

NO: R146

DATE: September 14, 2020

TO: **Mayor & Council**

DATE: **September 10, 2020**

FROM: **General Manager, Policing Transition**
General Manager, Finance
General Manager, Corporate Services

FILE: **7400-01**

SUBJECT: **Surrey Policing Transition – Interim Financial Procedures**

RECOMMENDATION

The Policing Transition Department, the Finance Department and the Corporate Services Department recommend that Council:

1. Receive this report for information; and
2. Authorize the Mayor and City Clerk to sign a Memorandum of Understanding (“MOU”), substantially in the form attached as Appendix “I”, with the Surrey Police Board (“the Board”) designate to agree to the terms by which the Police Board will adopt a 2020 budget and a 2021 provisional budget for its operations and how expenditures will be managed, consistent with the Board and the municipality’s obligations under the *BC Police Act* [RSBC 1996] (“the *Police Act*”);

INTENT

This report outlines a series of interim financial procedures, including a MOU for adoption and management of the Board’s 2020 and 2021 budgets that will assist the Board and the City of Surrey (“the City”) to meet their financial obligations under the *Police Act* and City bylaw requirements.

BACKGROUND

The motion of City Council on November 5, 2018 to establish an independent municipal police service has unique implications for several budget years during the ‘transition’ phase while the Surrey Police Service (“the SPS”) is being operationalized and contract policing by the RCMP is proportionately reduced.

Since the 2018 motion of City Council, the City has managed separate budgets for the RCMP contract, civilian support services and the policing transition team. In 2019, City Council approved the 2020-2024 Financial Plan for all of the above elements to continue, as well as one-time transition costs related to the establishment of the SPS (Appendix “II”).

The Provincial Municipal Policing Transition Study Committee (“PMPTSC”), chaired by the Honourable Wally Oppal in 2019, recommended a phased Integrated Transition Model and the establishment of a multi-party committee to manage specific aspects of the transition from a contract policing model to an independent municipal police service. To address this, on

September 4, 2020, a tri-lateral committee (“the committee”) held a kick-off meeting. The committee has senior representatives from Public Safety Canada, the Ministry of Public Safety and the Solicitor General and the City of Surrey. A working group to support the committee will also be established. The committee is now working to confirm the Terms of Reference and a workplan. The committee will develop and promote an Integrated Transition Model. As a result, a budget model which incrementally scales the funding for the RCMP contract and SPS operations is required for 2021.

Effective July 6, 2020 when the Board became an independent entity established by the Province of BC, it acquired responsibilities and obligations under the *Police Act*, including for budgeting and financial management (Appendix “III”).

Both the Board and the municipality have specific and distinct obligations for financial matters under the *Police Act*.

- Section 15 of the *Police Act* imposes the obligation on the municipality to fund policing and law enforcement in the city, which includes providing funds for sufficient number of personnel and adequate accommodations, equipment and supplies.
- Section 27(1) of the *Police Act* states that, “*on or before November 30 in each year, a municipal police board must prepare and submit to the council for its approval a provisional budget for the following year to provide policing and law enforcement in the municipality.*”

In 2020, funds to support the establishment of the SPS have been managed by the City within the budget for policing approved in the City’s 2020-2024 Financial Plan. Further, costs related to the contracted policing model (by which the Province provides policing services through the RCMP) are the responsibility of the municipality and are governed by the Municipal Police Unit Agreement (“MPUA”).

As the Board undertakes its legal obligations to create the SPS and during the early parts of the transition phase, the Board will have not have the personnel and other resources in place to independently develop a provisional budget within the timelines prescribed by Section 27 of the *Police Act*. Therefore, there is a need to recognize the unique nature of this transition phase and advance a financial model and build a relationship that recognize and preserve the separate and distinct roles of the Board and the municipality while addressing the practical need for collaboration and interdependence.

DISCUSSION

Interim Financial Procedures - Memorandum of Understanding

In 2020, the City has managed the expenditures related to policing within the City’s 2020 budget approved by City Council. It has incorporated four financial components of these expenditures (RCMP contract, civilian support staff, establishment of the SPS, and one-time costs) into a unified budget. The MOU provides for the Board to adopt the approved components of the City’s 2020 budget applicable to the Board’s/SPS’ costs as the Board’s budget for the remainder of 2020. To ensure seamless policing and recognizing the interdependencies between the RCMP contract costs and SPS establishment costs (based on the pace of SPS implementation), it is proposed that this unified budget approach continue in 2021. To achieve this, the MOU provides for the Board to adopt the proposed amounts set out in the City’s 2020-2024 Financial Plan for 2021 as the Board’s 2021 provisional budget, with the understanding that the Board and the City will continue to work

cooperatively to implement cost control measures and to refine the 2021 budget as more information becomes available and there is greater certainty with respect to project progress, including shifting allocations based on impacts of increases and decreases to deployment of SPS and RCMP personnel, respectively. The City will be working on its 2021 – 2025 Financial Plan in early fall and will present this to Council for review as part of the annual budget cycle.

The attached MOU effects the adoption of the budgets by the Board for the remainder of 2020 and for 2021 and provides a mechanism for continuous expenditure management throughout the transition phase to ensure costs are maintained within the budgeted amounts.

The MOU further provides the Board access to the City's supporting documents used to prepare the budgets and provides for the municipality to continue to provide ongoing support to the Board to implement and manage the approved budgets, with a potential consequential benefit of leveraging the skills and expertise of City staff and the availability of City resources (including the preliminary work undertaken by the Policing Transition Team) to limit costs and realize the economies of scale generated through the provision of shared services.

Delegation of Authority

In 2020, the City has budgeted for several services that the Board and SPS require and, to date, has procured services and authorized the resulting expenditures in accordance with City policies.

With the establishment of the Board, the Board will have oversight over its expenditures, subject to budgetary constraints and, as set out in the MOU, in collaboration with the City. The Board is further responsible for delegating expenditure/signing authority for those expenditures.

A corresponding Surrey Police Board report has also been prepared and forwarded to the Board for the September 15, 2020 Police Board meeting.

SUSTAINABILITY CONSIDERATIONS

The work of the Police Transition Department supports the objectives of the City's Sustainability Charter 2.0. In particular, this project supports the Sustainability Charter 2.0 theme of Public Safety. Specifically, this project supports the following Desired Outcome ("DO") and Strategic Direction ("SD"):

- Public Safety DO4: Local residents and businesses are connected and engaged within their neighbourhoods and with the broader community – including police, public safety partners and social service agencies – to enhance safety.
- Public Safety SD3: Ensure programs, policies and initiatives exist along the public safety continuum, and support the entire community.

CONCLUSION

The City and the Board have distinct obligations under the *Police Act*, and given the scope of work to create the SPS and the prescriptive timelines in the *Police Act*, it is necessary to agree to interim financial procedures by which the Board and the City can fulfil their legal obligations while managing existing financial commitments.



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General Manager, Finance



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[https://surreybc.sharepoint.com/sites/policingtransition/management documents/council/cr 2020 09 08 city of surrey - interim financial procedures.docx](https://surreybc.sharepoint.com/sites/policingtransition/management%20documents/council/cr%2020%2009%2008%20city%20of%20surrey%20-%20interim%20financial%20procedures.docx)
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Appendix "I" - Draft Financial Responsibility Memorandum of Understanding
Appendix "II" - City Council Approved 2020-2024 Financial Plan - Policing Budget
Appendix "III" - Excerpt of Section 27 *BC Police Act* [RSBC 1996]

Appendix “I”

FINANCIAL RESPONSIBILITY MEMORANDUM OF UNDERSTANDING

THIS MEMORANDUM OF UNDERSTANDING (“MOU”), made effective as of _____, 2020

BETWEEN:

CITY OF SURREY, 13450 104th Avenue, Surrey, BC V3T 1V8 (the “City”)

AND:

SURREY POLICE BOARD, 13450 104th Avenue, Surrey, BC V3T 1V8 (the “Police Board”)

WHEREAS:

A. The City, in preparation for the establishment of the Police Board, and to assist and support the Police Board in meeting its statutory obligations, including the creation of a municipal police department, has undertaken preliminary work, including financial modelling, forecasting, budget creation and budget approval.

B. The parties enter into this Memorandum of Understanding for:

1. the Police Board to adopt, as its budget allocation, the amounts which have been approved by the council of the City (“City Council”) as part of the City’s 2020 – 2024 Financial Plan;
2. the parties to establish a framework to collaboratively refine cost allocations and budget details to recognize changing circumstances and their financial impacts for 2021; and
3. the parties to manage policing expenditures within budgeted amounts based on the evolving allocation of police personnel between Surrey Police Service (SPS) and the Royal Canadian Mounted Police (RCMP) until the SPS is fully operational.

NOW THEREFORE in consideration of the sum of \$1.00 and other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged), the parties hereby covenant and agree as follows:

1. *Budget Adoption*

- (a) The Police Board hereby adopts, at its budget allocation for the balance of 2020 and for 2021, the amounts which have been approved by City Council as part of the City’s 2020 – 2024 Financial Plan, as shown in Schedule A (*Approved Budgets*) to the extent of, and with respect to, the expenditures necessary for and applicable to the role, responsibility and authority of the Police Board pursuant to the *Police Act* (the “**Approved Budgets**”); and
- (b) The Police Board and the City agree the Approved Budgets are, for the purposes of the *Police Act*, the Police Board’s budget for 2020, and the Police Board’s provisional budget for 2021 to the extent of, and with respect to, the expenditures necessary for and applicable to the role, responsibility and authority of the Police Board pursuant to the *Police Act*, despite the Approved Budgets not having been prepared by the Police Board and, with respect to 2021, subject to ongoing adjustment and refinement pursuant to section 3 (*2021 Provisional Budget*);.

2. *Effect of Budget Adoption* – The parties acknowledge and agree:
- (a) subject to section 3 (*2021 Provisional Budget*), section 4 (*Expenditure Management*) and section 6 (*Ongoing Advice and Support*), the Police Board may make any expenditure, and enter into any agreement to make an expenditure, included in the Approved Budgets without requiring further approval from City Council;
 - (b) nothing herein contained will limit City Council’s authority to approve changes to the Approved Budgets, or approve additional expenditures; and
 - (c) The City remains, at all times, responsible for the costs associated with the contracted policing services provided by the RCMP, an estimate of which costs have been included in Schedule A (*Approved Budgets*) based on original projections of the timing and scope of deployment of SPS personnel, and which costs will increase, and result in a corresponding decrease to projected SPS deployment costs, based on the impact of changes to the transition plan and schedule.

3. *2021 Provisional Budget* – Recognizing:
- (a) the preliminary, preparatory and continuing work undertaken by the City to establish a municipal police department and to support, assist and advance the mandate of the Police Board until the Police Board is fully operational (which work includes financial modelling, budget drafting and resource allocation); and
 - (b) the limited time and resources available to the Police Board given its recent establishment;
 - (c) the obligation of the Police Board to have financial oversight to meet its statutory obligations; and
 - (d) the mandatory requirement for the Police Board to create and submit its 2021 provisional budget to City Council for approval by November 31, 2020;

the parties agree to work together on an ongoing basis to detail the cost components, expenditures and line items used to inform, and applicable to, the 2021 Approved Budget, and to effectively manage that Approved Budget and the expenditures thereunder, utilizing City staff, resources and data.

4. *Expenditure Management* – The parties acknowledge the Approved Budgets incorporate consolidated policing costs (RCMP contract, civilian support staff, establishment of the SPS, and one-time transition costs), which have been forecast by, among other things, incrementally scaling RCMP contract costs and SPS costs until SPS is fully operational and by applying infrastructure and other costs as per the Surrey Policing Transition Plan dated May 2019. Since the precise budget details and exact timing and transitional impacts are not currently fully determinable and are dependent on the pace of implementation, making it unrealistic for the City to separate out Police Board/SPS costs with certainty, the parties agree to collaborate on budget management to balance and adjust the allocations across all budget line items as required, and implement appropriate cost control measures, to ensure consolidated policing costs for the City are maintained within the Approved Budgets, unless otherwise approved by the City in accordance with the *Police Act*.
5. *Use of and Access to Budget Records* - The City shall share with the Police Board, as and when requested, the applicable data, inputs and other information and records owned, used or applied by the City to create the Approved Budgets and/or to support the assumptions made in the Approved Budgets (collectively, the “**Supporting Documents**”). Each party is entitled to use the Supporting Documents to the extent, and in the manner, required by such party to meet its statutory obligations and organizational purposes.

6. *Ongoing Advice and Support* – The City agrees to provide ongoing support and assistance to the Police Board as necessary to enable the Police Board to implement and manage the Approved Budgets and to interpret the Supporting Documents.
7. *Confidentiality* –The parties acknowledge the Supporting Documents contain or may contain policy advice and recommendations, public body confidences, legal advice, business, technical or other proprietary and confidential information. Each party agrees to maintain the confidentiality of the Supporting Documents and to provide sufficient notice to the other party if a request is made for third party disclosure of any of the Supporting Documents to enable the other party to restrict access to, or disclosure of the affected records to the extent permissible by law.
8. *FOIPPA* – The parties acknowledge they are both subject to the *Freedom of Information and Protection of Privacy Act (“FOIPPA”)* and this MOU and the documents shared hereunder may be subject to disclosure under FOIPPA.
9. *Further Assurances.* The parties will execute and deliver such further transfers, instruments, agreements and other documents to do such further acts and things as may be necessary or desirable to give effect to the terms and conditions of this MOU.
10. *Counterparts* – This MOU may be executed electronically and in counterparts, all of which taken together will constitute one single agreement.

IN WITNESS WHEREOF the parties hereto have executed this MOU as of the date first above written.

CITY OF SURREY

SURREY POLICE BOARD

Name:
Title:

Name:
Title:

**SCHEDULE A
APPROVED BUDGETS**

City Council Approved 2020-2024 Financial Plan – Policing Budget

Policing budget (millions)

	2020 - 2024 Financial Plan					TOTAL
	2020	2021	2022	2023	2024	
Policing - RCMP Contract	141.9	35.6				177.5
Policing - Surrey Police operating, including civilian support services	24.2	153.1	199.4	203.4	209.4	789.5
Office of Policing Transition	0.8	0.8	-	-	-	1.6
Operating Investments in Policing	166.9	189.5	199.4	203.4	209.4	968.6
One-Time Transition Costs	25.2	19.6	0.4			45.2
TOTAL	192.1	209.1	199.8	203.4	209.4	1,013.8

Appendix “II”

City Council Approved 2020-2024 Financial Plan – Policing Budget

Policing budget (millions)

	2020 - 2024 Financial Plan					
	2020	2021	2022	2023	2024	TOTAL
Policing - RCMP Contract	141.9	35.6				177.5
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TOTAL	192.1	209.1	199.8	203.4	209.4	1,013.8

Excerpt of Section 27, *BC Police Act* [RSBC 1996]

Estimates and expenditures

- 27** (1) On or before November 30 in each year, a municipal police board must prepare and submit to the council for its approval a provisional budget for the following year to provide policing and law enforcement in the municipality.
- (1.1) If a municipality has entered into an agreement referred to in section 66.2 (1.1) (b) with a treaty first nation, or an agreement referred to in section 66.2 (1.11) (b) with the Nisga'a Nation, for the duration of the agreement, the reference in subsection (1) of this section to "municipality" must be read as including the treaty lands of the treaty first nation or Nisga'a Lands, as applicable.
- (1.2) If a municipality is a specialized service provider, the reference in subsection (1) to "municipality" must be read as including areas within the specialized service area that are outside the municipality.
- (2) Any changes to the provisional budget under subsection (1) must be submitted to council on or before March 1 of the year to which the provisional budget relates.
- (3) If a council does not approve an item in the budget, the director, on application by the council or the municipal police board, must
- (a) determine whether the item or amount should be included in the budget, and
 - (b) report the director's findings to the municipal police board, the council and the minister.
- (4) Subject to subsection (3), a council must include in its budget the costs in the provisional budget prepared by the municipal police board.
- (5) On certification by the municipal police board members that an expenditure is within the budget prepared by the municipal police board, the council must pay the amount of the expenditure.
- (6) Unless the council otherwise approves, a municipal police board must not make an expenditure, or enter an agreement to make an expenditure, that is not specified in the board's budget and approved by the council.