

Shekar Chandrashekar
39 Haddon Ave. South
Hamilton.ON L8S 1X5
Tel: (905) 525-3082
Email: shekarfamily@hotmail.com

Date: 15 January 2019

Mr. Chairman and Members of the new HPSB.

Attention: Ms. Morin

Subject: Plan to significantly reduce budget

The reason for writing this memo instead of an in person presentation is that I have recently undergone a major operation.

I can assure you that the budget can be reduced by about six million dollars without impacting any budgeted amounts such as part time wages etc. In previous years, I have repeatedly brought this to the previous board, but that board was challenged with other issues and was not receptive to my presentation and took no action. My observation is that the budget is inflated and can be reduced. Funds can be freed up to permit the chief to invest in various means to reduce crime as well as to hire more uniformed officers and detectives to keep our citizens safe.

The Municipal Act governs police financial operations. I have received a memo from the Minister of Municipal affairs and the Public Service Accounting Board (PSAB) that confirms this. It is imperative that the interconnection between Police Services and the City must be understood, particularly with respect to the tax levy and Police Services' share of that levy. I am quite confident that Councilor Chad Collins and Councilor Tom Jackson have a clear knowledge of the levy however they may not understand how accounting and budgeting are interdependent.

New members are knowledgeable in City budgeting and therefore, should expect that the police budget will be presented to the board well in advance of approval so that the board may examine the budget on a line by line basis. In order to assess the merits of the budget, prior year actuals must be presented along with the new budget. Without comparison to actuals, the new budget has no context. The new board must form a new budgeting sub-committee which should include Deputy Chief Frank Bergen who is familiar with Toronto financing and budgeting.

For the record: Financial statements and financial information returns are two different entities. Financial statements show composite numbers whereas financial information returns require classifications. For example, in financial information returns, debt financing is attributed to the specific department responsible for the debt, whereas, in

financial statements, debt is disclosed in total. Also in financial information returns, manual adjustments may be made, unlike in financial statements.

I will provide some examples of where inflation occurs in the Police budget as follows:

Capital Financing:

All physical assets used by Police Services, such as buildings and vehicles, belong to the City of Hamilton. The purchasing and capital financing of these assets are therefore the City's responsibility and should not form part of the HPS budget. This fact has been confirmed by the City's Manager of Capital Budgeting. The City budgeting department is nevertheless charging a portion of the City's capital debt charges to the HPS current operating account. This charge by the City is inaccurately inflating the HPS share of the tax levy as the debt is not a Police Services responsibility.

Furthermore, the City is charging the debt to Police Services by processing a journal entry directly to the City Bank account. However, it is well established that accounting regulations only permit cash transactions to be recorded in bank accounts. City accounting staff justifies the method of recording the charge through the bank account by pointing to the fact that City Council approved it. It is evident to me that City Council only approved the accounting treatment based on insufficient information regarding accounting legislation and on the basis of the advice given by City accounting staff. Since the treatment violates fundamental accounting principles I have filed a complaint with the Director of Audit Services who is responsible for whistleblower legislation. Refer to Whistleblower Act 09-227.

There are therefore, two important problems with the accounting for HPS capital financing. Firstly, no part of the debt arising from the purchase of assets used by HPS should be charged to the HPS budget. Secondly, the journal entries with which the charges were recorded are contrary to established accounting principles.

HST:

Inaccurate information has been provided to HPS by the City concerning HPS's financial responsibility to absorb certain HST costs. The costs arose from an audit of the City's claims for HST refunds. The audit denied a portion of the claim and the City has charged HPS with a portion of the reassessment.

HPS's accounts, by reason of legislation, do not include the HST charged on any of its transactions. All HST is accumulated in the City's accounts and the City files all claims for HST. No accounting for HST goes through HPS books, no claims for HST refunds, and no HST amount is included in the HPS budget.

The City has inappropriately charged HPS with \$89,000 in HST costs arising from the CRA audit thereby reducing the 2017 HPS surplus. I have filed a complaint with Director of Audit Services regarding this issue. Refer to the Whistleblower Act 09-227.

Trunk Radio:

I have a complete set of the reports regarding the acquisition of the Trunked Radio System, specifically:

- CS13034 dated July 10, 2013
- HES11017 dated November 14, 2011
- HES08004 (a) dated April 7, 2009
- HES08004 dated October 7, 2008

CS13034 describes a total budget \$23,314,000 and sets out the contributions by users on page 2 paragraph 2. On page 3, paragraph 1, it states that Police Services' contribution is \$3.2 M. There is a corporate reserve of \$5.4 M and \$13 M was to be financed over 15 years by the issuance of debt.

Police Services completed the payment of their contribution of \$3.2 M from their reserves. Nevertheless, the City budget officers continue to charge HPS \$660,250 annually concerning the acquisition of the Trunked Radio System. The \$660,250 charge is credited to the Fire department current budget. I cannot locate the reason for this annual charge anywhere in the above reports and I suggest it should be stopped until a proper rationale is established.

Conclusion:

Mr. Chairman and new members HPSB, I appreciate the recent public statement by the Mayor that he wants to eliminate dysfunction in the HPSB. In particular, here is your opportunity to end the past pattern of approving the HPS budget as it is presented. I appeal to you, Mr. Chairman and to the new board members to form a new budget subcommittee to examine the budget.

I would be delighted to highlight other areas where the budget is grossly inflated one of those being the City's charge back of administration costs.

My main concern is to reduce inflation in the budget and redirect those funds to other areas where it is needed, for example, to develop new approaches and to hire more uniformed officers and detectives to protect our streets and fight the increase in crime.

Mr. Chairman and new members, if I am able to come to the HPSB meeting, I will be there to answer any questions you may have or I will be there at the budget subcommittee meeting, **if my health permits**.

Respectfully submitted for your consideration by a concerned private Citizen



shekar