

Pilon, Janet

Subject: FW: Direct Appeal

From: Shekar Chandrashekar

Sent: June-08-16 10:38 AM

To: Zegarac, Mike

Cc: Bodner, Amy; Brown, Charles; Murray, Chris; DL - Council & Support Staff; EGrit@hamiltonpolice.on.ca; Eric J. Girt; kweatherill@hamiltonpolice.on.ca; Minard, Brigitte; Atwood-Petkovski, Janice; Caterini, Rose; Mason, Wendy; Morrison, Paul; Morrison, Paul; Paparella, Stephanie

Subject: Re: Direct Appeal

Mr.Zegarac

Thank you for responding with your kind explanations.

see attached my responses to each point

Respectfully

Concern Private citizenshekar

PS: Ms. Paparella..please, attach this to City Council as a correspondence.

Sent: May 31, 2016 4:20 PM

To: 'Shekar Chandrashekar'

Cc: Bodner, Amy; Brown, Charles; Murray, Chris; DL - Council & Support Staff

Subject: RE: Direct Appeal

Mr. Chandrashekar, sorry for the delayed response. I want to start by thanking you for your continued focus on the City's financial position and need to reinforce the principles of transparency and accountability. In fact, it is for these reasons that the change in the cost allocations that you are referring to were actioned by City staff. More specifically, City staff have advised Council over the years that costs related to risk management claims have contributed to annual budget pressures, therefore there was a need to restate costs to the services that were triggering claims, as a means to improve on transparency and accountability.

To be clearer, the adjusted risk management cost allocations had no net levy impact and did not contribute to a Hamilton Police Services surplus. As you stated in your disposition to AF&A Committee, this adjustment is similar to what occurred in 2013 which was reviewed by the internal auditor as reasonable. Amending the budget is rare, but can be required under various circumstances. In this case, a review of cost allocations revealed a significant understatement of the risk management charges to HPS (\$220,000). Therefore, to improve upon transparency and accountability, the adjustment was made in an effort to support and encourage the continued work towards mitigating risk management costs by HPS.

In regards to you enquiry about the tax levy by-law, the purpose of the tax levy bylaw is for Council to authorize the amount of tax levy required. At no time can the total net levy amount be changed by staff without the approval of Council, and without amending the bylaw. However, adjustments with no net impact on the net levy can occur. As to the format of the by-law, the separating into departments is not a requirement. The Police are part of the general levy. We identify on the bylaw separately to facilitate the separate tax rate that appears on the bill. We could just quote one number for general levy with no breakdown, however, this would represent a reduced level of reporting.

The Police Board was advised of the change. A report was provide to the HPS Board on September 24, 2015. I've attached the report for your information. The change was also reflected in the variance reports to Council. In fact, as a

result of your enquiries, City staff will be enacting a minor change in the variance reports through the budget control appendices.

I trust this is the response that I have kept you waiting for.

Respectfully,

Mike

From: Shekar Chandrashekar

Sent: May 10, 2016 4:43 PM

To: mike.zegarac@hamilton.ca

Cc: Brown, Charles; Amy.Bodner@hamilton.ca; ppciapanna@kpmg.ca; ted mason; John Randazzo; kweatherill@hamiltonpolice.on.ca; EGrit@hamiltonpolice.on.ca

Subject: Direct Appeal

Mr. Zegaric

This is a direct appeal to you. What had happened in 2013 is repeated in 2015 as shown in audit Report 2014-15 and AUD 15001 dated January 19, 2015, A& A. Refer to Appendix "A" page 5 of 9 under heading 2011 Budget comments by Internal Auditor specifically the last line beginning "Even though there was no indication that the HPS Board or City Council were explicitly informed of the budget base transfer, such actions **appear** reasonable and there **does not appear to be any malicious intent** to "artificially inflate" the budget.

Mr. Zegarac..it has happened again in the 2015 budget increase going into 2016. However the 2015 original budget was approved by PSB on 2014 December 15 PSB 14-119 Net budget \$148,863,375. Levy By-law 15-121 has passed on this amount to the Hamilton taxpayers for the Hamilton Police Services share of financial operations. The question becomes: why did City Council have to pass such a Levy By-Law if staff do not follow City Council's Directive?

Mr. Zegarac...I hope to hear your response and trust you will advise City Council accordingly.

Respectfully submitted by a concerned Citizen

Shekar

I am sorry for the delayed response to your reply. I have been considering how to express my concerns in order to give no room for confusion or misinterpretation.

You state in your email that my concerns for the City's financial position and my efforts to reinforce transparency and accountability are behind the recent change in the cost allocations. Again, I want to reiterate my thanks to you and **your team**.

I regularly attend Hamilton Police Services Board meetings and I have a copy of the report to which you are referring. In this report, the former Police Chief made it clear that Police Services has no control over this cost allocation and can only advise HPS to increase the net expenditure but only the City has the authority to do so.

I have attached a copy of cost allocations from the City to Hamilton Police Services from 2013 to 2015 inclusive.

I agree with your statement that the adjusted risk management cost allocations had no net levy impact and I am aware that the disclosure of the tax levy allocation on tax assessment notifications is a policy established by the City Council. My residential tax bill clearly shows the portion allocated to Police Services financial operations for the current year. It is true that the change has "**no impact**" on the overall City general levy, however, it **does have a significant impact on Hamilton Police Services financial operations. \$228,580 is a significant amount**. It may not be significant in the overall residential tax distribution, but it is a significant amount that should have been disclosed to residential taxpayers as it relates to their contribution to Police Services operations.

I also agree with your statement that the allocation did not contribute to a Hamilton Police Services surplus. I neither said nor mentioned at any point that this significance difference **has any impact on "surplus"**. It is simply a **cost allocation**.

As you stated, the 2013 adjustment was reviewed by the internal auditor, and I quote the exact decision of the auditor:

"Even though there was no indication that the HPS Board or City Council were explicitly informed of the budget base transfer, such actions appear reasonable and there does not appear to be any malicious intent to "artificially inflate" the budget".

In other words, HPS Board and City Council should have been informed which appears to represent **a deviation from policy**.

You also confirm that it is the responsibility of Council to authorize the amount of tax levy required and that the total net levy amount cannot be changed by staff without the approval of Council, and without amending the bylaw. If adjustments with no net impact on the net levy can occur under the existing bylaws, such adjustments are also not within staff jurisdiction. It is precisely my point that this adjustment should have been formalized by being presented to Council. Had you done so, Hamiltonians would know exactly how much of **their residential tax levy** was going to Hamilton Police Services financial operations.

The segregation into departments on the tax assessment notices is a decision of Council and does indeed provide taxpayers with **appropriate disclosure**.

On other matters, I would appreciate your consideration of the following points:

1) Chargebacks to HPS with respect to services provided by the City are **very significant**.

2013 \$2,925,030
2014 \$3,069,170
2015 \$3,440,175

The chargebacks are an allocation to HPS of costs incurred by the City to perform services for HPS such as accounts payable, accounts receivable, budgeting, purchasing, and payroll, and costs incurred for HPS such as insurance and workers compensation etc. The PSB has **no control** over the amount of the chargeback, therefore, it is my suggestion that Hamilton Police services should evaluate whether it is feasible to have their own operations as before amalgamation. I hope the new Police Chief Mr. Grit with his Deputy Chief Mr. Weatherill and Acting Deputy Mr. Morrison will undertake an investigation into the feasibility of this change.

2) POA: A significant amount of POA revenue for the City is generated from tickets issued by **Police officers**. Refer to the excellent report by Ms. Mason **CL 16006**

2013 72,178 tickets
2014 71,445 tickets
2015 60,141 tickets

I suggest that city staff bring a recommendation to City Council that will facilitate a credit to PSB for this revenue as a reduction to offset the above chargeback to the PSB. As I understand, the provincial attorney's office is not concerned with the accounting treatment of the revenue, as long as tickets are recorded in court by Ms. Mason. The budget allocation is in the hands of City Council. If the City is charging back a cost allocation to the Police for certain services, it not only increases the cost of Police financial operations but it raises taxpayers concerns about the police budget. If part of this huge ticket revenue is applied to HPS it makes both sides of the equations **fair and equitable**.

As the HPS levy is segregated on the tax assessment notices, it is only reasonable to credit the Police levy with the revenue that they generate to truly reflect the full picture of the results of police services activities. The chargeback is a very comprehensive calculation of the costs that the City incurs to perform services for HPS. It is a distortion of the facts if the revenues generated are not also attributed to the source of the revenue.

I hope the current Police Chief, Mr. Grit, in conjunction with his deputies, initiate this through the Police Board. There are three elected city officials on the Police board who can solidify the required support.

Respectfully, Shekar

Cost Allocation recovery from 2013 to 2015 budget from actual accounting records from Available funds report

Description	Name	Dept.I.D.	Account	2013		2014		2015		2015 per AFR	
				Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
C.A.-IND.Fin.Accounting Services Recovery	Finance	376130	59410	55,680.00	55,680.00	56,240.00	56,240.00	56,800.00	56,800.00		
C.A.-IND.Fin.Application Support Recovery	Finance	376130	59411	18,210.00	18,210.00	18,390.00	18,390.00	18,570.00	18,570.00		
C.A.-IND.Fin.Payroll Recovery	Finance	376130	59412	129,460.00	129,460.00	130,750.00	130,750.00	132,060.00	132,060.00		
C.A.-IND.Fin.Accounts Payable Recovery	Finance	376130	59413	56,310.00	56,310.00	56,870.00	56,870.00	57,440.00	57,440.00		
C.A.-IND.Fin.Purchasing Recovery	Finance	376130	59414	84,700.00	84,700.00	85,550.00	85,550.00	86,410.00	86,410.00		
C.A.-IND.Fin.Accounts Receivable Recovery	Finance	376130	59415	1,500.00	1,500.00	1,520.00	1,520.00	1,540.00	1,540.00		
C.A.-IND.Fin.Current Budgets Recovery	Finance	376130	59421	51,500.00	51,500.00	52,020.00	52,020.00	52,540.00	52,540.00		
C.A.-IND.legal Services Recovery	Legal Services	376131	59440	45,120.00	45,120.00	45,570.00	45,570.00	46,030.00	46,030.00		
C.A.-IND.W.S.I.B. Recovery	Unallocated expense	376135	51898	1,175,600.00	1,175,600.00	1,199,110.00	1,199,110.00	1,199,110.00	1,199,110.00		
Total Cost allocation from City				1,618,080.00	1,618,080.00	1,646,020.00	1,646,020.00	1,650,500.00	1,650,500.00		
Insurance Cost Allocation											
C.A.-IND.Insurance Recovery	Facilities -Buildings Stn.10	376600	59446	96,680.00	96,680.00	105,340.00	105,340.00	115,540.00	115,540.00	132,400.00	132,400.00
C.A.-IND.Insurance Recovery	Facilities -Buildings Stn.31	376602	59446	1,480.00	1,480.00	1,610.00	1,610.00	1,610.00	1,610.00	1,960.00	1,960.00
C.A.-IND.Insurance Recovery	Facilities -Buildings Stn.20	376606	59446	2,950.00	2,950.00	3,210.00	3,210.00	3,210.00	3,210.00	4,040.00	4,040.00
C.A.-IND.Insurance Recovery	Facilities -Buildings Stn.31	376608	59446	2,410.00	2,410.00	2,570.00	2,570.00	2,570.00	2,570.00	3,230.00	3,230.00

C.A.-IND.Insurance Recovery	Facilities -Marine	376612	59446	270.00	270.00	300.00	300.00	295.00	295.00	365.00	365.00
C.A.-IND.Insurance Recovery	Community Police Centres	376614	59446	0.00	0.00	0.00	0.00	120.00	120.00	120.00	120.00
C.A.-IND.Insurance Recovery(out \$10.00) Total Budget (\$1,423,140.00)	Fleet - Operations	376622	59446	1,203,160.00	1,203,160.00	1,310,120.00	1,310,120.00	1,437,750.00	1,437,750.00	1,647,560.00	1,647,560.00
C.A.-IND.Insurance Recovery Budget Approved				1,306,950.00	1,306,950.00	1,423,150.00	1,423,150.00	1,561,095.00	1,561,095.00	1,789,675.00	1,789,675.00
Total Cost Allocation				2,925,030.00	2,925,030.00	3,069,170.00	3,069,170.00	3,211,595.00	3,211,595.00		
								Approved Net Expenditure		Revised Insurance Budget	
2015 Levy By-Law 15-121 Approved 2015 budget Per item 5.1 PSB 15-149								148,863,375.00	Revised Budget	1,789,675.00	
								148,863,375.00	Original Approved Budget	1,561,095.00	
Difference								0.00	Increase in Budget	228,580.00	
								Orginal Levy Refer to By - Law 15-121 Not approved should be revised		148,863,375.00	
										149,091,955.00	
								Difference		-228,580.00	