

NO: R188

COUNCIL DATE: September 27, 2021

REGULAR COUNCIL

TO: Mayor & Council **DATE: September 23, 2021**

FROM: General Manager, Finance **FILE: 0360-20-01**
General Manager, Policing Transition

SUBJECT: Financial Impact of RCMP Members Collective Agreement

RECOMMENDATION

The Finance Department and the Policing Transition Department recommend that Council receive this report for information.

INTENT

The purpose of this report is to provide an update to Council on the ratification of a collective agreement between the Royal Canadian Mounted Police (“RCMP”) members and the Government of Canada, and the financial impact of the agreement on the City’s budgets.

BACKGROUND

For the first time in the history of the RCMP, its members, through the National Police Federation (“NPF”) as their bargaining agents, have ratified a collective agreement with the Government of Canada. The timeline for the ratification of the agreement is shown below (Image 1).

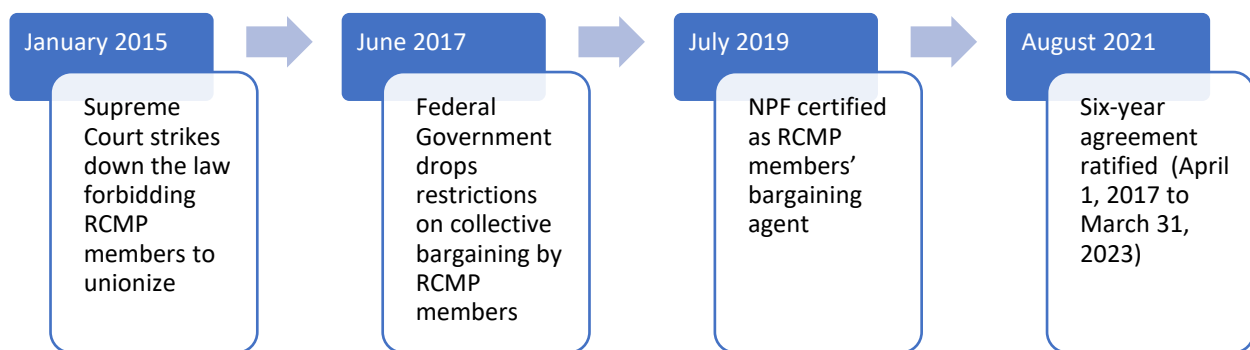


Image 1

In 2009, an Ontario Supreme Court judge gave RCMP members the right to form a union. In 2012, that decision was overturned on appeal. Finally in 2015, the Supreme Court of Canada ruled that RCMP members have a right to unionize and bargain collectively. Up until that time, RCMP members had been barred from forming a union and it was one of the only police forces in Canada with that restriction. In 2016, the Government of Canada introduced Bill C-7 to create a new labour relations regime for RCMP members and reservists. The bill was meant to provide a

process for collective bargaining rights for members and reservists and included provisions that regulate collective bargaining, arbitration, unfair labour practices and grievances. This bill received royal assent in 2017. In 2018, NPF filed an application for certification at the Federal Public Service Labour Relations and Employment Board and in 2019, RCMP members certified NPF as their new bargaining agent. Following more than two years of bargaining, RCMP members ratified the collective agreement in August 2021. This six-year agreement, ending on March 31, 2023, would apply to over 19,000 RCMP regular members below the rank of inspector as well as RCMP reservists.

Based on the information provided by RCMP E-Division, the City has been budgeting and keeping aside funds at a rate 2.5% per year as a retroactive pay increase, since 2017/2018 federal fiscal year. Table 1 shows the ratified pay raises under the agreement.

Year (Effective Date)	Economic Increase	Restructuring Increase	Total Increase	Compounded Increase
April 1, 2017	1.75%	1.50%	3.25%	3.28%
April 1, 2018	1.75%	1.50%	3.25%	6.66%
April 1, 2019	1.75%	2.50%	4.25%	11.24%
April 1, 2020	1.75%	1.75%	3.50%	15.17%
April 1, 2021	1.75%	1.50%	3.25%	18.94%
April 1, 2022	1.75%	2.27%	4.02%	23.77%

Table 1 Source: Treasury Board of Canada

DISCUSSION

This agreement was signed between the Treasury Board of Canada and the NPF, acting as bargaining agents for the RCMP members. In British Columbia, municipalities with populations of 5,000 or more pay from 70 to 90 percent of the cost base described in the policing agreements. The federal government pays the remaining 10 to 30 percent. During the negotiations, which commenced in 2019, no local governments were at the bargaining table or consulted. Local governments represent a significant portion of the RCMP deployment, and these costs typically make up one of the largest single expenses on their budgets. Yet these local governments are obligated to pay for the resulting significant retroactive settlement as well as the impact of the overall increase on their future budgets. Due to a lack of consultation from the federal government, local governments were not able to appropriately plan for these impacts beyond the 2.5% set aside, as indicated by E-Division. Prior to this, the last pay raise for the members occurred in the 2016/2017 federal fiscal year.

This collective agreement includes a significant base salary increase for RCMP members. Since the salaries expenses also include other direct costs associated with base salaries, the overall impact of this increase will be significantly higher than just the difference in base salary increases set aside at 2.5% each year and the base salary increases ratified by the members. The impact of this agreement on member benefits is also not known at this time. To-date, the City has not received any direct communication regarding the total financial impact of the increase in retroactive payments to the City. Increases for anyone above the rank of Inspector are also not

known at this time. The total financial impact on the City will be based on the number and rank of members deployed by the RCMP detachment during each of the years after April 1, 2017.

Based on the information contained in the ratified agreement, the total per member retroactive payments, at City’s share of 90% costs, between 2017/2018 fiscal year to 2021/2022 fiscal year (from April 1, 2017, to March 31, 2022) could amount to approximately \$42,800 per Constable to \$55,700 per Staff Sergeant. In comparison, the funding set aside by the City for retroactive payments at 2.5% each year equate to approximately \$30,000 per Constable to \$39,000 per Staff Sergeant within the same time period.

As discussed above, the City has not received any direct communication regarding the financial impact to the City for retroactive and ongoing pay raises due to the difference in the pay raises budgeted by the City as per direction from E-Division (at 2.5%) as compared to the pay raises ratified in the agreement. Staff have used certain assumptions to estimate the financial impact of the ratification of the agreement. Since the number and rank of members in each year of the RCMP contract are not known, the estimate shown in Table 2 is based on the budgeted member strength of 792 within the RCMP Contract in 2020. Although the negotiated agreement only applies to members below the rank of Inspector, our financial analysis in this report is predicated on the possibility of non-unionized staff receiving pay increases in line with unionized staff, as this is the most likely outcome and has generally been the practice historically.

Table 2 shows the financial implications on the City, using certain assumptions as discussed above:

Total Retroactive Payment from 2017 to 2021, based on the ratified agreement	\$ 46.62M
Funding set aside by the City for Retroactive Payments from 2017 to 2020	\$ (21.15M)
Amount included within the current Financial Plan for Retroactive Payment for 2021	\$ (9.28M)
Funding Shortfall for Retroactive Payments (from 2017 to 2021)	\$ 16.19M
Amount for 2022, based on the ratified agreement	\$ 20.04M
Amount included within the current Financial Plan for 2022	\$ (11.38M)
Funding Shortfall for 2022 only	\$ 8.66M
Total Funding Shortfall, from 2017 to 2022	\$ 24.85M

Table 2 RCMP Contract Agreement Anticipated Funding Shortfall

FUNDING

Once E-Division provides further information on the financial impact of the ratified agreement on the City, staff will explore funding options to fund this unanticipated obligation, arising from the significant difference in what local governments were informed by E-Division in relation to expected pay increases and the final ratification of the contract.

At this point the required information is not available to determine the relative financial impact to 2021 vs 2022 and future years. It is further unknown when the retroactive payments will be

payable on a cash basis and if, local governments will be given multiple years to make this payment. The 2022 budget will incorporate related changes as a result of the ratification of the union agreement and will also take into consideration the ramping up of the Surrey Police Service and related corresponding demobilization of the RCMP.

SUSTAINABILITY CONSIDERATIONS

This information update supports the objectives of the City's Sustainability Charter 2.0. In particular, this report relates to the Sustainability Charter 2.0 theme of Public Safety. Specifically, it supports the following Desired Outcomes ("DO"):

- Community Safety and Emergency Services DO1: Residents are safe and have a strong sense of security in all neighbourhoods and throughout the City; and
- Community Safety and Emergency Services DO5: Surrey is recognized and perceived as a leader in establishing and maintaining collaborative partnerships for community safety and well-being.

CONCLUSION

The ratification of the RCMP members' collective agreement will have significant financial implications on the City's 2021 budget and will continue to have an impact on the on-going RCMP Contract budget. Provisions that have been made for pay raises and any associated benefit increases or any other considerations will have a direct impact on the current and future year budgets. Obtaining details regarding specific implications of the ratified agreement to the City will assist the City with its short-term and long-term financial planning.

Kam Grewal
General Manager, Finance

Terry Waterhouse
General Manager, Policing Transition