



Established by Act of Forty-Eight

CITY OF AMITY

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To: The Mayor and Members of the City Council
Origin: Michael Thomas, City Administrator
Date: August 26, 2019
Subject: Update on Public Safety Fees (PSF) – INFORMATIONAL USE ONLY

1. Mayor Michael Cape asked City staff to review all documentation regarding the Public Safety Fee (PSF) and assigned three tasks. He directed that I report back to him and to Council. This is the report of my findings.
2. The City currently charges residents \$10 per month to cover the cost of Public Safety. At the end of 2018 and beginning of 2019, the City researched three potential PSF to cover the cost of doing one of the following:
 - a. Continue to fund the Amity Police Department (APD) as is.
 - b. Continue to fund the APD but add staff and equipment.
 - c. Disband the APD and contract with the Yamhill County Sheriff's Office (YCSO).

Each of these conditions came with a projected cost. The City determined that these major choices would cost the following:

- a. \$15 for option A.
- b. \$25 for option B.
- c. \$3 for option C.

Currently, the City charges a \$10 PSF and is contracted with the YCSO. With this information provided, the Mayor set the following three tasks for the City staff to accomplish:

- a. Determine how the City calculated the \$3 PSF for YCSO.
- b. Which PSF is sufficient to meet the current and future contract costs for YCSO services, \$3 or \$10?
- c. Should the City increase or decrease the \$10 PSF going forward and why?

3. Response to Task A:

After a thorough search for any available documentation regarding the \$3 fee, staff could find nothing. The most detailed information staff has obtained regarding its initial calculation comes from Justin Hogue.

“Resolution 2018-12 adopted the public safety fee rate. I believe the rate was largely based upon the [YCSO] contract cost with some consideration given to an eventual increase. However, the [YCSO] experienced a significant increase in personnel cost as a result of the recent teamsters collective bargaining agreement so the rate should

be reevaluated. We looked at the number of dwelling units, businesses, etc. and devised a rate based off of anticipated cost. I think there may be a file in your office with spreadsheets detailing the methodology.” - Justin Hogue. [emphasis added]

Unfortunately, the associated documentation detailing the methodology is not there. City staff can neither locate nor recreate any data regarding the methodology to determine the \$3 PSF amount. Attempts to recreate the math have proven futile. Therefore, the recommendation of a \$3 PSF is unverifiable as an accurate dollar amount for present consideration.

4. Response to Task B:

It is necessary to state the purpose of the PSF. City Ordinances 656 and 659 established that the PSF is to “adequately fund the desired level of police service...” The desired “level of police service” is set as police services provided by the YCSO. This is established through the contract with YCSO and its cost to Amity is set in the budget.

Yet, what does “adequately fund...” mean regarding the PSF and is it sufficient? The best means to answer this is to determine the budget difference between what APD did cost and what YCSO does cost and predict those budgets into the future. The PSF should cover the gap between the two budgets.

Baselines & Assumptions

To conduct these calculations, City Staff had to set some baselines make some assumptions to ensure the best possible comparison of budgetary costs between APD and YCSO.

1. The 2018-19 Adopted APD budget is the last full year of APD funding. This budget is \$281,191. Therefore, this is the baseline budget. However, this budget includes three line items that needed to be removed from the calculations. They are:

- a) Facility Upgrades and Maintenance (\$30,743)
- b) Communications (\$23,425)
- c) YCOM Dispatch Service (\$19,251).

These first two items were removed as they were seen as 1-time costs by City staff; part of a requirement to increase APD’s police services. Staff could not find similar costs in the FY 16-17 budget, and such costs are incorporated into the on-going YCSO budget.

The YCOM Dispatch Service (911 Service) was also separated out. This is because YCOM was a part of the APD budget, but is now a separate cost to the City and not under the YCSO contract. Therefore the City’s actual FY 18-19 APD budget projection should be \$207,772, to accurately compare to the YCSO budget.

2. The City’s consultant CFO determined only 601 accounts pay the PSF. The City budgeted in FY19-20, current year, that 655.83 accounts pay the PSF. This has been rounded up to 656. Both numbers are considered.

3. The YCSO budget includes a 7% increase. City Staff has learned that YCSO may increase the budget by 7% a year for the next 3 years, a potential “worst case.” The City set the current YCSO budget to the FY 19-20 adopted budget of \$250,786 and calculated for this possibility.

4. Based on this “worst case” over the next 3 years, City Staff projected out 3 years. However, as the last full APD budget was 1 year ago, it was projected out 4 years.

5. The City is using the Seattle, Tacoma, and Bellevue Consumer Price Index (STB-CPI) for inflation rates, as stated in ordinance. The STB-CPI is currently 2.5% (.025), as stated by the Bureau of Labor Statistics.

Determination of Budget Gap

Based on the previously stated information, here is how the PSF compares.

$$[(1 + \text{inflation rate})^{\text{total years out}}] * \text{Present Budget} = \text{Future Budget}$$

APD @ \$281,191 – initially budgeted
 $[(1 + .025)^4] * \$281,191 = \mathbf{\$310,383}$

APD @ \$207,772 -- YCOM and 1-time expenses removed
 $[(1 + .025)^4] * \$207,772 = \mathbf{\$229,342}$

YCSO @ \$270,786 – initially budgeted
 $[(1 + .025)^3] * \$270,786 = \mathbf{\$291,607}$

YCSO @ \$270,786 – 1 additional 7% contract increase
 $[(1 + .095)^1] * \$270,786 = \$296,511$
 $[(1 + .025)^2] * \$296,511 = \mathbf{\$311,522}$

YCSO @ \$270,786 – 2 consecutive 7% contract increases
 $[(1 + .095)^2] * \$270,786 = \$324,680$
 $[(1 + .025)^1] * \$324,680 = \mathbf{\$332,797}$

YCSO @ \$270,786 – 3 consecutive 7% contract increases
 $[(1 + .095)^3] * \$270,786 = \mathbf{\$355,524}$

Budget Gaps:

There are eight possible budget gaps based on the budget projections above (Table 1).

	CPI only	CPI only	CPI & 7% x1	CPI & 7% x1	CPI & 7% x2	CPI & 7% x2	CPI & 7% x3	CPI & 7% x3
YCSO	\$291,607	\$291,607	\$311,522	\$311,522	\$332,797	\$332,797	\$355,524	\$355,524
APD	\$310,383	\$229,342	\$310,383	\$229,342	\$310,383	\$229,342	\$310,383	\$229,342
GAP	(\$18,776)	\$62,265	\$1,139	\$82,180	\$22,414	\$103,455	\$45,141	\$126,182

(Table 1)

In Table 1, column #1, \$18,776 is a surplus, in that the projected APD budget is actually bigger than the projected YCSO budget. However, as this is without the necessary 1-time and YCOM expenses removed; it is not an accurate representation of the budget and should be discarded. For the same reason, three further columns will also be discarded.

Therefore, Table 2 is more accurate comparison.

	CPI Only	CPI & 7% x1	CPI & 7% x2	CPI & 7% x3
YCSO	\$291,607	\$311,522	\$332,797	\$355,524
APD	\$229,342	\$229,342	\$229,342	\$229,342
TOTAL GAP	\$62,265	\$82,180	\$103,455	\$126,182

(Table 2)

To determine whether \$3 or \$10 is an appropriate rate, staff determined what the gap translates into as a monthly amount. Staff made this determination using both numbers of accounts paying the PSF.

(Annual Budget Gap / accounts paying PSF) / 12 months = Necessary monthly PSF

CPI Only

$(\$62,265 / 601) / 12 = \$8.64 \rightarrow \$9$

$(\$62,265 / 656) / 12 = \$7.91 \rightarrow \$8$

CPI & 7% x1

$(\$82,180 / 601) / 12 = \$11.39 \rightarrow \$11.50$

$(\$82,180 / 656) / 12 = \$10.43 \rightarrow \$10.50$

CPI & 7% x2

$(\$103,455 / 601) / 12 = \$14.35 \rightarrow \$14.50$

$(\$103,455 / 656) / 12 = \$13.15 \rightarrow \$13.25$

CPI & 7% x3

$(\$126,182 / 601) / 12 = \$17.50 \rightarrow \$17.50$

$(\$126,182 / 656) / 12 = \$16.03 \rightarrow \$16.25$

Therefore, one must conclude that the \$3 PSF, as presented to the public in late 2018 – early 2019, is not sufficient cover the budget gap. The \$3 PSF option should be removed from further discussion as it is neither a viable nor sustainable proposition using available data. **The \$10 PSF adequately covers the budget gap at the rate of CPI increases.**

5. Response to Task C:

It is expected that the City will continue to contract with YCSO. The City would be well served to retain its \$10 PSF. However, if City Council does not expect YCSO to raise its budget another 7% in any of the next three years, then Council may determine to reduce the PSF to \$8; all other variables remaining constant.

Also, the City's Budgeted General Fund Revenue and Expenses for the current Fiscal Year are:

a) Revenue - \$715,000

b) Expenses - \$614,562

This means that the City expects a net gain of \$100,938 for the year. To put it another way, this money is the cushion the City uses to cover any unexpected costs in the course of a Fiscal Year. If the City were to fully eliminate the PSF, this cushion drops to \$22,238. City staff has determined that this is not an acceptable level, based on previous budgets. Therefore, the City should retain a viable PSF into the future.

It is important to note that an \$8 PSF will significantly erode this budget cushion if the YCSO contract exceeds the CPI in the next three years. Additionally, if Council reduces the PSF and the contract goes up, Council will need to accomplish a significant hike to the PSF. This “yo-yo” effect on the PSF may make community members more upset than either a stable \$10 PSF or a moderate increase.

6. Conclusion:

In conclusion, *the \$3 PSF is not a valid option.* Regardless of the basis upon which it was proposed, it is not sufficient at this time to cover the cost of the YCSO budget now and going forward. That the methodology for determining a \$3 PSF is unavailable means there is no ability to verify the accuracy of the assumptions and calculations that determined this proposed fee. Additionally, with each successive cost increase in the YCSO budget the \$3 PSF would fall further behind in achieving the desired “adequate funding” levels by closing the budget gap.

The current \$10 PSF covers only the expected CPI inflation increases to the YCSO budget – for the next three years. The City will retain an adequate budget cushion going forward and can cover the expected costs in the YCSO budget. However the City could reduce the PSF to \$8, if all other possible budget variables remain constant, and the YCSO budget does not increase beyond the CPI. The City could arguably retain a \$10 PSF even if the YCSO contract increases by another 7% in the next Fiscal Year, by accepting a reduction to the cushion it carries in the General Fund.

However, if the City wants to adequately budget for the worst possible scenario - YCSO raises its contract 7% per year for the next three Fiscal Years - then it should consider a PSF increase. The City could cover the expected budget gap with a \$16.25 PSF. City Staff recognizes that this may be an “intolerable” option, when taken in context of other financial obligations being placed upon the community. However, if the expectation is that more PSF paying accounts will materialize in the next three years, then the City could re-run these calculations in 2 years and provide a more refined – and quite possibly lower – PSF increase.

Again, these are only estimates; it must be noted that projecting costs into the future comes with inherent risks. If the city chooses to do nothing, then inflation and future YCSO budget increases will whittle away at the value of the \$10 PSF and what it contributes to public safety, requiring future periodic PSF increases.

Regardless, it is City staff's recommendation that the City retains its \$10 PSF and then reevaluates it after the next YCSO contract is negotiated.

Budget Detail

General Fund Police Services

Expenditures

Fund		2015-2016	2016-2017	2017-2018	2018-2019	2018-2019	2018-2019
		Actual	Actual	Adopted	Proposed	Approved	Adopted
00	PERSONNEL SERVICES						
6015	Chief	70,683	71,828	73,539	62,019	62,019	62,019
6025	Sergeant	-	14,448	45,095	46,917	46,917	46,917
6030	Patrol Officer	43,731	29,165	-	-	-	-
6070	SS & Medicare	8,753	8,831	9,000	9,000	9,000	9,000
6075	OR Unemployment	77	76	75	75	75	75
6080	WBF	73	62	60	60	60	60
6085	PERS	6,874	7,314	7,000	7,000	7,000	7,000
6090	Health & Life Insurance	30,496	24,468	28,000	28,176	28,176	28,176
6095	Worker's Comp	7,126	8,858	9,000	9,000	9,000	9,000
	Total	167,813	165,050	171,769	162,247	162,247	162,247
	Total FTE	2	2	2	2	2	2
13	MATERIALS & SERVICES						
6100	Bullet Proof Vest	-	1,911	1,750	3,000	3,000	3,000
6165	Facility Upgrades/Maint	-	-	-	30,743	30,743	30,743
6170	Conferences/Training	450	799	6,500	1,500	1,500	1,500
6195	Office Equip/Maintenance	261	54	750	800	800	800
6200	Office Supplies	508	220	750	750	750	750
6210	Organizational Dues	175	150	250	250	250	250
6215	Communication/Phones/IT	2,516	2,993	3,300	23,425	23,425	23,425
6220	Travel/Lodging/Meals	734	753	1,200	1,500	1,500	1,500
6225	YCOM Dispatch Services	-	-	-	19,251	19,251	19,251
6235	Supplies	95	1,229	3,000	6,000	6,000	6,000
6240	Uniforms	1,457	675	2,500	2,000	2,000	2,000
6250	Gas, Oil & Grease	5,299	5,107	6,500	6,825	6,825	6,825
6255	Vehicle Maintenance	4,543	3,017	5,000	6,500	6,500	6,500
6260	Weapons/Ammo	400	1,240	2,000	3,000	3,000	3,000
6265	OSHA Hearing Tests	-	-	-	250	250	250
6270	Miscellaneous Expenses	971	991	1,000	1,500	1,500	1,500
6275	Hiring Expenses	-	-	-	4,100	4,100	4,100
6280	Lexipol	-	-	-	2,500	2,500	2,500
6285	Animal Control	-	-	-	500	500	500
6290	Vaccinations	-	-	-	1,350	1,350	1,350
6295	Investigation Services	-	-	-	1,000	1,000	1,000
6300	PORAC Insurance	-	-	-	600	600	600
6305	Postage	-	-	-	100	100	100
6310	Prisoner Costs	-	-	-	1,000	1,000	1,000
6365	Donation Purchases	-	-	-	500	500	500
	Total	17,409	19,141	34,500	118,944	118,944	118,944

CAPITAL OUTLAY						
	-	-	-	-	-	-
Total	-	-	-	-	-	-
TOTAL EXPENDITURES	185,222	184,190	206,269	281,191	281,191	281,191
Unappropriated Ending Fund	-	-	-	-	-	-

Police

The Amity Police Department’s primary purpose is to serve the community. The Police Department enforces the law by arresting criminals, detecting, and preventing crimes.

2017-18 Highlights

- * Two new reserves in academy
- * Two new vehicles
- * Evidence inventory near completion
- * Three AEDs grant from Firehouse Subs

2018-19 Goals

- * Increase community trust
- * Respond effectively and efficiently
- * Increase communication with community
- * Increase training
- * First aid kits in patrol cars
- * Stop Sticks in patrol cars
- * Finish evidence audit
- * Purge old reports and files
- * Purge bicycles
- * De-commission and auction of two retired patrol cars
- * Upgrade Facility to meet department needs
- * Update or replace equipment and systems

Long-Term Goals:

Increase police department funding over the coming years to:

- Add on additional officer

Strategy	Measures	FY 17-18 Projected	FY 18-19 Projected
Protect and enhance Community safety	Number of Arrests	25	25
	Number of Citations	171	150
	Total Number of cases	122	150
	Overall Calls/Activity	1250	1500
	Number of Reserve Hours	1600	1600