



November 14, 2022

Financial Backgrounder

- \$108.3M in salaries/benefits and capital/equipment investments have been invested into Surrey Police Service (SPS) and the policing transition as of October 31, 2022.
- By year end next month, unrecoverable sunk costs are forecasted to be as high as \$107M.
- The IT buildout of critical components required for SPS to be police of jurisdiction is approximately 50% complete. SPS has spent \$16.8M of the projected \$32.5M on IT.
- \$32.4M has been spent of the total \$63.7M one-time transition budget established by the City (IT expenditures are included in this budget).
- Employment terminations, whether through working notice, immediate severance, or a combination thereof, are forecasted at \$81.5M for existing/current employees.
- Terminating the police transition (by January 2023) will result in a projected investment loss of up to \$188.5M (\$107.0M unrecoverable sunk cost + \$81.5M employment terminations, whether through working notice, immediate severance, or a combination thereof).
- Projected annual cost difference between SPS and the RCMP is \$18.3M.
 - If reversing the transition now, it would take the City of Surrey over a decade of annual contract savings realized from the 10% federal subsidy to recover the loss of investment into building SPS to become the police of jurisdiction
- As contract policing costs are predominately variable, based on the number of officers assigned to a municipality, efficiency advantages from economies of scale would be limited or unachievable from the municipality's perspective, as costs may increase at a relatively constant rate with growth.
 - On the contrary, as SPS grows with the City's population, our operational efficiencies will achieve economies of scale for Surrey since we are funded for exact expenditures only. Therefore, there may be a future state where contract policing becomes the more expensive choice as Surrey is expected to become the largest municipality in BC.