

EDMONTON POLICE SERVICE FUNDING FORMULA - ADDITIONAL INFORMATION

RECOMMENDATION

That revised Edmonton Police Service Funding Formula Policy C604B, as set out in Attachment 5 of the August 22, 2023, Financial and Corporate Services report FCS01542, be approved.

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 C604A Edmonton Police Service Funding Formula Policy C604 (suspended) Edmonton Police Service Reserve Policy C605 		
Related Council Discussions	<ul style="list-style-type: none"> FCS01331, Edmonton Police Service - Revised Funding Formula and Related Policy, City Council - Non-Regular, October 7, 2022 FCS01331, Edmonton Police Service - Revised Funding Formula and Related Policy, City Council, October 3, 2022 FCS01332, Jurisdictional Scan of Police Funding, City Council, October 3, 2022 OCM00569, Edmonton Police Service Funding Formula Policy C604 Further Analysis, Executive Committee, May 18, 2022 OCM00991, Community Safety and Well-Being Strategy, Community and Public Services Committee, May 16, 2022 CR_8453, Community Safety and Well-being Task Force Recommendations, 		

City Council, April 6, 2021

- CR_4645, Edmonton Police Service Staffing Audit, Audit Committee, April 12, 2017

Previous Council/Committee Action

At the October 7, 2022, City Council Non-Regular meeting the following motion was passed:

That Administration provide a report to City Council that includes the following:

- a. alternatives for factor G, as described in Attachment 1;
- b. alternative mechanisms to achieve Statement 5, as described in Attachment 1, including efficiency factors, a process to incrementally;
- c. reduce the 30% factor as outlined in Procedure 8, and/or a process to maintain the 30% ratio through reductions, if necessary;
- d. narrower parameters for future service packages;
- e. consideration for one-time versus ongoing increases in provincial and federal grants;
- f. a comparison analysis of the new and former formula, including a theoretical retroactive application;
- g. that before the updated report returns, that it be provided to Edmonton Police Commission for review, analysis, and comment; and
- h. language regarding options to address Edmonton Police Service salary settlements within the funding formula which are currently managed corporately.

Executive Summary

- To begin development of the replacement funding formula in 2022, City Administration, Edmonton Police Service (EPS) and the Edmonton Police Commission (EPC) agreed on the following principles:
 - EPS 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.
- The parties also note that Edmonton's position as a regional and institutional hub means it has unique challenges for its policing.
- To respond to Council's October 7, 2022 motion, Administration identified four options for police funding to consider:
 1. Reinstate the previous EPS Funding Formula (C604).
 2. Extend the replacement EPS Funding Formula (C604A) for the duration of the budget cycle (to 2026).
 3. Approve the revised replacement EPS Funding Formula (C604B) for the duration of the budget cycle (to 2026).
 4. Revert to service packages to manage all EPS funding needs.

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- Based on its analysis, Administration has developed a revised replacement funding formula policy (option 3).
- A funding formula is a tool to determine the level of funding growth for EPS over a multi-year budget cycle. It is built on the assumption that the current year base level of funding is an appropriate starting point.
- A funding formula is not the correct tool to change the overall level of police funding nor to alter the policing model. Governance tools additional to a funding formula would be required to respond to concerns about police service delivery or expected service levels.
- The new recommended funding formula incorporates the following positions of Administration based on its policy review:
 - Population remains the most prudent growth driver. Nine alternative growth drivers were examined for the new formula, but each presents several challenges for use in a funding formula.
 - The most prudent primary cost reduction mechanism is continued application of a growth management ratio comparing EPS as a share of civic department spending (30 per cent cap). This ratio could be recalculated after 2023-2026 Operating Budget Amendment 12 (OP12) work is complete.
 - Given growth management constraints already in place (30 per cent cap), there should be mechanisms that allow EPS to request funding outside the formula to respond to emerging needs, though Council is not obligated to approve any requests.
 - Because of implications to other funding amounts and negotiating positions, the City should continue to calculate and allocate EPS salary settlements outside of the funding formula.

REPORT

Since 2018 the City of Edmonton has used a funding formula as a mechanism to control the level of funding provided to the Edmonton Police Service (EPS) while respecting the authority of the Edmonton Police Commission (EPC) under the *Police Act*. A well-designed formula, with a measurable and predictable level of funding, allows EPS to take a long-term planning approach to policing. From their first use in the 2016-2018 budget cycle (formalized in policy in 2018), the City's police funding formulas start from a base level of funding and enable predictable growth.

Council approved the previous EPS Funding Formula Policy C604 in 2018 for the 2019-2022 budget cycle. In response to a larger public discourse about police conduct and funding, City Council held a non-statutory public hearing starting June 15, 2020. After hearing the concerns raised at this public hearing, Policy C604 was suspended at the July 6, 2020, City Council meeting.

At its October 7, 2022 meeting, City Council approved the replacement City Policy C604A - EPS Funding Formula Policy for the 2023 fiscal year only. No funding formula is in place beyond 2023. Until such time as there are additional directions changing the mandate of the police service, the expectations of what a funding formula can achieve regarding service priorities may exceed its practical application.

In reviewing other cities' practices for the October 3, 2022, Financial and Corporate Services report FCS01332, Jurisdictional Scan of Police Funding, Administration found that municipal police

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funding levels were generally determined through municipal budgetary processes with the majority of decisions occurring through annual operating budget discussions. No other municipality had implemented a formal funding formula policy, and very few had a multi-year operating budget process. Some municipalities did indicate the use of population growth and inflation as reasonable starting points to determine police funding, but this was not captured formally in a formula.

The EPS funding formula, as designed, fundamentally assumes that the starting point for police funding is the currently approved budget, and that it is the appropriate level of funding for the police to carry out their mandate. While a formula could be designed to determine and provide specific base level funding on an annual basis, the mechanism to do so would be complex, and would likely be unpredictable creating challenges with long-term planning.

If Council wishes to change the overall level of police funding or alter the policing model, alignment of both the mandate for police and level of funding would be required before Administration could undertake any further work. A funding formula alone will not respond to concerns with how the service is delivered or service levels that are expected.

While this report focuses primarily on providing the information requested in the motion, Administration has identified four options for police funding:

1. Reinstate the previous EPS Funding Formula (City Policy C604).
2. Extend the replacement EPS Funding Formula (City Policy C604A) for the duration of the budget cycle (to 2026).
3. Approve the revised replacement EPS Funding Formula (City Policy C604B) for the duration of the budget cycle (to 2026) - Recommended. Further decision points within the new Policy related to the October 7, 2022 motion are included as Attachment 1.
4. Revert to service packages to manage all EPS funding needs.

Based on the analysis of the additional information collected, Administration is recommending modest changes to the funding formula described below.

Edmonton Police Service Pressures and Growth Needs

As Edmonton grows, both in terms of population and geographic footprint, so will demand for policing services. This trend is consistent with many other municipal services. To maintain service levels over time, EPS requires incremental funding growth. Zero per cent funding growth for EPS is effectively a budget reduction, as inflationary pressures gradually erode the purchasing power of its base budget, and population growth erodes spending per capita. This is in large part due to the front-line service intensity of EPS, where 82 per cent of EPS costs are personnel-related. Both the previous and replacement funding formulas used population growth and inflation to calculate annual incremental funding growth.

Edmonton has Unique Policing Pressures

Edmonton has different policing needs and responsibilities compared to most municipalities in the Edmonton region, as well as across Alberta and Canada. Some unique characteristics include:

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- Edmonton has a large shadow population; approximately one-third of the Edmonton census metropolitan area (CMA) population resides in the municipalities surrounding Edmonton, but this population works, shops, visits, seeks entertainment and socializes within Edmonton. A large shadow population means a greater number of people within the city at any given time than the resident population. EPS has the additional responsibilities of policing this larger population. For comparison, according to the 2021 census, Calgary encompassed 88 per cent of the Calgary CMA population, whereas Edmonton encompassed only 71 per cent of the Edmonton CMA population.
- According to Statistics Canada data¹ (Attachment 2), Edmonton CMA has the second highest rate of crime severity, violent crime severity and non-violent crime severity of the largest seven cities in Canada, following only Winnipeg. Edmonton's crime severity rates are significantly higher than other big cities in Canada, and significantly higher than Calgary CMA. In 2021, compared to Calgary, Edmonton's crime severity rate was 35 per cent higher, violent crime severity 33 per cent higher, and non-violent crime severity 36 per cent higher. These rates of crime severity reflect the entire Edmonton region; it is understood that crime levels are lower in the municipalities and counties surrounding Edmonton. The city of Edmonton is likely to have an even higher crime severity index than what's reported for the entire Edmonton CMA.
- Edmonton has a unique local context as a hub for health and social services for the Edmonton region, northern Alberta, and the territories. In addition to specialized healthcare facilities, the Edmonton region is home to eight federal and provincial incarceration/detention facilities and has a higher proportion of incarcerated individuals than other areas in the province, which contribute to shadow population pressures². When individuals leave these facilities (both health and incarceration/detention facilities), there can be significant barriers to sustainable reintegration back to their home communities³, which require a whole-systems review to address the high recurrence of re-engagement with those services (including recidivism). Pending that work (about which the City and EPS continue to advocate to the Government of Canada and Government of Alberta), there are policing and social service impacts to local organizations and agencies.

Replacement Funding Formula Policy C604A

As the components of the motion are related to alternatives specific to the replacement funding formula as outlined within City Policy C604A, a brief overview of the replacement formula is provided.

Principles

¹ City of Edmonton Report FCS01542 was drafted prior to Statistics Canada releasing data for 2022 on July 27, 2023 (www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3510002601).

² 1) Fort Saskatchewan Correctional Centre (Provincial), 2) Edmonton Remand Centre (Provincial), 3) Grierson Institution (Federal), 4) Edmonton Young Offender Centre (Provincial), 5) Stan Daniels Healing Centre (Federal, managed by Native Counselling Services of Alberta), 6) Edmonton Institution (Federal), 7) Edmonton Institution for Women (Federal), 8) Buffalo Sage Wellness House (Federal).

³ Thomson, Jessica, et al. 2013. "Housing Needs of Adults Post-Incarceration in Edmonton." A Research Project by The Mustard Seed Edmonton and the University of Alberta.

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To begin development of the replacement funding formula in 2022, City Administration, EPS and the EPC agreed on the following principles (outlined in the October 3, 2022 Financial and Corporate Service report FCS01331, Edmonton Police Service - Revised Funding Formula and Related Policy):

- EPS 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.

Funding Formula Mechanisms

The EPS Funding Formula was developed 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 EPS 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 the 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.

The total tax-supported funding for EPS for the applicable fiscal year, which is the sum of items 1, 2 and 3, becomes item 1 for the next fiscal year. The funding formula was intended to continue

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for each year of the budget cycle. However, the replacement City Policy C604A was approved for 2023 only; no formula is in place for 2024 and beyond.

Elements of the Funding Formula

The funding formula calculates growth on the basis of police expenditures (personnel and non-personnel). Police expenditures were selected for the replacement formula because of their relative stability. The previous funding formula based growth on the net operating requirement: expenditures minus revenues. An unintended consequence of this was a compounding growth effect: in years revenue decreased, the formula compensated for the initial revenue reduction by adjusting the base on which the calculation was made in future years (i.e. the next year's calculations would show a higher difference between expenditures and revenues, leading to more growth).

The replacement funding formula splits expenditures into two components, 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 2023. This high proportion is due to police services being front-line personnel intensive. Non-personnel expenditures are materials, goods, supplies, fuel, external services, utilities and transfers to reserves, comprising 18 per cent of expenditures in 2023.

For each fiscal year of the budget cycle, the funding formula indexes the growth of the total personnel 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, which provides stability of service but still meets 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 in the same methodology as all civic departments. The adjusted budget will provide for increases in base salaries, wages and benefits based on the previously approved budget but will not adjust for operational variations resulting from the impact on overtime, shift differential, court time or any additional factors.

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' 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 Under the Formula

Growth under the formula is managed such that the ratio of EPS expenditures to the total expenditures of civic departments cannot go above 30 per cent. Application of this ratio ensures funding growth for EPS does not outpace the funding growth of civic departments. The ratio will have 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

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budget of civic departments, the formula would constrain increases until such time that the stated ratio is achieved.

While salary settlements are excluded from the funding formula calculation, they do escalate EPS' expenditure budget. In years where EPS salary settlements are relatively high or above the civic department average, there will be upward pressure on the EPS expenditure budget that bumps it closer to the 30 per cent ratio cap; this can constrain the funding formula in subsequent years.

Formula Alternatives

Alternatives Growth Drivers to Population Growth Rate (Factor G)

Administration examined nine alternative growth drivers to the population growth rate (Attachment 3). All alternative growth drivers examined are not suitable for a funding formula, for one or more of the following reasons:

1. Data collection and ownership - EPS owns the data and there can be real or perceived issues of neutrality;
2. Data is historical, and no reliable forecast of these figures is available;
3. Potential for cycles of instability from rising and falling funding and police officers per capita based on increasing and decreasing crime rates;
4. Counterintuitive effects—for example, in some cases a greater number of patrol officers results in higher crime reporting, as more police can mean more crimes reported/documented;
5. Up and down data trends would lead to funding instability;
6. Crime severity indexes already adjust for population growth, which neutralizes the effect of crime volume growth, making it a non-ideal growth driver.

Policing services are a front-line, resident-facing, people-oriented public service. As such, population growth captures the underlying growth pressures that EPS faces. While population is an imperfect growth driver for the formula, it is the best and most applicable of limited options. As the alternative growth drivers included in Attachment 3 do not provide a reliable forecast, in addition to the other highlighted concerns in the Attachment, it is Administration's position that continuing to apply the population growth rate as the growth driver for the Funding Formula, as is currently written in the Funding Formula Procedure (Appendix 1 C604A), is prudent.

Alternative Cost Reduction Mechanisms (Policy Statement 5)

Statement 5 of the Council Policy states that "Edmonton Police Service will contribute to any citywide cost reduction strategies." As a means to expedite this statement, the following optional mechanisms can be incorporated into the Policy or procedure:

1. Incorporate an efficiency factor into the formula, as a set dollar amount.
2. Incorporate an efficiency factor into the formula, as a fixed percentage of the growth formula subtracted from the formula

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3. Incorporate an efficiency factor into the formula, as a fixed per cent of EPS' expenditure budget subtracted from the formula.
4. Incorporate an efficiency factor into the formula, as a percentage subtracted from the Funding Formula's growth driver (factor G).

Because the replacement EPS Funding Formula already includes a growth management mechanism, where EPS operating expenditures cannot exceed a set percentage of civic department operating expenditures, Administration does not recommend incorporating another efficiency factor on top of this; however, an efficiency factor could be considered in place of this ratio. This existing mechanism constrains EPS' budget growth at times when civic department budgets are being reduced; when Administration undergoes budget reduction exercises, the formula automatically compels EPS to do the same. An efficiency factor can achieve a similar outcome, but would require Council direction to be established.

Administration's position is that the most prudent primary cost reduction mechanism is continued application of a growth management ratio, as is currently written under Procedure 8 of Policy C604A.

Options to Reduce the 30 Per Cent Factor

The replacement funding formula incorporates a control mechanism on funding growth for EPS, by capping EPS' operating expenditures at 30 per cent of civic department operating expenditures. In years where this ratio is exceeded, the funding formula is automatically reduced to manage this ratio.

This ratio was calculated using the Approved 2022 Operating Budget, where the ratio of EPS expenditures to civic department expenditures was 30 per cent. The incorporation of the ratio into the funding formula was to respond to the issue that in previous years the growth of police funding outpaced the growth of civic services. To ensure a balanced approach, the size of the police budget was linked to the size of other civic departments so increases in police funding did not result in growth constraints on civic services. Applying the Approved 2023 Operating Budget, this ratio reduces to 28.5 per cent. This is because civic department expenditure growth significantly outpaced EPS expenditure growth: civic department operating expenditures grew by 8.5 per cent from 2022 to 2023, whereas EPS net operating expenditures grew by 2.9 per cent.

Administration examined three options to reduce the 30 per cent ratio:

1. Reduce the 30 per cent ratio by 0.25 per cent per year for each remaining year of the budget cycle.
2. Reduce the 30 per cent ratio by 0.5 per cent per year for each remaining year of the budget cycle.
3. Recalculate the ratio of EPS operating expenditures to civic department operating expenditures after the reductions/reallocations from 2023-2026 Operating Budget Amendment 12 (OP12) are determined. Use this new ratio to replace the 30 per cent ratio.

Given that OP12 is a large and complex body of work that could involve significant reductions and/or reallocations within the City, Administration's position is the City should re-calculate the

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ratio once OP12 is complete, and use this figure to replace the 30 per cent ratio written in Procedure 8 of the Policy.

Alternatives for Narrower Service Package Parameters

Procedure 7 of the replacement funding formula Council Policy permits EPS to request additional funding outside of the formula by submitting service packages only in the following instances:

1. Where additional funds are required to manage financial impacts of significant legislative change
2. Where the City implements some policy, program or service that increases demand for policing
3. Where partnership opportunities are identified between Edmonton Police Service and Community Safety and Well-being service providers that require additional policing resources
4. Where additional funds are required for operating impacts of capital in instances where City Council approved the capital profile.

Alternatives for narrower service package parameters could include the following:

1. EPS is not permitted to request additional funding outside of the funding formula by submitting service packages during the 2023-2026 budget cycle. All funding requirements must be managed within the allowances of the formula.
2. The maximum allowable request for additional funding through service packages is capped at a set dollar amount per fiscal year (e.g., \$4 million).
3. The maximum allowable request for additional funding through service packages is capped at a set per cent of the total EPS expenditure budget per fiscal year (e.g., one per cent).
4. Any approved growth funding for EPS service packages cannot exceed a set tax increase per fiscal year (e.g., 0.25 per cent tax increase).
5. EPS is only permitted to submit service package requests for additional funding if they align with the Community Safety and Well-being (CSWB) mandate.

Because the replacement funding formula includes a growth constraint mechanism, the 30 per cent ratio, any additional constraints on service package requests would diminish financial flexibility. With a growth constraint mechanism already incorporated to the funding formula, there should be some allowance to request funding changes. Removing this option could have unintended consequences on policing. This does not mean that any requests for funding are automatically approved; Council will continue to have discretion over whether or not to approve the funding request.

Given these considerations, it is Administration's position that continuing to apply Procedure 7, as it is currently written in the Funding Formula Procedure (C604A), is prudent.

Consideration For Ongoing Versus One-Time Grant Funding to EPS

Procedure 5 of the replacement funding formula states that

“any increases or reductions to the personnel net expenditure budget, denoted by F in formula [2], or the non-personnel net expenditure budget, denoted by H in formula [2],

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from changes in external funding sources will be excluded from the calculation in formula [2]. External funding sources include, but are not limited to, grants from other orders of government.”

This statement neutralizes the effect on the formula from any increases or decreases in external funding: the funding formula is unaffected by any change in grant funding. To clarify this statement further, Administration’s position is to revise amending Procedure 5 to specify that it applies for both one-time and ongoing grant funding to EPS.

Options to Address Salary Settlements Within Formula

Statement 3b of the Council Policy states that the EPS Funding Formula is not intended to provide funding for EPS salary settlements, which will be managed corporately. The rationale for this statement was twofold. Removing settlements from the formula acknowledges that the City of Edmonton plays a significant role in the negotiation of the Collective Bargaining Agreements for EPS bargaining units, and removes the possibility of a collective bargaining agreement being lower than the funding formula’s projected settlement increase, which could potentially result in overallocations for EPS.

Options to address salary settlements within the funding formula include:

1. Incorporate a salary settlement growth factor into the EPS funding formula. Where actual settlements are below the formula’s estimated settlement, EPS returns the difference by way of budget reduction. Where actual settlements are above the formula’s estimated settlement, Council provides additional tax-supported funding in the amount of the difference.
2. Incorporate a fixed percentage personnel inflation factor into the formula. Any variance between this calculated amount and the actual settlement amount (either above or below) is managed by EPS.
3. Incorporate a fixed percentage personnel inflation factor into the formula. Any variance between this calculated amount and the actual settlement amount (either above or below) is managed by Administration.

The above options will not influence the outcome of the collective bargaining process or salary settlements. Rather, these options only determine how money is allocated to pay for EPS’ settled wage increases. Options 2 and 3 create uncertainty and instability for both EPS’ and Administration’s budgeting, as it is likely that actual settled amounts will vary from what the formula projects in most years. In instances where the actual settlement is lower than formula settlement, option 2 would overallocate funding to EPS. In instances where the actual settlement is higher than the formula settlement, option 3 would require Administration to take funds from other areas or increase taxes to make up the difference. Furthermore, incorporating salary settlements into the funding formula would publicize the amounts reserved by the City for EPS salary settlements, which could weaken the City’s bargaining position.

For these reasons, it is Administration’s position that the City should continue to calculate and allocate EPS salary settlements outside of the funding formula, as is currently written in the funding formula procedure.

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Comparison Analysis of Previous and Recommended Replacement Formula

A detailed side-by-side comparison of all the elements of the previous formula and the replacement C604B is provided in Attachment 4. Salary settlements are calculated outside of the formula and held corporately in the replacement funding formula. This scenario assumes one per cent salary settlements for all years for illustrative purposes only—actual salary settlements and financial impacts may vary from what is presented here.

The effects on the amount of increases are summarized below:

Summary of Formula Application - Incremental Funding (\$millions)

	2024	2025	2026	2026 adjusted
Replacement Formula	\$10.7	\$10.2	\$9.9*	\$0.0*
Replacement Formula + Salary Settlements (assumes 1%)	\$14.5	\$14.1	\$13.7	\$3.9
Previous Formula (inclusive of salary settlements - assumes 1%)	\$14.0	\$13.6	\$13.4	

*In this replacement formula projection, the ratio of EPS operating expenditures to civic department operating expenditures exceeds 30 per cent in 2026. This would trigger a reduction of the EPS funding formula from \$9.9 million to \$0 in 2026, which reduces the ratio back to 30 per cent.

The previous funding formula incorporates salary settlements within the formula, which are assumed to be one per cent for all years for illustrative purposes only—actual salary settlements and financial impacts may vary from what is presented above. This previous formula scenario applies a zero per cent efficiency factor to the formula. If this funding formula were in place, and if Council decided to exercise some efficiency factor, the incremental funding amounts would be lower.

Attachment 4 also includes a retroactive side-by-side comparison of the previous and replacement formulas for years 2019 to 2022. It compares the amounts:

- If the formulas were in place at the time of developing the 2019 to 2022 operating budget, using budget information as at 2018
- Applying historical population growth rates, Non-Personnel Inflation Calculator (NPIC) and Police Price Index (PPI) figures as of May 2023.

The effects on the amount of increases are summarized below:

Retroactive Funding Formula Application - Incremental Funding (\$millions)

	2019	2020	2021	2022
Replacement Formula	\$9.7	\$8.1	\$7.9	\$13.5
Replacement Formula + Salary Settlements (assumes 1%)	\$14.0	\$12.4	\$7.9	\$17.2
Previous Formula (inclusive of salary settlements - assumes 1%)	\$11.8	\$10.6	\$6.2	\$14.9

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Options Available to City Council

City Council has four available options for the approach used to fund EPS:

1. Reinstate the previous EPS Funding Formula as outlined within City Policy C604. At the July 6, 2020 meeting, City Council voted to suspend the City Policy C604. An advantage of this formula was that it had an efficiency factor, giving Council direct discretion to adjust funding. A disadvantage was that it incorporated salary settlements into the formula, which can vary from actual settled amounts, producing budgeting uncertainty.
2. Extend the replacement EPS Funding Formula as outlined with City Policy C604A for the duration of the budget cycle (to 2026). This Funding Formula is currently in place for 2023 only. An advantage of this formula is the 30 per cent ratio cap, which manages EPS funding growth, ensuring that it does not outpace growth of civic departments. Another advantage is that salary settlements are calculated outside of the formula and held corporately, which ensures that funding provided aligns with actual settlements. A disadvantage of this formula is that Council and the public do not have the full picture of police funding until after the collective bargaining agreement is ratified.
3. Approve the revised replacement EPS Funding Formula (C604B) for the duration of the budget cycle (to 2026) - Recommended. The advantages and disadvantages of this option are the same as option 2. A draft City Policy C604B is included as Attachment 5.
4. Revert to service packages to manage all EPS funding needs. An advantage of this approach is that it gives Council more short-term planning control over EPS funding changes. A disadvantage is that it could be in contravention of the Police Act if budgeting/funding is not provided for at least a full fiscal year. Further disadvantages are that it provides no long-range planning, and provides no long-term financial certainty or stability for EPS or Administration. This approach would be contrary to the intent of multi-year budgeting.

Legal Context

Through the *Police Act*, the City must establish and maintain an adequate and effective police service and establish a commission to oversee the police service. The commission must, in consultation with the Chief of Police, prepare a budget estimate, as well as police services and program plans for consideration by Council. Council is responsible for reviewing the budget estimate and plan, in addition to establishing the total overall budget for policing services. Once the total budget amount is established by Council, the commission has full authority to allocate those funds for policing services. Council cannot direct the commission regarding the allocation of the total police budget.

If the City does not provide or maintain adequate or effective police services, the Minister has broad authority to ensure this obligation is carried out, and any costs incurred by the Minister to do so must be paid by the City.

Community Insight

The City conducted public and stakeholder engagement on the 2023-2026 budget during summer 2022. While budget engagement did not specifically seek input on a police funding formula, the

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City did hear from Edmontonians on a number of related topics. These and other insights were shared with Council through the Budget 2023-2026 Community Insights report (October 31, 2022, City Council, CE01489). What we heard from Edmontonians was that social supports are important, and that community safety is a concern. In online engagement, police funding was in both the top five budget categories for which participants wanted to increase funding (30 per cent of participants selected to increase funding between two to 10 per cent) and the top five budget categories for which participants wanted to decrease funding (43 per cent of participants selected to decrease funding between two to 10 per cent) and 27 per cent of people selected no change to the budget allocations for EPS.

In other budget engagement activities, the City heard a lot of different, often conflicting, perspectives about things to consider when it comes to the topic of community safety. Some participants wanted to divert police funding to other social support services, others wanted to maintain current funding levels, some wanted to increase funding generally and others wanted to fund police training on issues like addictions and mental health. The EPS funding formula exists within the context of this larger public conversation about policing, and community safety and well-being. The formula is not intended to provide answers to this challenge. Rather, it is a financial tool that provides predictable funding growth within the four-year budget cycle, with a goal of making it easier for EPS and City Administration to plan stable programs and services for Edmontonians.

GBA+

The perception of safety and well-being will vary from person to person, depending on each subjective experience.

The City's Community Safety and Well-Being (CSWB) Strategy is grounded in anti-racism, reconciliation and equity. The Strategy recognizes particular communities, such as racialized communities, Indigenous peoples, houseless Edmontonians and 2SLGBTQQA+ communities, face increased rates of safety concerns and threats to their well-being.

As the funding formula is a financial tool intended to provide predictable funding growth within the four-year budget cycle, specific considerations to achieve CSWB outcomes would require mandates provided outside the formula. While the funding formula allocates resources to policing, it is the responsibility of EPS and EPC to allocate the funding to priorities in a manner that serves the needs of the community.

Attachments

1. Decision Flow Chart
2. Crime Severity Index For Canada's Largest Seven Cities
3. Alternative Growth Drivers to Population Growth Rate (Factor G)
4. Comparison Analysis of Previous and Replacement Formula
5. Draft Policy C604B - Edmonton Police Service Funding Formula