not intended to provide funding:

- a. For major capital projects, including new buildings and facilities,
- b. For Edmonton Police Service salary settlements,
- c. To address significant changes in legislation,
- d. To address significant urban growth due to annexation,
- e. For operating impacts of police-initiated capital projects that are City Council approved, and
- f. For operating impacts of significant City of Edmonton initiated capital projects that increase the demand for policing.

The formula is based on EPS' net expenditures for that applicable fiscal year. Growth is calculated on EPS expenditures and then added to EPS' base tax-supported funding.

For a given fiscal year, EPS's total tax-supported funding is equal to the sum of:

1. Total tax-supported funding from the previous fiscal year,
2. The EPS Funding Formula increment, and
3. EPS salary settlements, which are held corporately and not provided under this policy, nor calculated under the funding formula.

This calculation for total tax-supported funding for EPS rolls into the subsequent fiscal year, where the funding formula and settlements for that year are added to it. This process continues for each year of the budget cycle. For the first year of the budget cycle, 2023, EPS' net operating requirement of \$407,102,000 is the total tax-supported funding from the previous year.

Elements of the Funding Formula

Formula Growth Based on Expenditures

The funding formula calculates growth on the basis of police expenditures (personnel and non-personnel). Expenditures were selected because of their relative stability. The previous funding formula was based on the net operating requirement—expenditures net of revenues. An unintended

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consequence of the previous funding formula meant that in years where revenue decreased, the formula compensated for the initial reduction while adjusting the base on which the calculation was made in future years, which resulted in a compounding effect over time.

Expenditure Types

The funding formula splits net expenditures into personnel and non-personnel expenditures, and applies a different indexing factor to each. EPS' personnel costs comprised 82 per cent of its operating budget in 2022, as the services EPS provides to keep Edmontonians safe and secure in their community are front-line personnel intensive. Non-personnel expenditures are materials, goods, supplies, fuel, external services, utilities and transfers to reserves, comprising 18 per cent of net expenditures in 2022.

For each fiscal year of the budget cycle, the Funding Formula indexes the growth of the total personnel net expenditure budget by the forecasted rate of population growth. Indexing growth of personnel expenditures to population growth will provide the same level of resourcing per capita, thereby providing stability of service while meeting the demands of a growing city. The Funding Formula's indexing factor for personnel does not include inflation, as under the Policy personnel settlements are budgeted corporately by the City. Upon ratification of a Collective Bargaining Agreement, budgets will be adjusted to reflect the term of the settlement.

The funding formula indexes growth of the total non-personnel net expenditure budget by the Non-Personnel Inflation Calculator (NPIC). NPIC measures the inflation rate for EPS' non-personnel expenditures, using a weighted basket of expenditure categories reflective of EPS' non-personnel expenditure mix. The sum of the personnel and non-personnel increments is added to the EPS tax-supported funding base in the first year of the formula, and then calculated under the policy for each successive year.

Managing Growth

Growth under the formula is managed such that the ratio of EPS expenditures to the total expenditures of civic departments cannot be increased. Application of this ratio ensures funding growth for EPS does not outpace the funding growth of civic departments. This has the indirect effect of managing growth in times of fiscal constraint. If the City continues to grow services and service levels, then the EPS formula permits calculated growth, provided the ratio is not exceeded. If the City were to undertake reductions in a manner that reduced the budget of civic departments, the formula would constrain increases until such time that the stated ratio is achieved.

Requesting Funding Outside the Formula

The policy recognizes that in certain circumstances there may be a need or requirement to adjust the level of funding provided to EPS, and identifies the following scenarios where adjustments to funding would be considered.

EPS can request additional funding not provided through the funding formula by submitting service packages only in the following instances:

- a. Where additional funds are required to manage financial impacts of significant legislative change

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- b. Where the City implements a policy, program or service that increases demand for policing
- c. Where partnership opportunities are identified between Edmonton Police Service and Community Safety and Well-being Service providers that require additional policing resources
- d. Where additional funds are required for operating impacts of capital in instances where City Council approved the capital profile

Item c provides a direct tie to service delivery in connection with Community Safety and Well-being and requires the development of an integrated service package be sought collaboratively with partners. As this subsection is intended to cover certain initiatives, funding can be removed when the initiative ends.

The Use of Forecasts and the Requirement to Adjust to Actual

The funding formula will be used to adjust the budget on a forecast basis. This means that the budget is determined based on a forecast, but is adjusted every two years to reflect more up-to-date population growth and inflation forecasts, or actuals when available.

Adjustment to the Funding Formula

Should City Council approve the Edmonton Police Service Funding Formula Policy, any future changes to the funding formula or to EPS' tax supported funding will require City Council to hold a non-statutory public hearing.

Performance Targets and Metrics

Administration considered the potential for adjusting the formula based on certain metrics and determined that more research was required in order to identify which measures, if any, could or should be tied to a funding formula. Most metrics related to policing are not wholly influenced by the delivery of police services; regardless of the performance or effectiveness of policing, many metrics can trend in diverging directions due to factors outside of EPS' control, such as: economic factors, socioeconomic factors, migration patterns, drug epidemics, evolving criminal trends, and so on. In such instances, performance targets and metrics may not serve their intended purpose but remain helpful to help guide community safety and well-being efforts.

Budget/Financial Implications

Based on the analysis that was completed in the development of the funding formula, it is estimated that EPS will receive an increase equivalent to approximately a 0.4 per cent tax levy increase for each year of the 2023 to 2026 budget cycle. This will provide sufficient funding to address inflationary pressures on non-personnel expenditures and ensure that staffing can keep pace with anticipated changes in population. Salary settlements will be managed corporately in the same manner as all City of Edmonton departments, as mandates for these costs are set by City Council and negotiated by the City of Edmonton.

COMMUNITY INSIGHT

The City conducted public engagement on the 2023-2026 budget during summer 2022. While budget engagement did not seek input on a police funding formula, the City did hear from Edmontonians on a number of related topics, including social supports and community safety. The City will share the results of public engagement with Council and the public prior to fall 2022 budget deliberations.

A variety of perspectives on police funding were articulated in the Community Safety and Well-Being Task Force's Safer for All report (April 6, 2021, CR_8453), which included recommendations related to police funding. Administration understands the need for balance in achieving public safety while also finding opportunities to address issues outside of the police's mandate. Administration will work to align any Council direction on the EPS funding formula with the City's overall efforts on community safety and well-being through the development of the 2023-2026 budget.

GBA+

GBA+ considerations and insights related to the overall Community Safety and Well-Being framework and strategy, including the role of EPS, are outlined in Attachment 5 of the May 16, 2022, Office of the City Manager report.

ATTACHMENT

1. Draft Policy C604A - Edmonton Police Service Funding Formula