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To: Board of County Commissioners

From: Christian Sigman, County Administrator CMS

Subject: Hamilton County Communications Center
Status and Funding Recommendations Report

Copies: Jeff Aluotto, Shawn Cruze, John Bruggen, Jeff Weckbach

Date: April 12, 2016

The attached staff report provides a summary of Hamilton County's efforts to address funding challenges for the public safety communications function, including 9-1-1 call taking and dispatch operations. In addition to providing history on the county's efforts in this regard, the report details the current budgetary status of the Hamilton County Communications Center (HCCC), as well as trends on work load and performance metrics. Most importantly, it details short and long-term recommendations for addressing the funding issue in a manner that sustainably addresses Board policy priorities of reduced detail rates and lower general fund subsidies.

In summary, the HCCC consortium is a prime example of shared services in Hamilton County - serving the needs of 105 police, fire and EMS agencies. This shared service framework, however, is jeopardized by the funding mechanism which passes increasing costs on to jurisdictions based on emergency calls generated in those jurisdictions.

The Administration recommends that the County adopt an approach to implement a sustainable, long-term solution to this issue to preserve the consortium and to avoid increased strain to the general fund. Specifically, the Administration recommends:

- For 2016, executing a financial strategy consistent with Board policy direction to reduce the detail rate to $15 mid-year.

- Initiating an efficiency review of the HCCC, in partnership with the Regional Chamber, and incorporate any salient cost reduction recommendations into the organization's cost structure.

- Developing a formal reserve policy specific to the HCCC that will allow the Board to best identify the most appropriate short and long-term funding strategy.

- Begin implementation of a sustainable funding solution consistent with the 9-1-1 Preservation Task Force recommendation of a $10 detail rate and implementation of a parcel fee, albeit at a reduced rate.

- If a temporary solution is required to more substantively vet sustainable options, or to provide the time within which to conduct an effective efficiency review, the Administration recommends implementation of an interim strategy utilizing a temporary, one-year transfer tax increase.

- As recommended by the 9-1-1 Preservation Task Force, continue to remain involved at the State level to press for assistance through permissive revenue authority which could ultimately replace the need for a parcel fee with a device-driven revenue stream.

As the Board is well aware, there is no simple solution to this issue. Absent direct assistance from the State, the HCCC funding issue must be addressed through some combination of cost reductions and/or revenue enhancements (be it to existing revenue streams or new revenue mechanisms). As detailed in this staff report, the Administration will work with the Board to schedule a staff meeting presentation on this issue and the Administration's recommendations.

Hamilton County Communication Center

Status & Funding Recommendations Memorandum

Submitted by

Hamilton County Administration

April 12, 2016

Introduction

The purpose of this document is to provide the Board with a comprehensive summary of the funding challenges related to the Hamilton County Communication Center (HCCC). The document provides information and data to detail the implications of those challenges, as well as a history of past funding efforts and recommendations for advancing the issue.

Over the past decade, the County has sought a new or revised mechanism for funding HCCC operations in order to preserve this critical service while reducing the strain the current funding methodology has placed on local public safety agencies and the County's general fund. Detail rates have risen by approximately 40% over the past nine years, but with the number of details declining over the same period, total detail revenue has risen by only 25%. Unchanged, the existing funding model will continue to place strain on local police and fire budgets, force modifications to local public safety levies to address increased costs and/or spur fragmentation of the County's communication consortium as communities seek to manage their own dispatching needs or seek the service of other PSAPs, or PSAP associates. Likewise, the County's general fund budget has been reduced by approximately 30% over the past 8 years. Just as it is impractical to expect local jurisdictions to bare significantly more cost over time, it is unrealistic for the County's general fund to assume additional cost burdens for the communications center without a new revenue source or permanent reductions to other vital general fund services.

The balance of this report includes the following sections:

I. A history of the current funding approach
II. Past Alternative Funding Efforts
III. HCCC Cost Structure and Budget Update
IV. HCCC Revenues
V. HCCC Performance Benchmarks
VI. HCCC Efficiency Efforts
VII. Financial Impact of Fragmentation
VIII. Recommendations

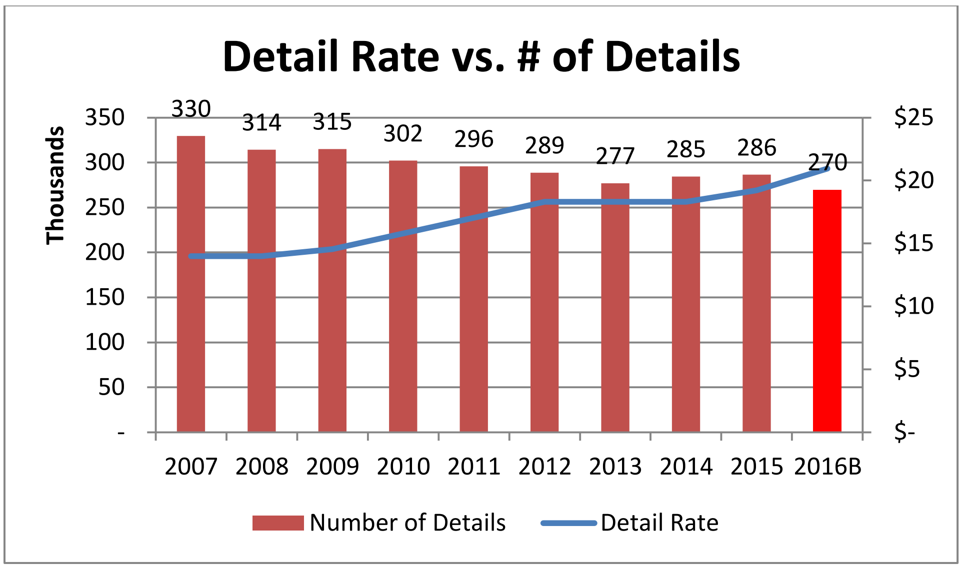
I. History of Funding Approach

The current funding mechanism utilized by the HCCC charges each community when a call for service, or "detail", is generated in that community. A detail is an actual dispatch of resources, based on a call to the HCCC. This methodology has long been the subject of criticism from local communities given the incentive it creates to divert calls from 9-1-1, as well the impact it has upon local public safety budgets. However, it has also been recognized that so long as the current revenue structure remains in place, simply finding a new way to re-allocate existing costs will only create new winners and losers within the system without fundamentally addressing the problem.

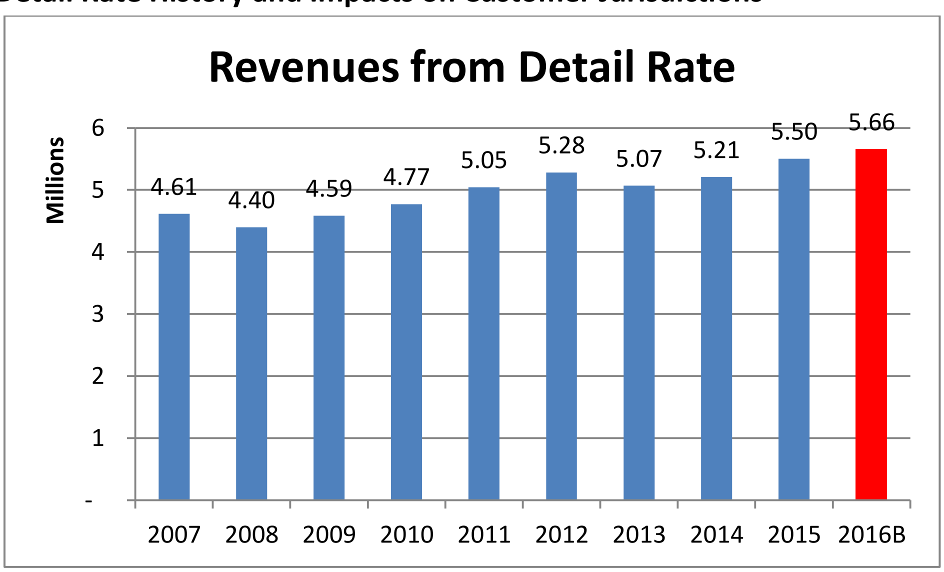
As shown below, after remaining steady at $14/detail for several years, detail rates have risen steadily since 2009. The County's general fund subsidy has also varied over the past several years as the County sought to balance its contribution with those of the consortium communities. Even during the years when the detail rate hovered at $14, concerns were raised by communities that this particular funding methodology would ultimately force fragmentation in the broader communications system. While this did not occur at the time, the financial crisis of 2008-2010, combined with reductions in the local government fund and reduced municipal revenues from other state legislative actions have combined to increase the fragmentation threat to the HCCC.

The following graphs portray a history of detail rates, detail revenues and County general fund subsidies to the HCCC.

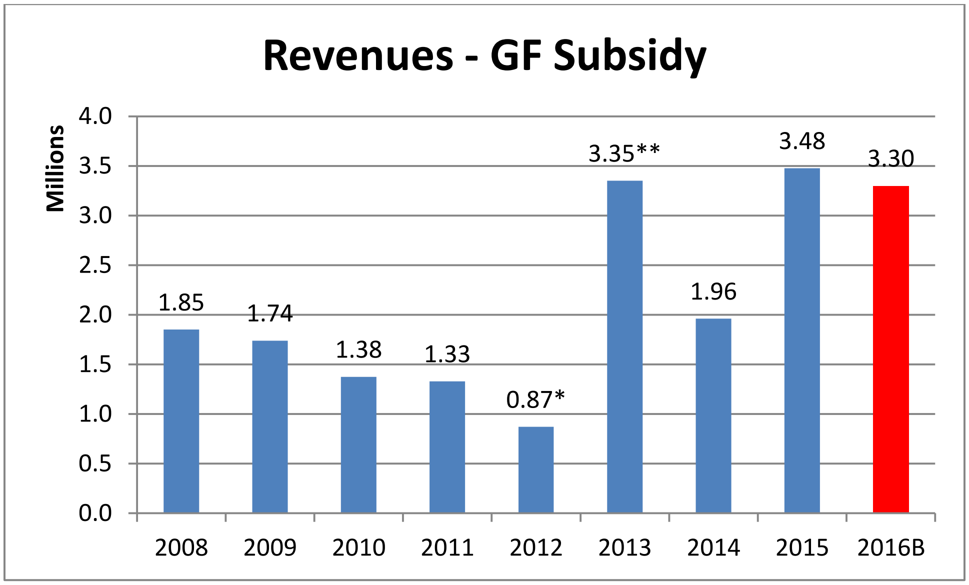
Detail Rates vs. Number of Details at the HCCC



Detail Rate History and Impacts on Customer Jurisdictions



General Fund Subsidy History



*In 2012, the HCCC used fund balance and an increase to the detail rate to offset the general fund subsidy.
**In 2013, the County shifted debt obligations to the HCCC. In that year, the County general fund subsidy increased to help offset the additional HCCC debt related expenses.

II. Past Alternative Funding Efforts

The current funding model for HCCC operations has been a topic of discussion for the better part of the last decade, aA solution to the problem with the County's funding model was first suggested in conjunction with Issue 27 (Jail Sales Tax) in 2008. Had it been successful, this would have dramatically reduced or eliminated the detail rate charged to communities. Over the following years, the County engaged the state legislature in an attempt to gain permissive authority for placing a 9-1-1 fee on wireless and landline bills. The County was unsuccessful in that initial legislative effort, as the state has been reluctant to provide this permissive authority due to uncertain costs surrounding the state Multi-Agency Radio Communication System (MARCS). Additionally, the concerns of private industry stakeholders were influential in the defeat of these legislative efforts with the state.

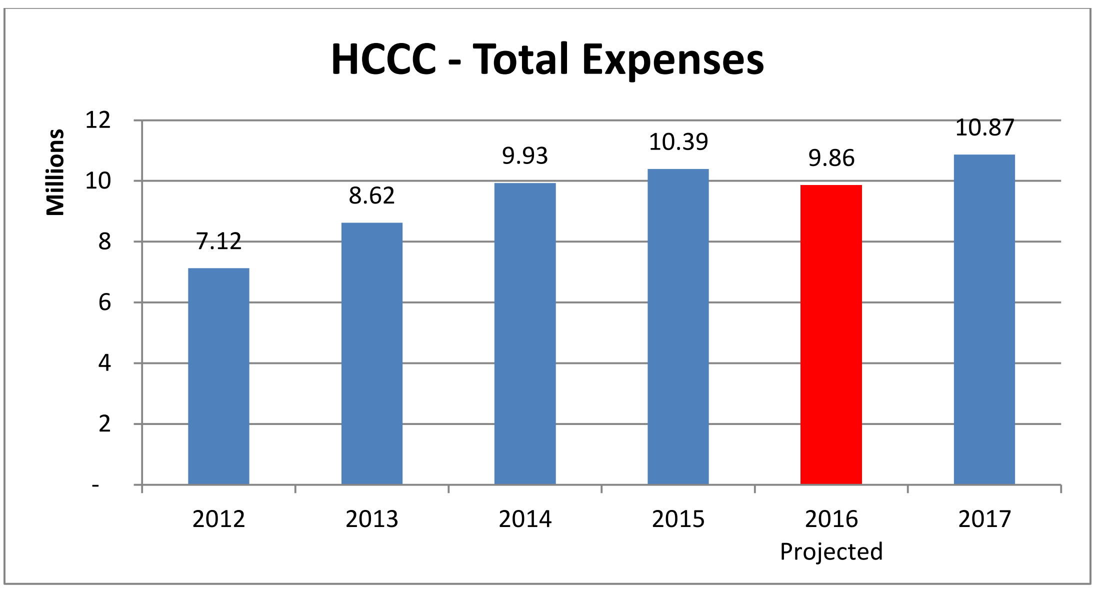
Following the state legislative effort, the Commissioners formed the 9-1-1 Preservation Task Force in 2014 with the goal of generating a broader community consensus around the appropriate revenue mechanism for the Communications Center. The Task Force's recommendation of a parcel fee, as an interim step before a broader state fix, was then evaluated in the summer of 2015 and tabled by the Board.

During the 2016 budget process, the Administration recommended a temporary, one-year increase to the transfer tax as a stop gap solution for the 2016 budget. The Board, instead, voted to implement a utility services tax in 2016 in the context of the annual operating budget. In early 2016, following a series of public hearings, the Board voted not to implement the utility service fee, but rather to absorb the increased costs of the HCCC, in 2016, through an increased subsidy from the liquidation of the budget stabilization fund and an increase in the detail rate from $19.22 to $20.95.

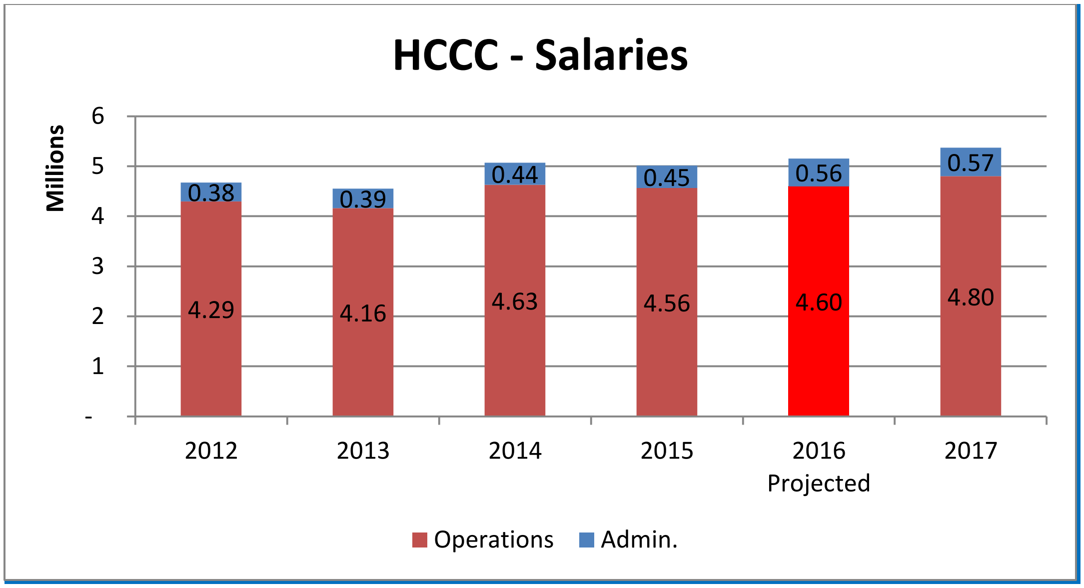
The Board also indicated its intent to reduce the effective detail rate to $15 in mid-2016 and to $10 by January 1, 2017.

III. HCCC Cost Structure and Budget Update

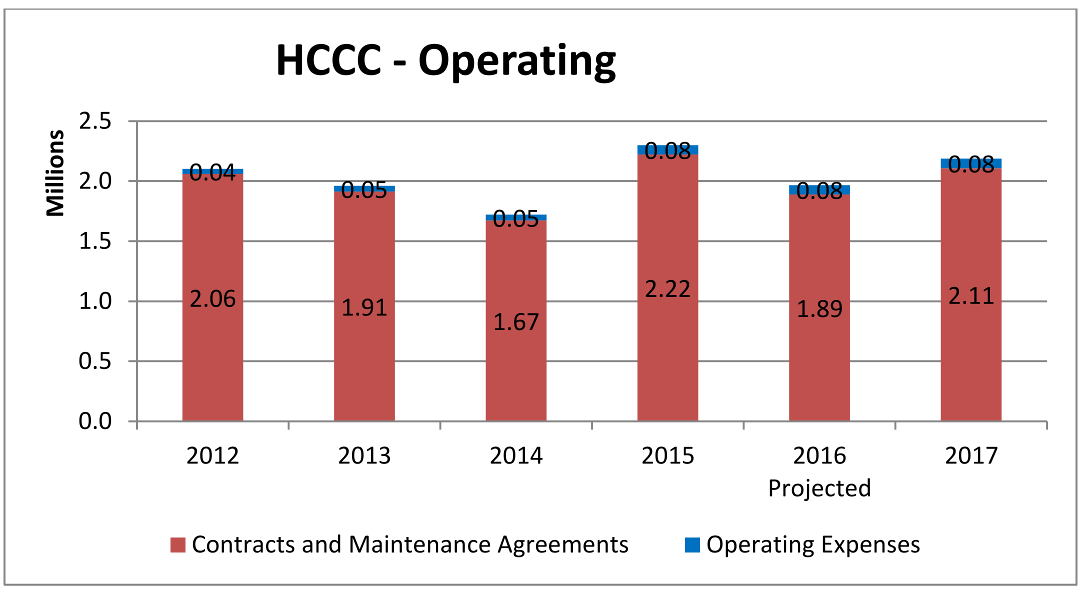
The following graph details HCCC historic expenditures and estimates of total needs of the HCCC for 2016 and 2017. The projected five-year needs for the HCCC, as identified by the 9-1-1 Task Force averages $11,795,000. As will be seen below, this number has been refined to reflect updated debt service projections as well as operational dynamics such as the inclusion of a vacancy rate within personnel projections.



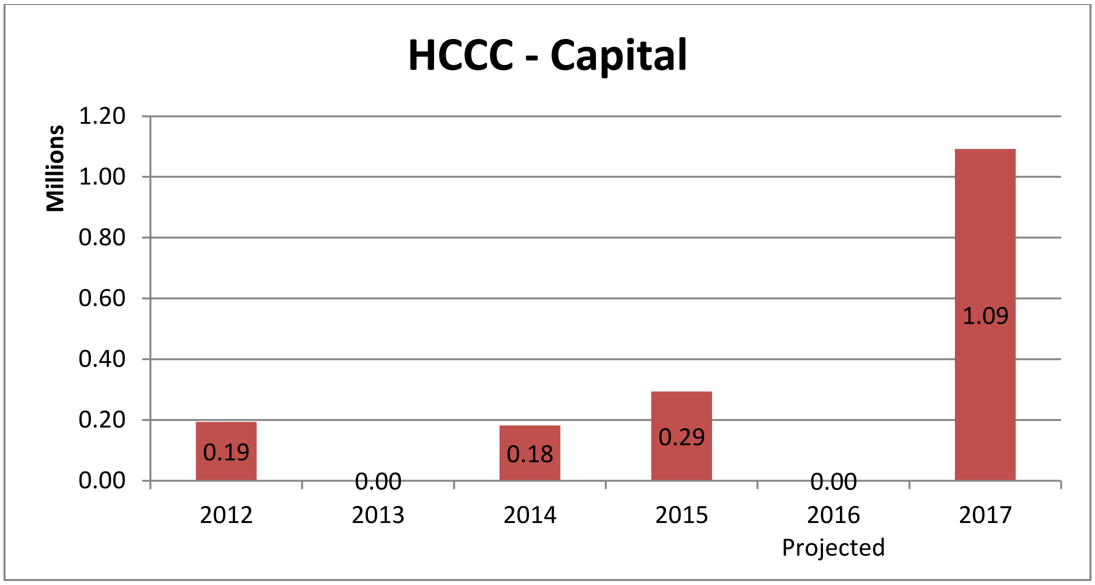
The HCCC budget can be divided into four key broad categories: personnel, operating expenses, capital, and debt service. Each category is presented in the following graphs with a description of any major cost increases.



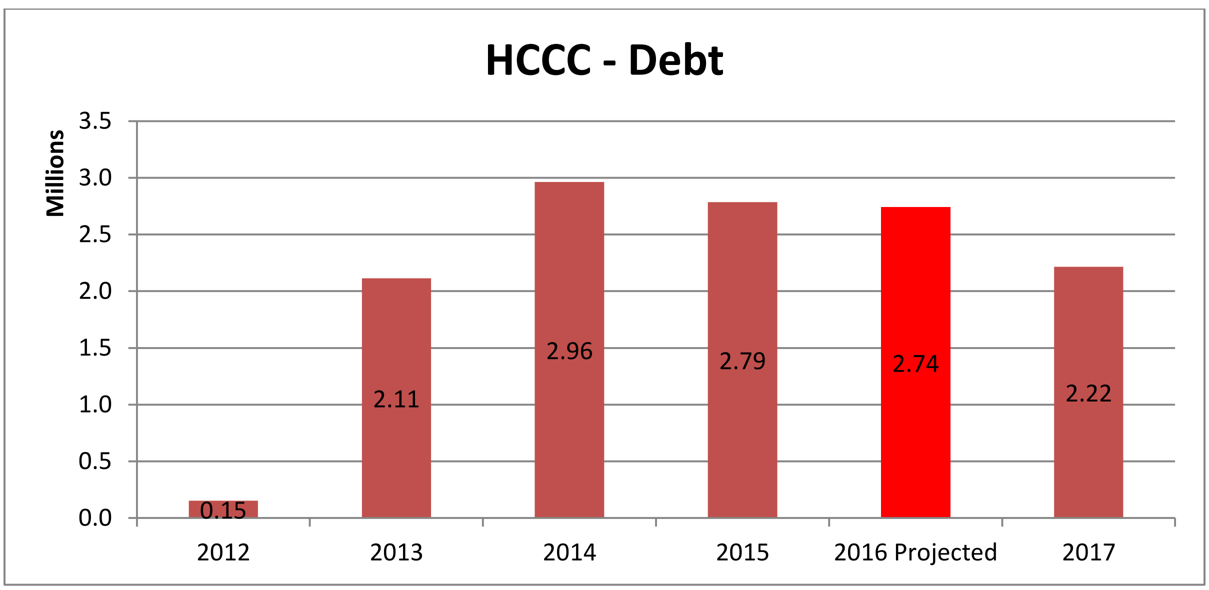
As shown above, salaries represent a significant portion of the HCCC cost structure and, in this analysis, are projected to grow at 3% annually in accordance with recent collective bargaining agreements. The total salaries shown, however, are reflective of a 10% vacancy rate which is the historic average at the HCCC.



Operating expenditures include all of the necessary costs for running the HCCC outside of labor costs. This includes activities such as maintenance agreements for the HCCC radio and CAD systems, computer supplies, office supplies, generator fuel, travel and training, etc.



Capital needs at the HCCC include a wide variety of system maintenance activities including the need to perform deferred maintenance on towers associated with the County's 800 MHz system. Ultimately, these capital items will need to be addressed even if they are deferred in the short-term. The County's financial planning will need to account for them in some manner.



Debt service shown in the graph above relates primarily to the radio system but also includes small amounts for other projects such as the Voice/Tone alerting system used to notify and signal fire departments of call-outs.

For more detail on the components and assumptions that comprise each of these cost categories, please see Appendix A.

Throughout this document, and particularly in the sections related to recommendations, references to a "sustainable" solution will be made. From the Administration's perspective, a sustainable solution for HCCC funding is one which produces sufficient revenue over the long-run, to accommodate annual operating expenditures while providing for an adequate margin to address deferred capital needs and to allow for future budget smoothing and balancing. The following table details a five-year expenditure projection against which a sustainable revenue scenario should be compared.

Table 1: Sustainable Funding Levels for HCCC

	2016 Projected	2017	2018	2019	2020
Salaries	5,155,989	5,369,066	5,557,606	5,670,304	5,827,280
Operating Expenses	1,967,071	2,187,830	2,006,909	2,026,178	2,045,640
Capital/Reserve		750,000	750,000	750,000	750,000
Debt Service	2,739,000	2,216,275	2,216,888	2,119,388	2,122,738
Total	**$9,862,060**	**$10,523,171**	**$10,531,403**	**$10,565,870**	**$10,745,658**

As such, over the next four years (2017-2020), a sustainable revenue solution equates to an average of approximately **$10.59 million**. Inclusion of the 10% vacancy rate, lower debt service figures and modified assumptions on the inclusion of various staffing positions and capital work combine to make this figure lower than that initially vetted by the 9-1-1 Preservation Task Force.

IV. HCCC Revenues

The following information describes the primary revenue mechanisms currently used to cover the costs of the HCCC.

The detail rate is a charge to each jurisdiction for dispatch services provided by the HCCC and is the primary revenue generating mechanism for the HCCC. At the beginning of 2016, the detail rate was set at $20.95. For perspective, every $1.79 in detail charges equates to approximately $500,000 in revenue for the HCCC. As referenced earlier, the detail rate has risen consistently over the past several years. Two main issues have developed from the use of the detail rate funding system. First, many communities have begun to publicly advertise alternative numbers for their residents to call in the event of an emergency as a means of avoiding detail charges. Second, most customers do not know what their total detail rate cost will be until after their public safety budgets are already set since the BOCC does not establish the detail rate until late in the budget year. It was cited by the Task Force that including some level of detail charge in a sustainable solution would be important to ensure customer communities retain a level of ownership in the system.

The general fund subsidy is the other major revenue generating mechanism. It too has fluctuated over the past several years, based on available resources and perceived equity with the detail rate. Current budgetary pressures, such as department spending patterns, inflationary increases in personnel and non-personnel costs, deferred capital maintenance on county-owned buildings, the need for a new crime lab, and the reduction in revenues over the past decade, limit the County Commission's ability to fully fund the HCCC using general fund resources. A consideration in the level of general fund support of the HCCC, separate from the financial capability of the County to support the commitment, is the lack of county-wide benefit of service. This issue was highlighted by residents, who would have been subject to the tax but not directly serviced by the HCCC, during the public hearings on the utility service fee. Similar to the Board's policy position on communities paying the full cost for Sheriff's Office patrol services, the question is should 40% of the County's population who do not benefit because they are serviced by other communication centers (mainly the City of Cincinnati) have to fund the HCCC, via a general fund subsidy?

The HCCC also receives revenue from several ancillary fees. Wireless fees represent the largest portion of these revenues. Wireless fees are derived from a state imposed surcharge of $0.25 on all wireless devices in Hamilton County. However, the state capped the amount any county can receive at the amount collected in the corresponding month from 2013, so this revenue will not grow in future years without a legislative change. Radio fees charge users $26 per radio. The HCCC currently charges for 243 radios and the largest user is MSD at 128 radios. "PSAP Associate fees" are currently a $23,076 charge to all PSAP associates (communities that are part of the consortium but handle their own dispatch) and a maintenance fee of $23,076 to all outside entities that utilize our radio system. These two fees are set at the same level as the "minimum user detail rate".

Table 2: Revenue Source	**2012**	**2013**	**2014**	**2015**	**2016B**
$0.25 per device Wireless fee	$916,325	$758,592	$765,078	$690,993	$721,140
Radio Fees	$66,725	$108,225	$123,210	$136,530	$131,868
PSAP Associate Fees	$321,696	$263,275	$221,472	$188,515	$210,288
Tower Rent	$57,289	$55,125	$57,301	$54,549	$55,872
Total Revenue	**$1,362,036**	**$1,185,217**	**$1,167,061**	**$1,070,586**	**$1,119,168**

Currently, the bulk of the HCCC revenue is derived by the detail rate and general fund subsidy. A new revenue source would alleviate the need for further increases in these revenue sources.

In prior years, many of the budgetary increases for the HCCC were covered by increases to the detail rate and the use of the HCCC reserve. However, these increases have now reached a tipping point, where communities are exploring alternatives to utilizing the county-operated, consolidated 9-1-1 system. In addition, many communities pay for their detail rate costs through police and fire levies that were not built to sustain continued detail rate increases over multiple years. Also, the HCCC reserve is very low when compared to other restricted funds. This could expose the general fund to additional risk should unexpected costs arise with no ability to address through a reserve balance.

From a budget process perspective, HCCC meets regularly with a Board of Advisors comprised of representatives from consortium communities. Of particular note, these representatives meet annually prior to HCCC submitting its budget to the Board of County Commissioners in order to assess plans for detail rate increases, general fund subsidy levels, as well as to discuss, in detail, the costs of the HCCC in relation to the services being provided.

V. HCCC Performance Benchmarks

Hamilton County prides itself in delivering 9-1-1 call taking and dispatch services that exceed many industry and national standards. The following metrics analyze the level of operational efficiency that currently exists at the HCCC in comparison to national standards developed by the National Emergency Number Association (NENA), and other general efficiency standards. While these standards are not one-size-fits-all (as some call centers have very different organizational structures) they do serve as the best baseline from which to compare our current service levels.

Table 3: Hamilton County Communications Center Performance vs. NENA Standards

Metric	NENA Standard	HCCC Performance
Time to Answer Call	90% answered in 10 secs.	90% answered in 3 secs.
Time to Dispatch	90% dispatched in 90 secs.	53 secs. (avg.)
Recommended Staffing (per call volume)	85 FTE	65 FTE
NENA Recommended Supervisors per Dispatcher (for PSAPs over 100,000 population)	1 supervisor to 4.75 dispatchers	1 supervisor to 7.2 dispatchers

Table 4: Hamilton County Communications Center - Cost per Call Analysis

Jurisdiction	Cost per Call
Hamilton County	$16.86 (all emergency calls) $34.88 (9-1-1 calls only)
Illinois (Counties over 250,000 population)*	$35.70

*9-1-1 Services Advisory Board April 2014 report to the Illinois General Assembly.

VI. HCCC Efficiency Efforts

In addition to performing well against industry standard performance metrics – with a staffing compliment approximately 15% below industry recommendations – HCCC has taken other concerted initiatives to reduce costs to the benefit of its consortium customers. For example, HCCC has partnered with MARCS and the City of Cincinnati for operation of the 800 MHz system. The resulting partnership improves interoperability with the state and surrounding counties, while reducing HCCC maintenance costs by approximately $200,000 annually. For a more complete listing of efficiencies realized at the HCCC, please see Appendix B.

VII. Projected Financial Impact of Fragmentation

Any community's decision to leave the HCCC for an outside PSAP will have significant financial ramifications; the larger the community, the greater the impact. T he expenses of the HCCC should not be thought of as pure variable and fixed costs but rather tiered costs. Many of the costs associated with the HCCC will exist at the same level regardless of the total call volume of the HCCC. For example, debt service, maintenance contracts, utilities, etc. It will take a significant reduction in total call volume to realize any permanent reductions in cost. The potential fragmentation of the 9-1-1 system has spiraling implications for public safety. The remaining communities in the consortium would be left to cover virtually the same level of fixed costs; thus increasing the financial strain on the remaining communities providing further incentives to fragment.

As communities split to form their own dispatch center, interoperability is inherently jeopardized. This will reduce overall economies of scale for all residents and potentially create multiple 9-1-1 systems that are not readily equipped to communicate with one another.

VIII. Recommendations

The following sections delineate specific recommendations for the Board to consider in advancing the HCCC funding issue. These recommendations relate to (A) the ongoing process of formulating a strategy that is acceptable to the public and major stakeholders, as well as (B) specific recommendations on a funding strategy. It should be noted up front that, in terms of a financial strategy, there are no simple solutions to this particular policy issue. The County has worked this issue diligently over the past four years and has explored a wide array of management and funding alternatives. In the end, the primary drivers with the potential to substantively impact this issue remain costs and revenues. As the Board is aware, there are a limited number of options for addressing each. The recommendations provided below, while not necessarily new, hopefully provide the Board with a process and framework for driving this issue to conclusion.

A. Process Recommendations

Continued Stakeholder Involvement

During the public hearings for the utility service fee, several groups came forward to provide input to the Board. Of significant note was the Greater Cincinnati USA Chamber of Commerce, which indicated its desire to remain at the table to assist the County with this issue. The Administration recommends keeping the Chamber engaged to serve as a partner on this issue and to serve as a sounding board for ideas and alternatives. Re-engaging the media to secure additional public comment, will become necessary at the appropriate time, as well.

Formal Efficiency Review

As part of the Chamber's involvement, the Administration recommends convening an independent efficiency review of the Hamilton County Communications Center. The Administration has worked with the HCCC Board of Advisors for years to keep costs balanced with service levels. Additionally, the HCCC has implemented numerous efficiency efforts (see Appendix B) in an effort to keep costs as low as possible for the benefit of its consortium members. However, the cost structure of the organization is a question which continues to rise during deliberations on this topic. To the degree an additional revenue mechanism remains part of the solution for 9-1-1 funding, a formal efficiency review could assist in boosting credibility with the general public and other stakeholder groups. The concept of an efficiency review may be a good first step for the County to take, in partnership with the Chamber, to ensure their support of the approach and results.

Establishment of Reserve Policy

In order to properly size any long term solution, it is important that there is consensus on what minimum level of cash reserve should be maintained by the HCCC to hedge against future cost increases and unforeseen expenditures. This was an important discussion during the Task Force meetings, with the Task Force recommending a minimum of $2.4 million. Having a Board policy on the minimum and/or maximum reserve will provide Administration with the appropriate guidance in setting any rates associated with a long term solution or new revenue source that the Board wishes to pursue.

B. Funding Strategies

In determining the most effective means of funding future operations of the HCCC, there are multiple policy considerations of which the Board should be aware. These include:

- Appropriate level of detail rate revenues to assign to consortium communities.
- Appropriate level of general fund subsidy to the HCCC.
- The extent to which a revenue mechanism should rely upon "user fees" versus a mechanism associated with funding basic services of government.

In developing interim and long-term financing options for the Board to consider, the Administration examined individual elements of the HCCC cost/revenue structure. The following elements were considered when developing recommendations.

Deferring Capital Maintenance

Over the next five years, the HCCC has deferred maintenance or capital needs of approximately $3 million. A significant portion of these needs (approximately $2.5 million) relate to deferred maintenance on radio towers which are key infrastructure components of the County's 800 MHz system. One option for reducing costs while the Board considers longer term funding solutions for the HCCC would be to defer all or portions of this capital maintenance work into subsequent years. Any deferral or prioritization would need to consider the relative risks and lost benefits of not performing a given project. While potentially a component of a short-term transition strategy, prudent financial and asset management suggests deferring maintenance is not a long-term option.

Reducing Operating Expenditures

During annual budget cycles, every Board department is subject to significant scrutiny of its revenue and cost projections. The data provided above, however, indicates that there is relatively little room to reduce expenditures below current levels at the Communications Center while continuing to provide existing levels of service. Fixed debt service, required maintenance contracts, and labor make up the vast majority of the Communications Center budget. As an organization, the County has recent significant experience with reducing departmental expenditure levels. The Administration, however, is very cautious of recommending significant cost reductions (beyond what can be assumed through historic vacancy, and prudent expenditure management) at the HCCC given the significant impacts these reductions could have upon the provision of service within the HCCC. The Administration would recommend, however, that any expenditure reductions be considered in the context of the previously discussed independent efficiency review and should be vetted closely with the HCCC Board of Advisors and the local police and fire chiefs associations. To the degree that reductions are possible while still retaining existing levels of service, and the collective confidence of the primary stakeholder groups, these should be considered in order to reduce the required revenue gap.

Utilizing the Communications Center Reserve

The HCCC currently has a carry-over reserve fund of approximately $1.2 million. This reserve is used to address unforeseen capital maintenance and to guard against annual spikes in either the required detail rate or general fund subsidy. A portion of this reserve could be used to balance the HCCC budget on a temporary basis. It should be noted, however, that utilizing carryover does not constitute a sustainable or structurally balanced approach to addressing long term funding needs for the HCCC and, thus, if utilized should be considered as part of a temporary approach to HCCC funding stability. Fully depleting the HCCC reserve essentially shifts further risk for budget balancing and mid-year capital needs squarely onto the County general fund.

Increasing General Fund Contribution

In order to achieve the policy goal of reducing the detail rate to avoid fragmentation, the County's general fund contribution could be increased. For perspective, every $280,000 of increased general fund subsidy would equate to a $1 decrease in the detail rate. Thus, to achieve the Board stated goal of a $10 detail rate beginning January 1, 2017, under a sustainable approach, the general fund subsidy would need to increase by $4.11 million. The Administration has historically not recommended this as a long-term component of a sustainable funding strategy for several reasons. First, similar to the budgets of local political subdivisions, the County general fund continues to be strained making substantive increases to the HCCC general fund subsidy impractical. Second, increasing the subsidy exacerbates the existing dynamic of essentially double taxing (through use of existing general fund resources) those residents and communities outside of the HCCC service area.

Modifying the Current HCCC Cost Allocation Structure

Over the past several years, there have been calls to transition from the detail rate to another revenue mechanism – be it one which assigns cost based upon population, allocations based upon fixed and variable costs, etc. The Administration will continue to evaluate options in the context of the broader solution to this issue. However, a simple reformulation of the cost allocation methodology amongst the same contributors does not solve the problem. Reallocating costs is likely to produce new winners and losers - but, in the end, the issue of cost burden to consortium communities will remain.

Temporary Transfer Tax

The Administration included a temporary, one-year increase to the Property Transfer Tax as a bridge solution to this issue in the 2016 General Fund Recommended Budget. Given current performance, a one mill increase to the Transfer Tax would produce approximately $3 million annually. Earmarking those revenues for HCCC services would produce sufficient revenue to hold the General Fund subsidy level at $2.5 million and maintain a reduced detail rate presuming capital maintenance is deferred or highly prioritized. Expenditure growth, however, will eventually outpace the relatively constant revenue performance of the Transfer Tax meaning this approach would only constitute a temporary solution.

2016 Funding

In early 2016, the Board decided not to implement the Utility Service Fee and, instead, rely upon liquidating the Budget Stabilization Fund to address revenue needs of the HCCC while a more sustainable solution was sought. The following table demonstrates the Administration's approach for addressing projected 2016 expenditures of $9.86 million.

Table 5: 2016 HCCC Financing Structure

Revenue Source	**Amount**	**Notes**
General Fund Subsidy	$2,500,000	
Liquidation of Budget Stabilization Fund	$800,000	Total General Fund Contribution of $3.3 million.
Detail Revenues	$5,030,000	$20.95/detail for one-half year, $15/detail for one-half year.
Ancillary Fees (Radio, PSAP Associate, Tower Rent)	$1,120,000	
HCCC Carryover	$ 410,000	Will reduce carryover to $800,000.
Total Revenue	**$9,860,000**	

It should be noted that the above approach presumes a continuation of the historic average vacancy rate (10%) within the HCCC personnel budget. Should the vacancy rate fall or other one-time maintenance needs occur, an increased general fund contribution will be required in 2016.

2017 Interim Funding Options

Based upon Board direction, the Administration has developed several options for addressing HCCC funding in 2017 to the degree additional time is required to vet longer term, sustainable solutions or to navigate potential regulatory steps required to implement a new revenue source. Each of these alternatives was designed to address various Board policy goals although, as none of them are sustainable in the long run, they each come with inherent deficiencies.

In developing interim funding options, the Administration desired to provide an assessment of the bare minimum revenue needs for the HCCC in 2016 and 2017. Based upon the above information, the minimum projected revenue need for 2016 and 2017 totals $9.86 million and $9.78 million respectively. The strategy directed by the Board for addressing 2016 is shown in Table 5. The following Tables provide detail on interim options for addressing HCCC Revenue needs in 2017. **Please be advised that these are temporary funding solutions and should not be considered sustainable in nature**. Most of these scenarios do not include capital reserve funding and include a 10% vacancy rate based upon historic averages at the HCCC. Additionally, hybrids of these interim options can be developed depending upon Board policy preferences.

Table 6: 2017 Interim Option A		
Balancing Mechanism: General Fund and HCCC Reserve		
Revenue Source	**Amount**	**Notes**
General Fund Subsidy	$4,070,000	Increase of $770,000 over 2016. $1.57 M increase over initially proposed 2016 budget.
Detail Revenues	$4,200,000	$15 per detail
Ancillary Fees (Radio, PSAP Associate, Tower Rent)	$1,120,000	
HCCC Reserve	$ 400,000	Will reduce carryover to $400,000.
Total Revenue	$9,790,000	

As was the case with the 2016 balancing shown in Table 5 and most of the subsequent options shown, Interim Option A includes a 10% vacancy rate and defers substantive capital maintenance until a more permanent funding solution is identified. This option increases use of the County's general fund and reduces the HCCC carryover balance to $400,000. While the option is structurally out of balance (relies upon one time revenues from the HCCC reserve), it does have the benefit of keeping detail rates equal with the $15 effective rate set in the second half of 2016 – but does not lower them to $10.

Table 7: 2017 Interim Option B		
Balancing Mechanism: Temporary Transfer Tax		
Revenue Source	**Amount**	**Notes**
General Fund Subsidy	$2,270,000	Reduced by $1,030,000 from 2016 or $230,000 from 2016 recommended budget.
Detail Revenues	$4,200,000	$15 per detail
Ancillary Fees (Radio, PSAP Associate, Tower Rent)	$1,120,000	
Transfer Tax	$3,000,000	
Total Revenue	$10,590,000	

Interim Option B, detailed in Table 7, is an interim option more reflective of the sustainable revenue needs of the HCCC. Revenue from a temporary increase to the transfer tax allows for a slight additional reduction in the annual general fund subsidy and allows the detail rate to remain at $15.Additionally, under Interim Option B, revenue is available to address critical deferred maintenance, protect against other unforeseen cost issues, and/or replenish the HCCC reserve to more acceptable levels. Alternatively, and to remain consistent with other scenarios, the detail rate or general fund subsidy could be reduced by an additional $850,000 if deferred maintenance were eliminated from the projection of revenue needs for 2017.

Table 8: 2017 Interim Option C		
Balancing Mechanism: Transfer Tax / $10 Detail Rate		
Revenue Source	**Amount**	**Notes**
General Fund Subsidy	$2,260,000	Reduced by $1,040,000 from 2016 or $240,000 from 2016 proposed budget.
Detail Revenues	$2,800,000	**$10 per detail**
Ancillary Fees (Radio, PSAP Associate, Tower Rent)	$1,120,000	
Transfer Tax	$3,000,000	Temporary 1 mil.
HCCC Reserve	$600,000	Total reserve would be reduced to $200,000.
Total Revenue	$9,780,000	

Interim Option C, shown in Table 8, provides the Board with an immediate option for addressing the stated policy goal of reducing the detail rate to $10/detail. It does so, however, by depleting the HCCC carryover almost completely and does not address funding for deferred maintenance. As such, Administration would not recommend initiating a $10 detail rate until such time as a sustainable revenue solution is available to support it. Under this scenario, the general fund subsidy could be increased to $2.5 million to provide some capacity for addressing deferred maintenance.

Table 9: 2017 Interim Option D		
Balancing Mechanism: General Fund and $10 Detail Rate		
Revenue Source	**Amount**	**Notes**
General Fund Subsidy	$5,870,000	Increase of $2.57M from 2016 of $3.37M over 2016 recommended budget.

Detail Revenues	$2,800,000	$10 per detail
Ancillary Fees (Radio, PSAP Associate, Tower Rent)	$1,120,000	
Total Revenue	$9,790,000	

The Board has also signaled that it may be inclined to address the 9-1-1 financial issue through an increased contribution from the County general fund. Table 9 shows Option D in which the County's subsidy is increased from $2.5 million to $5.87million, thus requiring an additional contribution of $3.37 million over the 2016 general subsidy level. It should be noted that in order to address long term deferred maintenance issues, this contribution level would likely have to be increased by another $500,000 to $1 million.

Sustainable Funding Options

The above alternatives provide the Board with interim options for further deliberating the question of HCCC funding. An interim option may be necessary to allow for the necessary timing to implement a sustainable solution. However, the Administration does not recommend an interim solution, for any longer than is technically necessary, as the lack of a permanent solution has already resulted in the depletion of the budget stabilization fund, participating jurisdictions seeking alternative service providers, and delays in capital investments.

As the Board has already learned, there are no simple long term options. HCCC internal expenditure reductions come at the cost of service levels and the confidence of consortium customers. Detail rate increases risk further system fragmentation. Increases to the general fund subsidy exacerbate existing County budget pressures. Additionally, alternative revenue sources must present a cogent value proposition to the taxpayer. With that said, the Administration offers the following two sustainable revenue options for the Board's consideration – recognizing that each is a variation on themes previously considered by the Board. It should also be noted that, from the Administration's perspective, a sustainable solution is one which produces sufficient revenue to accommodate annual salaries, operating/maintenance, and debt service while leaving a margin of approximately $750,000 annually as a reserve to be utilized in that year or pooled for future capital expenditures or for budget balancing as needs arise. For 2017, this would equate to revenue of approximately $10.53 million.

Sustainable Option 1: Reconsider the Task Force Parcel Fee Recommendation at a Reduced Rate

The Administration submitted a report to the Board in July of 2015 which concurred with the 9-1-1 Preservation Task Force's recommendation of instituting a parcel fee at an annual level ($46.37) capable of absorbing over 60% of the HCCC revenue needs. Recognizing that the parcel fee was the top recommendation of the 9-1-1 Preservation Task Force, the Board could consider structuring the fee in a different manner. For example, the following option would allow the Board to fundamentally address the long term revenue needs of the HCCC while addressing its policy goal of substantive reduction to the detail rate. This option utilizes a parcel fee set at $30.22 per year (billed at $15.11 semi-annually) or roughly $16.15 lower than that suggested in 2015. (Note: The current figure is lower than the Task Force recommendation due the inclusion of a vacancy rate in the salary calculation as well as a lower than expected debt service schedule.) This amount is the equivalent of $2.52 per parcel per month. The administrative process for utilizing the parcel fee as a sustainable solution will need to begin by the end of July.

Table 10: Parcel Fee Implementation			**Per Month Equivalent**
Hybrid Element	**Rate**	**Revenue**	
County General Fund Subsidy		$1,500,000	NA
Detail Rate	$12.50	$3,375,000	NA
Parcel Fee/Year (Presume 150,000 parcels)	$30.63	$4,595,000	$2.55
Ancillary Fees		$1,120,000	
Total		**$10,590,000**	**NA**

As shown in Table 10, this option does not meet the $10 policy goal of the Board – although this could be accomplished by reapportioning $675,000 from the detail rate to either the general fund subsidy or the parcel fee. This would require a $4.50 annual increase to the parcel fee, or setting the general fund subsidy at $2.175 million per year. The option does, however, significantly reduce the detail expenditures of HCCC customers by approximately $2.3 million annually, substantively reduces the County's general fund subsidy and does so through implementation of a parcel fee at a level, which is 25% lower than that proposed in July of 2015. Additionally, it should be noted that this option is currently allowable under Ohio law and can be applied to the service area of the HCCC – thus eliminating the concern of "double taxation" raised by speakers during the Utility Service Fee hearings.

Sustainable Option 2: Continue Permissive Fee Efforts

In 2012 and 2013, the County engaged with its local legislative delegation and the Ohio General Assembly at large to push the concept of a statutorily enabled permissive 9-1-1 fee which could be enacted by PSAPs representing a County and the largest political subdivision within a County. A permissive fee, such as is enabled and utilized to some degree in almost every state in the nation, would provide a flexible tool which would address a substantive portion of the HCCC revenue need. For example, presuming 700,000 wireline and landline phones in the County's jurisdiction, a 55 cent monthly fee would produce approximately $4.6 million in revenues – allowing for substantive reduction in the detail rate and general fund subsidy while producing approximately the same level of revenues as the $30.63 annual parcel fee shown above.

The Board has the option of re-engaging the legislature on this topic. Several members of the local legislative delegation, and various stakeholder groups, have continued to express support for the concept and could serve as leverage points for reinitiating the conversation in the broader General Assembly – although the vehemence of opposition faced during the last effort (from other members of the general assembly, industry associations, etc.) should not be discounted. While this concept has the benefit of aligning the County's revenue mechanism with standard practice in the industry, it must also be recognized that, assuming the effort was feasible and successful, it will likely take significant time to accomplish. As such, one of the interim options described above would need to be initiated in the intervening years.

Sustainable Option 3: General Fund Contributions

As shown in the table below, the Board could decide to resolve the HCCC funding issue through a sustained increase in the general fund contribution. This would require a $4.17 million increase in the annual contribution over the recommended 2016 budget figure of $2.5 million. Again, the Administration does not recommend this approach given its impact to an already strained general fund budget, as well as the implications for an increased level of double taxation for those residents outside of the HCCC service area.

Table 11: Sustainable Option 3		
Balancing Mechanism: General Fund and $10 Detail Rate		
Revenue Source	**Amount**	**Notes**
General Fund Subsidy	$6,670,000	Increase of $3.31 million from 2016 or $4.17 million over 2016 recommended budget.
Detail Revenues	$2,800,000	$10 per detail
Ancillary Fees (Radio, PSAP Associate, Tower Rent)	$1,120,000	
Total Revenue	**$10,590,000**	

Integration with Existing County Property Tax Levies

At various times there has been discussion of integrating 9-1-1 funding with existing property tax levies. From an implementation perspective, it would be very difficult to assign a nexus between most County levies and operation of the County's 9-1-1 system. A more formal legal analysis would be required to the degree the Board wished to pursue this further. The CLEAR levy (County Law Enforcement Applied Regionally), however, does present one opportunity to explore.

The concept of integrating HCCC funding with the revenue stream produced by the CLEAR levy has been raised at various points during the County's deliberation on this issue. CLEAR is a perpetual levy approved for "the purpose of providing a countywide computerized police information center." Historically, the levy has provided for capital purchases of the Mobile Data Computers (MDC) units for law enforcement vehicles (not fire or EMS) and operating support to these and other communications devices. ORC Section 5705.19(J) states that the levy can be used for the purpose of providing and maintaining motor vehicles, communications, other equipment, buildings, and sites for such buildings used directly in the operation of a police department, or the provision of ambulance or emergency medical services "**operated by a police department**." It appears that there is potential for the levy to be used for communications services that are operated by a police department (fire would be subject to a separate levy section), but no Prosecutor's Opinion has been given on the issue.

The CLEAR levy is a continuous levy and therefore is not subject to renewal cycles. Property tax revenues for the levy have decreased from $5.1m in 2007 to a projected $3.9m in 2016, due to reductions in state reimbursements. Expenditures for CLEAR operating support are slightly higher than current revenues, resulting in a slow draw down of fund balance going forward ($4m budgeted for 2016). As a result, the levy no longer has capacity to provide for large capital purchases for law enforcement agencies and is projected to only provide operating support on current and future data sharing systems unless another revenue source is identified.

Additionally, using a county-wide levy for a service that benefits only 60% of the population is counter to the Board's policy position in cost allocation for communities contracting for patrol services from the Sheriff's Office.

Conclusion

In order to continue advancing this issue toward a sustainable solution, the Administration recommends the following:

- For 2016, execute a financial strategy consistent with Board policy direction as defined in Table 5 on Page 14 of this document.
- Initiate an independent efficiency review of the HCCC, in partnership with the Regional Chamber, and incorporate any salient cost reduction recommendations into the organization's cost structure.
- Develop a formal reserve policy specific to the HCCC that will allow the Board to best identify the most appropriate short and long-term funding strategy.
- Begin implementation of a sustainable funding solution consistent with the Task Force recommendation, as more clearly defined in Table 10 on page 18.
- If a temporary solution is required to more substantively vet sustainable options, or to provide the time within which to conduct an effective efficiency review, the Administration recommends implementation of Interim Option B as defined in Table 7.

- As recommended by the 9-1-1 Preservation Task Force, continue to remain involved at the state level to press for assistance through permissive revenue authority which could ultimately replace the need for a parcel fee with a device driven revenue stream.

All of these recommendations are provided within the context of addressing the policy goals of limiting further increases to the detail rate or general fund subsidy. Other alternatives provided within this report may increase in relevance to the degree the Board prioritizes different policy goals.

Next Steps

The Administration recommends that as a means of continuing progress on this issue:

- A staff meeting presentation should be scheduled in May to discuss this report and HCCC funding alternatives in general.
- The Board, at the May staff meeting, authorize the Administration to charter an independent efficiency review of HCCC operations.
- That the Board advance a sustainable, or interim funding solution (for 2017 only), by August 1st in order to address this issue prior to the 2017 budget process.

The Administration will work with the Board to arrange date in May for a staff meeting presentation on this topic. In the meantime, please contact me if you have any questions in this matter.

Appendix A – Additional Budget and Cost Detail

Salary increase detail:

- 2016 budgeted administrative salaries increased due to the addition of a radio manager position, filling of a previously vacant supervisor position, and for a correction that moved an operator to the HCCC budget. (This individual was previously in the telecom budget but did not support the telecom operations). No increases are projected to occur in administrative salaries moving forward.
- The 2016 operations personnel budget increased due to a 3% collectively bargained raise (~$150,000) and vacation and sick payouts associated with employee retirements. Actual expenses do tend to vary from budget. Historical trends indicate an average vacancy rate of 10% at the HCCC which usually results in the communications center spending less than the budgeted figure. This vacancy has been applied to the projected figure and results in a reduction in required annual revenue. All other increases to salaries associated with operations are a result of a 3% increase that has been negotiated by the communications officers union.

Operating Expenses increase detail:

- Contracts fluctuate annually as some contracts do not require annual or monthly payments but are due only once every few years. The HCCC has one contract for radio communications computer maintenance, set to expire in 2016, that will require an increase in annual payments of $200,000.
- Other expenses include all other non-personnel and non-capital items that the HCCC needs in order to function. This includes but is not limited to postage, uniforms, office supplies, computer software, advertising, and training related travel. These expenses are held flat throughout the plan.

Capital expenses increase detail:

- The HCCC has various deferred maintenance needs at several tower sites (estimated at $1,092,000 and $1,500,000 in 2017 and 2018 respectively). They also are in need of replacing all computers at the HCCC to ensure compatibility with the new CAD and 800 MHz systems ($20,000 and $25,000 respectively in 2017 and 2018). It has also been discussed that a $400,000 expense to provide all fire departments with high speed data and mobile digital communicators be considered when evaluating the full five-year needs of the HCCC. This expense has been requested by the fire chiefs association and will bring the technology available to fire departments in line with current technology found in all police vehicles.
- Capital represents the largest deviation from the 9-1-1 task force budget proposal. The 9-1-1 task force recommended the HCCC set aside an additional $1.2 million in 2019 and 2020 to build a capital reserve. This funding, as well as the other proposed funding needs, are not included in Administration's most recent analysis for 2017 However, some of these needs are included in the five year projection.

Debt expenses increase detail:

- New debt was issued for the 800 MHz radio system replacement in 2015. The HCCC received a sizable amount of cash in the form of debt proceeds. This was used in 2015 to pay the onetime increase in debt service. This accounting procedure is the reason for the temporary increase in 2015 and was a net impact of zero dollars.

Appendix B – Additional Efficiencies Employed by HCCC

- HCCC partnered with MARCS for shared operation of its 800 MHz system. The resulting partnership significantly improved interoperability with State first responder agencies (including Cincinnati and Butler County) while reducing HCCC maintenance costs by approximately $200,000.
- HCCC and the City of Cincinnati, through the Hamilton County Emergency Management Agency, acquired a $750,000 grant to upgrade both agencies CAD systems to a shared platform. The resulting partnership allows each organization to effectively dispatch for the other when needed and will save HCCC approximately $50,000 annually in CAD maintenance costs.
- Over the past decade, the HCCC has taken on new workload associated with Wyoming, St. Bernard, Silverton, and Elmwood Place without increasing staffing levels.
- It has been recommended that HCCC install a second West radio desk to reduce the amount of radio traffic managed by one radio operator. HCCC has not performed this split; largely due to the increased staffing costs it would necessitate.
- Over the past several years, HCCC has kept 3 communication officer positions permanently vacant in addition to those positions held vacant through natural attrition which, in a 9-1-1 call center environment, is routinely high.
- HCCC furloughed all of its administrative and supervisory employees in 2009 and 2010 in order to avoid additional costs to the consortium and increases in the general fund subsidy.
- In 2014, HCCC began hiring part-time call takers in order to reduce organizational overtime costs.
- HCCC maintains a very low administrative staff ratio with no dedicated training personnel and no dedicated radio manager for a system which maintains 15 towers, 5,000 radios and 8 million annual radio transmissions. Duties associated with the radio system are managed, within HCCC, by administrative staff cross trained in this function.
- Duties associated with training new employees and filing public record requests are handled by supervisory staff resulting in annual savings of $20,000 since 2012.
- In its most recent contract with Motorola for upgrade of its 800 MHz system, HCCC negotiated for Motorola to provide various services, free of charge, which would have meant $400,000 in increased capital charges to the consortium and its customers. These services include: radio tower structural analysis and antennae functional analysis and replacements.