

Staff Paper #2:

Revenue Alternatives



**CITY OF MODESTO
AGENDA REPORT**

**COMMITTEE MEETING:
May 05, 2004**

April 30, 2004

TO: Finance Committee

FROM: Donna Hansen, Deputy City Manager

SUBJECT: Cost for Additional Police and Fire Service and Revenue Opportunities to Fund Public Safety

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RECOMMENDED COMMITTEE ACTION:

Review Public Safety policy issues and safety cost estimates. Consider new revenue opportunities and cost recovery options.

SAFETY POLICY ISSUES

Public Safety has been a priority for this Council and as such the Police and Fire Departments were exempt from 04/05 program reductions. Council action concerning Capital Facility Fees (CFF) and the Ad Hoc Committee report approved by the Safety and Communities Committee and forwarded to the Finance Committee for action on March 15, 2003 have the following financial implications.

1. CFF policies and deficiencies analysis- A comprehensive update of the Capital Facilities Fees (CFF) program was approved by the City Council on June 24, 2003. While the new fees for police and fire facilities were increased, deficiencies still exist and general fund support will be necessary. In addition Council adopted the police officer staffing model of 1.85 officers/1000 population. Facility needs, costs and the police fee level were based on that staffing number and therefore a good faith effort must be made to hire additional police officers.
 - a. 1.85 Officers/1000 population cost estimate- Using the staffing model presented to the Finance Committee by the Police Department, an average cost by job classification was used to estimate the cost per FTE for the new staff. Also added is the expected employee benefit fund (EBF) impact for each new position, in line with the goal of keeping the EBF liability from growing. This includes very rough estimates of the increase in fleet costs and a modest figure for routine supplies.

The Police operating budget would increase \$15.9 million annually to serve the current population with 1.85 officers/1000. To serve the 2010 population would cost an additional \$4.1 millions; however this reflects *no* cost level increases, not even the anticipated 2006 CALPERS rate increase. From a revenue perspective, funding would

need to grow \$16 - \$17 million per year (as of 2005) and grow by 8% per year (to keep the entire department in line with the 1.85) plus 3-6% per year to keep pace with salary & benefit inflation for the \$16 million in new staff (total growth 11-14%). Growth slower than that could create a whole new funding gap.

If the Police Department used the personnel “ramp-up model” presented to the Safety and Communities Committee, it would cost approximately \$2,161,910 to increase sworn staffing to a 1.35/1000 level.

- b. The 2003 CFF update increased the capital facility fees significantly based on future buildout. However, since its adoption, the market has dictated increased costs that leave the City facing shortfalls in its collection. Land costs were estimated to be approximately \$125,000 per acre. Now, however, land costs are approximately \$250,000 per acre.
 - c. In addition, in an effort not to thwart business development, the City capped its 2003 CFF Program, creating a future deficit. For the Fire Department capital projects, the anticipated shortfall is approximately \$25,000 for the 04-05 fiscal year. For the Police Department capital projects, it is approximately \$81,000 for the 04-05 fiscal year. Both of these shortfalls represent approximately 23% of uncollected revenue for that fee program. General fund loans to the Fire Department for the 03/04 budget are roughly \$500,000. It is estimated that unless the CFF’s are increased, the General Fund will have to loan approximately \$3 million to the Fire Department to meet facility and equipment needs in new growth areas.
2. Ad Hoc Safety Committee Report – The Safety and Communities Committee endorsed the Ad Hoc Safety Committee report and recommended actions. This report was forwarded to the Finance Committee on March 15, 2003 for review and funding consideration. The following is a *very rough* estimate of costs associated with the Committee recommendations that focus on staffing and competitive salaries and benefits.

- a. *“The City Council will dedicate a fixed percentage of the general fund to public safety functions by the 2004 City Budget.”*

Police and Fire account for 72% of the General Fund discretionary revenue in the City Manager’s proposed budget.

- b. *“The Modesto Police Department will achieve a staffing ratio of 1.85 sworn officers per 1000 residents by 2010.”* (See above analysis)
- c. *“In order to assist with the attraction and retention of qualified personnel, the starting and average salary levels of the Modesto Police Officers and Fire Fighters will be competitive with other law enforcement agencies in the Central Valley and East Bay region by 2005.”*

The Personnel Department estimated that by increasing health care benefits to \$800/month for sworn members of the Safety Departments (current fiscal year staffing) costs would increase approximately \$500,000, annually.

Information provided by police and fire employee associations generated the following comparison estimates.

Police – The average salary for 22 comparison cities was \$5,577/month compared to Modesto’s \$4842/month. The difference is \$735/month. If multiplied by all sworn personnel, the annual impact would be \$2,310,840. This does not include benefits which accounts for 45% of police salaries bringing the number closer to \$3,350,718.

If we compare MPD salaries to Stockton the numbers would be \$462,168 (salary increase) annually + 45% (benefits) = \$670,143

Fire – Compared to Stockton’s top step fire fighter’s monthly salary, the difference is \$1171. Multiplying this number by 161 members of the Modesto Fire Department and adding a 45% benefit package the annual cost would be cost \$3,280,439.

Again the above police and fire analysis are very rough estimates and they do not provide the cost differences associated with the various classification. It also does not include incentive pay, which varies greatly between cities.

- d. *“Support and administration staffing levels for both the Modesto Police Department and Modesto Fire Department need to be increase in order to allow sworn personnel to focus their attention on public safety.”*

Police Department Support and Administrative staffing request for 04/05:

Police Clerk (half year funding)	\$ 22,850
Animal Control Office	\$ 53,522
Total	\$ 76,372

Fire Department Support and Administrative staffing:

Training Division	\$240,902
Fire Prevention Bureau	\$321,668
Support Services	\$272,631
Total	\$840,201

- e. *“The Modesto Fire Department should achieve the National Fire Protection Association (NFPA) standard of 4 trained personnel on each engine and truck company in the City by 2008”.*

54 additional Firefighters, 6 additional Relief Personnel	\$4,640,328
Constant Staffing Overtime	\$ 288,816
Total	\$4,929,144

- f. *“Two person rescue companies should be created by the Modesto Fire Department to enhance firefighter safety and to improve system reliability by handling many non-fire related requests for service by 2005”.*

Nine Engineers, Nine Firefighters (3, two person units)	\$1,449,252
Constant Staffing Overtime	\$ 102,626
Total	\$1,551,878

CURRENT PRACTICE

The Finance Committee established the budget policy to exclude the Police and Fire Departments from across-the-board reductions, however, funds for additional resources necessary to staff Fire Station 11 or begin to address the 1.85 staffing/1000 population ratio for police have not be budgeted.

COUNCIL OPTIONS – Funding for additional safety personnel and equipment

- I. Take no action.
 - a. No additional police officers or support staff.
 - b. Station 11 staffed with existing personnel or delayed equipment replacement.
- II. Use general fund reserves to fund additional safety personnel.
- III. Increase program cuts by other general fund departments to increase safety funding.
- IV. Continue to hold safety harmless if additional cuts are required.
- V. Cut safety in proportion to other service cuts.
- VI. Pursue new revenue options to support safety and other city operations.

New Revenue Options

1. Sales Tax Increase

1/8% increased City sales tax	=	\$3,818,636
1/4% increased City sales tax	=	\$7,637,271
1/2% increased City sales tax	=	\$15,274,542
3/4% increased City sales tax	=	\$22,911,813
1% increased City sales tax	=	\$30,549,084

2. Property Tax Increase – Parcel Tax

The calculations based on 53,000 residential parcels are:

53,000 parcels x \$30	=	\$1,590,000
53,000 parcels x \$50	=	\$2,650,000
53,000 parcels x \$75	=	\$3,975,000
53,000 parcels x \$100	=	\$5,300,000

- 3. General Tax on New Residential Construction - revenue undetermined
- 4. Utility Users Tax – Remove the maximum rate of \$1500 - revenue undetermined
- 5. Transient Occupancy Tax Increase from 9% to 11% - \$234k each 1% increment
- 6. Cable Franchise Fee - Increase from 3% to 5% will generate approximately \$500,000
 - a. Current 3% = \$749,736
 - b. Increase to 5% = \$ 1,249,560
- 7. Cable Franchise “pass through” of \$.25 to .55/month/customer for PEG and INET equipment costs. (\$159,000 to \$349,800)
- 8. Surcharge on each telephone, including mobiles, for 911 Dispatch Costs – Approximately \$2.5 million annually

9. Fire Department Service Consolidation – revenue undetermined
10. Advanced Life Support Partnership – revenue undetermined
11. Park Fund Development Strategies
 - a. Legacy Endowment for Parks – Could build to \$500,000/year
 - b. Sale/Lease of Remnant Parcels – possibly up to \$6.9 million
 - c. Fund Development Naming Rights – Potentially \$250,000 annually
 - d. Neighborhood Improvement Sponsorships - revenue undetermined
 - e. Corporate Program Sponsorships - \$50- \$5,000/program
 - f. Presentation Sponsorships - \$10,000- \$50,000 annually
 - g. Exclusive Vendor/Official Supplier - \$10,000- \$50,000 annually
12. Park, Lighting and Safety Districts - \$8.8 million
13. Advertising –Web Site – \$86,000 annually
14. Wireless Network Branding/Partnerships – approximately \$300,000 in equipment and \$270,000 annually
15. Tow Truck Franchise – Approximately \$200,000

VII. Seek full cost recovery, including indirect costs, for city services

Cost recovery:

1. Special Events/Downtown Security – Increase Parking Fees - \$150,000 annually
2. Administrative Enforcement and “City” Court - \$150,000 annually
3. Public/Private Events – Full Cost recovery - Fees, License agreements (Xfest, etc) - approximately \$300,000 - \$350,000.
4. Hourly Parking Fees - \$20,000 annually
5. Developer User Fees – Planning - \$50,000 annually

RAMIFICATIONS

Additional revenue is necessary to meet public safety as well as other community needs.

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