

Memorandum

City of Lawrence

City Manager's Office

DATE: 06/14/2012
 TO: David L. Corliss, City Manager
 FROM: Casey Toomay, Budget Manager
 CC: Cynthia Wagner, Assistant City Manager
 Diane Stoddard, Assistant City Manager
 Jonathan Douglass, Assistant to the City Manager / City Clerk
 RE: Model for funding multi-year plan for police resources

Following the recent study session on the proposed new police facility, the City Commission directed staff to develop a multi-year plan for police staffing, equipment, and facility needs. Pursuant to that request, staff provided a four year [plan](#) that includes 46 new positions, \$4.6 million of additional equipment and capital improvement projects, and the \$30 million facility.

Staff has created a model to project the cost of the staffing, some of the equipment, and the facility over the next four years. The model also identifies property tax and sales tax as potential funding sources and determines the mill levy and sales tax rates that would be required to fund the expenditures.

Assumptions

The assumptions used to calculate the personnel and facility costs as well as the property tax and sales tax revenues can be found below.

Staffing. The table below shows the forty-six positions identified by the police department as needed over the next four years.

Year One	Year Two	Year Three	Year Four
10 Officers	5 officers	6 officers	6 officers
3 Sergeants	1 Sergeant	1 sergeant	1 Administrative Support II
1 Administrative Support II	2 detectives	2 detectives	1 network tech
2 network techs	1 evidence tech	1 crime analyst	1 evidence clerk
	1 animal control officer		1 quartermaster / fleet maintenance

The cost for these positions was calculated using the following assumptions .

- **Salaries.** The first year of each position is budgeted at the starting point in the range for that position. It is assumed that the minimum of each range will be increased each year. It is also assumed that under the current Memorandum of Understanding (MOU), eligible employees will receive the maximum merit increase possible. The cost of the City's contribution to employee retirement, unemployment and other insurance, and FICA are included in the salary estimates. An annual increase of 4.2% is assumed, which is the average department increase over the past five years.
- **Health Care Contributions.** The City's contribution to employee healthcare are included and are assumed to grow 5.7% each year, the average citywide increase over the past five years.
- **Equipment.** It costs approximately \$7,500 to outfit an officer. This cost as well as the cost of equipment needed for non-sworn positions are included. The cost of vehicles needed for each shift and annual fuel and maintenance are included. Initial training costs as well as annual employee training costs are included. An annual increase of 3% is assumed.

Facility. The assumptions used to calculate the resources needed to fund construction of a new police facility are below.

- **Construction Cost.** The police facility feasibility study estimated the cost of construction of a new facility at approximately \$30 million. The model assumes the cost of construction will increase 2% each year.
- **Sale of Existing Facilities.** Staff estimates that the sale of the Investigation and Training Center (ITC) and the City's interest in the Judicial Law Enforcement Center (JLE) will generate \$2.5 million that can offset the cost of construction or amount of debt issued.
- **Operation and Maintenance.** The model assumes a cost per square foot of \$10.50. Only the increase over the existing facility operation and maintenance costs are included in the model. The estimate includes utilities, maintenance and repair, and labor. Because much of the new facility will be covered under warranty, the model assumes the costs will be flat for the first five years and then increase 4.3% annually. This percent increase was based on the City's cost to operate and maintain the public health building which is a similarly sized facility.
- **Pay as You Go or Debt Finance.** The model can project the cost of construction the facility on a pay-as-you-go basis or by issuing debt. Debt service payments for either ten and twenty year debt can be used.

Funding Options. In order to calculate the tax increases necessary to fund the identified needs, the model makes the following assumptions.

- **Property Tax.** The model uses the 2012 assessed valuation as a starting point. A one percent reduction in the assessed valuation is assumed for year one. A one percent increase is assumed for each of the following year. A delinquency rate of 3% is also assumed.
- **Sales Tax.** The model assumes a one percent sales tax generates \$14.5 million. This is based on the current revenue projection for the 2013 budget. The model also assumes annual growth of 3.5%, which is also based on the current revenue projection for the 2013 budget.

Example Scenario

While the model can be used to run unlimited scenarios, one example is outlined below. Under this scenario staffing would be added according to the schedule shown on the table above. Property taxes would be increased each year in order to generate sufficient revenues to cover the projected personnel cost increases. The facility would be funded through a one percent public safety sales tax that would sunset once sufficient revenue for the facility is collected.

The total projected cost of this scenario for the four years shown is \$42,104,085. Table 1a shows the annual costs for both personnel and facility construction and maintenance. Construction of the facility would occur in years three and four.

Table 1a. Pay-as-you-go Scenario - Costs

POSITION*	Year 1	Year 2	Year 3	Year 4	subtotal
Personnel (fully equipped and trained)					
personnel	\$1,093,976	\$1,878,601	\$2,750,747	\$3,503,363	\$9,226,687
equipment	447,000	299,139	351,182	270,077	1,367,398
subtotal personnel	1,540,976	2,177,740	3,101,929	3,773,440	10,594,085
Facility					
Construction Cost			\$15,300,000	\$15,606,000	\$30,906,000
Debt Service Payment					
O&M			\$302,000	\$302,000	\$604,000
subtotal facility			15,602,000	15,908,000	31,510,000
GRAND TOTAL	\$1,540,976	\$2,177,740	\$18,703,929	\$19,681,440	\$42,104,085

In order to provide sufficient resources, property tax increases would be required each year. The one percent sales tax would sunset in year three. Table 1b shows the projected rate increases need for each year.

Table 1b. Pay-as-you-go Scenario – Tax Rate Increases

	Year One	Year Two	Year Three*	Year Four	Total Increase
Property Tax Levy Increase	1.9 mills	0.8 mill	1.0 mill	1.0 mill	4.7 mills
Sales/Use Tax Rate					1.0%

Increase

*it is projected that the sales tax would sunset after two months of year three

The amount of projected revenue generated by the tax increases as well as a summary of the projected costs are compared in Table 1c. The table shows how the proceeds from the sales tax would be carried forward to fund construction in the later years of the plan.

Table 1c. Pay-as-you-go Scenario – Revenues over Expenses

SUMMARY	Year 1	Year 2	Year 3	Year 4	subtotal
Revenue Increases					
property tax	\$1,612,807	\$2,314,802	\$3,203,858	\$4,110,463	\$11,241,930
sales/use tax	14,500,000	15,007,500	2,588,794	-	32,096,294
all revenue sources	\$16,112,807	\$17,322,302	\$5,792,651	\$4,110,463	\$43,338,223
Expenditure Increases					
total expenditure increases	\$1,540,976	\$2,177,740	\$18,703,929	\$19,681,440	\$42,104,085
revenues over (under) expenditures	\$14,571,831	\$15,144,563	(\$12,911,278)	(\$15,570,977)	\$1,234,139
beginning balance	-	14,571,831	29,716,393	16,805,115	
ending balance	\$14,571,831	\$29,716,393	\$16,805,115	\$1,234,139	

Conclusion

By using this model, it is possible to project the cost and revenue increases needed for a variety of scenarios. This tool is intended to help the City Commission identify resources to address the staffing, equipment, and facility needs identified by the police department over the next few years.