

DATE: 19 January 2008

INTERNAL REPORT

TO: Bill Preisentanz
FROM: Karen Brown
RE: Police Costing Analysis

As requested, I have prepared a summary analysis of the updated information provided by Dan Jorgensen based on a 46 officer complement, in lieu of the 51 officer complement originally submitted. I have updated the information contained in the consultant's report on pages 30 and 31 as these are the actual comparisons used by the consultant in comparing costs related to the two police services.

In order to do this, I have first compiled the information based on the actual submissions by the KPS and OPP. The following table provides the updated information based on current three submissions:

Comparison of Salary, Benefit and Direct Operating Expenses and Start Up Costs

Based on Actual Submissions

	<u>OPP Cost Statements</u>	<u>KPS Cost Statements</u>	
		(51 Officers)	(46 Officers)
Salary & Benefits	\$5,213,672	\$6,223,235	\$5,705,261
Direct Operating Expenses	<u>\$621,526</u>	<u>\$580,000</u>	<u>\$580,000</u>
	\$5,835,198	\$6,803,235	\$6,285,261
Less: Police Services Usage (PSU)	<u>-\$291,760</u>	<u>\$0</u>	<u>\$0</u>
TOTAL	<u>\$5,543,438</u>	<u>\$6,803,235</u>	<u>\$6,285,261</u>
Annual Cost Difference for OPP Proposal vs. KPS Proposal:			
51 Officers		<u>\$1,259,797</u>	
46 Officers			<u>\$741,823</u>
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Start Up Costs	\$358,620	\$328,018	\$301,915
Initial Start up Costs			
Additional Options: *			
Radio Option #1		\$86,886	\$86,886
Data Entry Option #1		<u>\$13,068</u>	<u>\$13,068</u>
	<u>\$358,620</u>	<u>\$427,972</u>	<u>\$401,869</u>
Start Up Cost Difference for OPP Proposal vs. KPS Proposal:			
51 Officers		<u>\$69,352</u>	
46 Officers			<u>\$43,249</u>

* Assumed cheapest option taken. If more expensive options taken, amount could increase up to a further \$392,881

If you review the table to the actual submissions, you will note a few minor discrepancies. These are explained as follows:

- **KPS Direct Operating Costs** – these are reflected at \$580,000 as opposed to the total showing on the submission of \$570,400. This is as the costs are net of recoveries of \$9,600 related to dispatch services for water, sewer, hydro and telephone. I understand it was the decision of the costing committee to look at gross costs, so these recoveries have been eliminated from the analysis, as was done by the consultant.
- **Initial Start Up Costs** – the initial start up costs for the 46 officer count as submitted contained a minor adding error. The amount as reflected is based on the actual costs contained in the submission.

In order to make the updated information comparable to the report by the consultant, I have performed the same adjustments on the submissions as was done by the consultant. The following table reflects the final three submissions as they would have been reflected in the consultant’s report had he possessed the 46 officer information from the KPS at the time the report was drafted:

Comparison of Salary, Benefit and Direct Operating Expenses and Start Up Costs
Based on Amendments as per Consultant

	<u>OPP Cost Statements</u>	<u>KPS Cost Statements</u>	
		(51 Officers)	(46 Officers)
Salary & Benefits ⁽¹⁾	\$5,213,672	\$6,409,929	\$5,876,419
Direct Operating Expenses	<u>\$621,525</u>	<u>\$580,000</u>	<u>\$580,000</u>
	\$5,835,197	\$6,989,929	\$6,456,419
OPP Overtime Adjustment ⁽²⁾	-\$62,898	\$0	\$0
Less: Police Services Usage (PSU)	<u>-\$512,003</u>	<u>\$0</u>	<u>\$0</u>
TOTAL	<u>\$5,260,296</u>	<u>\$6,989,929</u>	<u>\$6,456,419</u>
Annual Cost Difference for OPP Proposal vs. KPS Proposal:			
51 Officers		<u>\$1,729,633</u>	
46 Officers			<u>\$1,196,123</u>
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Start Up Costs	\$358,620	\$328,015	\$301,915
Initial Start up Costs			
Radio System ⁽⁴⁾	<u>\$114,335</u>	<u>\$114,335</u>	<u>\$114,335</u>
TOTAL	<u>\$358,620</u>	<u>\$442,350</u>	<u>\$416,250</u>
Start Up Cost Difference for OPP Proposal vs. KPS Proposal:			
51 Officers		<u>\$83,730</u>	
46 Officers			<u>\$57,630</u>

(1) KPS Salary & Benefits updated to reflect a 3% increase in 2008.
(2) OPP Overtime adjusted as per Consultant's report to 7.18% average
(3) PSU Adjusted as per Consultant's report to 8.87% average

(4) Start Up Costs adjusted for radio system as per consultant's report based on hybrid analogue / digital system.

You should be able to directly compare the information contained in this table to the consultant’s report. The section on salary, benefits and direct operating expenses is outlined on page 30 of the consultant’s report. The total related to the start up costs is discussed in the last paragraph under section 7, on page 33 of the report.

The adjustments done in this table were made strictly to tie the submission information in to the report as submitted by the consultant. Ultimately, it is up to the costing committee as to whether or not they agree with the adjustments that were considered in the consultants report, and whether those adjustments should or should not be made to the submissions for comparison purposes. The consultant did outline several differences between the two submissions throughout the report that could be adjusted, but only some of those items were used to adjust the end numbers. Please let me know if you need me to detail the adjustments discussed, and whether or not they were used to adjust the submitted numbers for the purposes of comparing those submissions.

In addition, it should be noted that all KPS start up costs indicate that they are inclusive of both GST and PST, although the GST is currently recoverable at 100%. I have not backed out the GST portion of these costs. If this was done, KPS start up costs could be reduced somewhere between \$21,100 and \$23,300 based on the options considered in the above two tables, depending on the options selected.

Finally, while BDO has reviewed the financial information contained within the consultant's report, I have not requested them to confirm any information contained in this report. This review can be done at the committee's request.