



**BOARD OF COMMISSIONERS
MILLAGE SUBCOMMITTEE**

**REPORT AND RECOMMENDATION
TO THE
BOARD OF COMMISSIONERS
FOR A
DISPATCH SURCHARGE**

May 25, 2016

Millage Subcommittee:

Commissioner Dan Koorndyk, Chair
Commissioner Emily Brieve
Commissioner Carol Hennessy
Commissioner Ted Vonk
Commissioner Harold Voorhees

Introduction

Kent County is dedicated to providing our residents, and the first responders who protect them, with highly professional well-coordinated public safety services and an equitable funding structure to ensure fairness throughout local units. Over the past several months, information has been provided regarding the possibility of placing a dispatch millage or surcharge on the November 2016 ballot. Many different options have been evaluated with the goal of subsidizing the County's fire dispatch costs and funding capital costs associated with upgrading County dispatch operations to an 800 MHz system. The County has been working with the Kent County Dispatch Authority (KCDA), local units, and the Sheriff Department to identify a solution that is in the best interests of efficient and effective service delivery and also economically palatable to County residents and business owners. Discussions have also been held with the Grand Rapids Chamber of Commerce, which have served as a barometer of public perception and opinion regarding a dispatch funding request.

Technology upgrades are critical to ensure continued dispatch interoperability moving forward. Upgraded technology is also required to allow for adequate back-up if consolidation were ever to be pursued. The Sheriff Department has received a quote from Motorola of approximately \$25 million for comprehensive upgrades in technology and associated equipment costs for the entire County (including the City of Grand Rapids). Approximately 70 percent of the purchase price will be used to cover infrastructural costs; 20 percent for communication device acquisition, such as radios and pagers; and the remaining 10 percent for project management and coordination. Infrastructure costs account for 12 communication tower sites, ranging from \$1 million to \$1.5 million per site, depending on the current status of the site (two of the sites will have to be torn down and rebuilt). Motorola is the only vendor eligible to provide the infrastructure components of the system that we would be joining to ensure future interoperability, and has the State contract for the system. Motorola's quote includes a discount of approximately \$6 million and is a limited-time offer which expires on December 31, 2016.¹ If we do not take advantage of Motorola's quote, we risk losing the discount.

The Report is being provided for contextual background and facts regarding the issues and a recommendation to the Board of Commissioners.

Background

Over the past several years, dialogue has intensified about the future of dispatch in Kent County. Many of these discussions have circulated around the concept of having a fully consolidated call center that handles emergency call taking and dispatch services for the entire County. Earlier in January, the KCDA released a Report from the consulting firm, *Prima Civitas*, which analyzes costs associated with call-taking and dispatching in Kent County. The Report compares both of Kent County's Public Safety Answering Points (PSAPs)—Kent County Sheriff Department and the Grand Rapids Police Department—as they currently operate and how they could potentially operate under a consolidated model. Additionally, beginning July 1, 2016, the City of Wyoming will transition to receiving dispatch services from Kent County after previously receiving those services from the City of Grand Rapids. More recent discussions have acknowledged the possibility for dispatch consolidation but have also recognized an

¹ Motorola included two discounted rates: one for technology purchases made no later than December 31, 2016 and another for purchases made after January 1, 2017. The \$6 million discounted rate was calculated by taking the 2016 discounted rate less the 2017 discounted rate.

urgency to first address capital requirements to update dispatch equipment and establish funding equity for fire dispatch services county-wide. Therefore, while the ultimate goal is to further investigate consolidation, the current process is focused on two main areas: (1) addressing capital improvements for technology and equipment upgrades and associated funding and (2) funding to establish equity among local units for fire dispatch services.

The KCDA was established in 2006 to examine and improve the delivery of 911 emergency services. The County, along with the cities of Grand Rapids, Wyoming, Walker, and Grandville formed the Authority. Since that time, the KCDA has established a strategic plan, purchased a multi-million dollar Computer-Aided Dispatch (CAD) system and phone system, established performance standards, and continued to work to enhance 911 services. In addition, KCDA has made several “patchwork” updates in order to keep the system as up-to-date as possible. The KCDA, City of Grand Rapids, and the County have aging equipment and will need to upgrade to an 800 MHz system in order to ensure future interoperability and provide the best quality public safety services to our community.

Since 2008, the County has levied a \$0.45/month communication device surcharge which is assessed on all telecommunication devices capable of accessing 911 services with a billable address in the County.² The collected user fee provides approximately \$3 million annually to the KCDA, which is distributed between the Kent County and City of Grand Rapids’ PSAPs to cover a portion of operating costs, with the KCDA retaining some funds to cover its operations and a portion of capital costs. Each PSAP provides dispatch services for an assigned area; the City of Grand Rapids provides services within its borders while the Kent County PSAP provides services for all other local units in the County. Each PSAP also serves as back-up (i.e., redundancy) to the other in the event one of the call centers is rendered inactive. Actual “dispatch” involves two functions: taking the call (call-taking) and dispatching the required service (dispatch). A 911 call is automatically routed to a PSAP based on the location of the caller and is answered by either the Grand Rapids PSAP or the Sheriff Department’s PSAP based upon the shared CAD software.

While technological and operational demands have continued to grow for dispatch services, the County’s \$0.45 surcharge has remained the same. Additionally, surcharge revenues have been slightly declining over the past several years due to reductions in landline use and increases in pre-paid cellular phones.³ Unlike other counties that have a dedicated millage or a higher surcharge (or both) Kent County has no additional source for revenue to fund capital improvements and operational costs of dispatch other than cost allocations to local units receiving service and the County’s own General Fund contributions. (See *Attachment I* for current county central dispatch millage rates, *Attachment II* for current county surcharge rates, and *Attachment III* for counties that levy a combination of a millage and surcharge⁴).

Historically, there have been differing opinions about what is equitable in terms of funding for fire dispatch. During 2014, and the early part of 2015, the County—working with local units—was able to craft a short-term funding methodology for local units who contract for fire dispatch services. Formal agreements were approved by all but one local unit (although all local units abide by the provisions of

² Michigan Emergency 9-1-1 Service Enabling Act, MCL 484.1101-484.1717 (PA 32 of 1986).

³ A pre-paid cellular phone surcharge is assessed at 1.92 percent point of sale value. This amount is remitted to the State and not the County.

⁴ Michigan State 911 Committee.

the agreement). The methodology includes local units who contract for law enforcement dispatch services paying for 100 percent of that service, and a phased-in cost-sharing plan for fire dispatch services. This shared cost arrangement, implemented over three years, involves the County providing for a 25 percent credit “off the top” and the local units paying 25 percent of the 75 percent in 2015, 50 percent of the 75 percent in 2016, and 75 percent of the 75 percent in 2017). Under this methodology, 2016 total costs allocated to local units for police dispatch services are estimated at \$2.5 million and total costs allocated to local units for fire dispatch services are estimated at \$918,136 (of which the County currently covers \$573,835). The agreement was limited to three years in duration and expires on December 31, 2017. Most of the local units, primarily townships, who entered into this agreement adopted resolutions urging the County to consider placing a surcharge question on a ballot in 2016.

Current Status

Through research and discussion, it has been determined that an *additional* surcharge of \$0.70 would be needed to address technology improvements and establish enough operational revenue to cover the costs associated with the County’s fire dispatch services and provide similar funding for the City of Grand Rapids fire dispatch operations.

The main reasoning behind increasing the existing surcharge vs. requesting a millage is due to the potential for inequalities in services derived and services paid for by local units within the County due to significant variances in each local unit’s total State Taxable Value (STV). A millage would charge some local units more or less than their “fair share” of dispatch services. For example, under a 0.5 mill levy, the residents of Cascade Township would contribute \$729,054 toward dispatch services. This increase alone accounts for nearly 20 percent of the revenues needed to support the capital and operating costs being proposed for technology upgrades and fire dispatch (\$3.84 million). However, using 2014 US Census estimates, Cascade Township accounts for only three percent of the County’s population. A surcharge, on the other hand, may be viewed as a “user-based” fee and has the ability to directly assess each emergency access point for its potential to use the service.

Parallel arguments have been presented about the unfair burden a surcharge could place on multi-line holders, such as businesses, because the surcharge is assessed per device that has access to emergency services. While this may be true for cell phones and devices with mobile data plans, it is not an accurate statement regarding land lines, particularly for businesses. For landline users, including a business which has multiple lines, a surcharge is only assessed for the first ten lines, individually, and then for every ten lines (or portion thereof) owned thereafter. For example, if a business owns 100 phone lines, the surcharge is (and would be) assessed based upon the usage of only 19 phone lines (the first 10 lines are counted, leaving 90 lines remaining; 90 divided by 10 = 9 lines; 9+10 = 19 total lines assessed). Businesses would pay the same proportional share of the increased surcharge that they are paying now.

Revenue generated from the increased surcharge amount would be used to pay debt service on bonds issued to cover capital costs associated with technology upgrades and to pay for fire dispatch costs. Bonds must be issued to cover the approximately \$25 million in anticipated technology upgrade costs for new towers and equipment for an 800 MHz system. Over 20 years, debt service on the bonds would require \$1.84 million per year (assuming a four percent interest rate). Operational costs associated with establishing fire dispatch equity would require an anticipated \$2 million annually, taking into

consideration the County’s cost of roughly \$.9 million and that the City of Grand Rapids cost is roughly \$1.1 million. As a result, he combined annual need of new capital and operational costs would equal \$3.84 million per year. Under the arrangement, surcharge revenues would be used to cover the initial acquisition of the 800 MHz system with local units being responsible for subsequent upgrades and replacements of smaller components of the system, such as handheld radios, which may need to be replaced within seven to 10 years following the initial purchase.

The County’s current surcharge of \$0.45 generates roughly \$2.89 million annually. An additional surcharge is levied by the State of Michigan of \$0.19, which generates a total of \$975,417 for the KCDA. With both the State and County surcharges combined, the KCDA receives a total of \$3.86 million annually to cover its operations, capital costs for the CAD system, and partially subsidize the call-taking functions provided by the two PSAPs. If the County were to raise its surcharge by \$0.70 (for a total of \$1.15, plus the \$0.19 levied by the State) an additional \$4.5 million would be raised to cover the additional \$3.84 million needed for debt services and fire dispatch operating costs, leaving approximately \$740,000 to accommodate for contingency and inflation. (See *Attachment IV*).

Even after the potential surcharge increase, County residents will continue to be paying on the low end for dispatch services in comparison to many other counties within the State. Below is a cost per capita comparison ranking of Kent County and how it compares to other Counties (and the City of Grand Rapids) with our existing \$0.45 surcharge and after the proposed \$0.70 surcharge increase:

<u>Cost per Capita Comparison - (Current- \$.45)</u>	<u>Cost per Capita Comparison (Technology and Fire - \$1.15)</u>
<i>Kent County - \$12.59</i>	Genesee County - \$17.46
Genesee County - \$17.46	<i>Kent County - \$17.66</i>
Ottawa County - \$18.00	Ottawa County - \$18.00
Washtenaw County - \$19.74	Washtenaw County \$19.74
Oakland County - \$22.85	Oakland County - \$22.85
Ingham County - \$25.77	Ingham County - \$25.77

See *Attachment V* for additional details on cost per capita.

Next Steps and Timeline

Multiple stakeholders share the opinion that the best long-term solution for dispatch is to increase the surcharge from the current \$0.45 per line per month rate to a higher amount. This increase would be the first step in a much larger process of ensuring continued long term operational efficiency and financial sustainability of dispatch service within the County, which may include reviewing options for consolidation of the two PSAPs, once the 800 MHz radio interoperability is in place allowing for another established dispatch system (another county or the Michigan State Police) to serve as back up. Any consolidation effort would take many more conversations and a great deal of additional study to ensure that it is in the best interest of stakeholders and our residents. For now, the consensus seems to be that we should first address establishing fire dispatch equity and funding to ensure interoperability through the acquisition of an 800 MHz radio system.

In order for a proposal to reach voters through a ballot initiative, there are processes and a specific timeframe that must be followed. This includes: vetting of the proposal through the County’s Millage Subcommittee, review and action by the Finance & Physical Resources Committee, the Legislative & Human Resources Committee, and approval by the Board of Commissioners. In order to be placed on the November 2016 ballot, any dispatch proposal would need to be submitted to the County Clerk no later than August 16, 2016, meaning that the Board of Commissioners would have to take action to approve the proposal no later than its regularly scheduled meeting on July 28, 2016.

The following is a recommended timeline for potential Board action on the proposal:

June 9	Board of Commissioners Work Session I	7:30 a.m.
June 21	Board of Commissioners Work Session II (if necessary)	7:30 a.m.
June 21	Finance & Physical Resources Committee	8:30 a.m.
July 12	Legislative & Human Resources Committee	8:30 a.m.
July 21	Board of Commissioners Work Session III (optional for any Commissioners having additional questions)	8:30 a.m.
July 28	Board of Commissioners action	8:30 a.m.

The Millage Subcommittee has met several times to discuss this matter, and on May 10, 2016 and May 24, 2016 reviewed and formalized this report and recommendation to the Board of Commissioners. On May 24, the Subcommittee unanimously approved recommending that the Board of Commissioners consider placing a surcharge of \$1.15 on the November 2016 General Election ballot.

As mentioned at the beginning of this report, Kent County is dedicated to providing our residents, and the first responders who protect them, with highly professional well-coordinated public safety services and an equitable funding structure to ensure fairness throughout local units. Additionally, the County has received a number of resolutions from townships supporting a sustainable funding model. The Millage Subcommittee believes that the local units of government and other stakeholders will be receptive to a \$0.70 surcharge increase and that such an increase, if approved for ballot initiative, will at a minimum, receive neutral support from the Grand Rapids Chamber of Commerce and other interested parties.

If the Board of Commissioners ultimately decides to approve placing the question on the November ballot, such a surcharge increase would take effect on July 17, 2017, after being submitted to the State 911 Committee. Regardless of whether the proposal is approved by voters, the County will remain committed to exploring consolidation and other measures to ensure the efficient delivery of quality dispatch services. However, for now, we must take the initial steps to ensure interoperability and establish fire dispatch equity in order for consolidation to be an option in the County’s future.

ATTACHMENT I

Counties Levying Central Dispatch Millage

COUNTY	MILL LEVIED
ANTRIM	0.5000
ARENAC	0.7983
BARRY	0.8750
BAY	0.7000
BERRIEN	0.4500
BRANCH	1.0000
CASS	0.2000
CLARE	0.3500
DELTA	0.3000
DICKINSON	0.4000
EATON	0.9500
GLADWIN	1.7500
INGHAM	0.8431
MANISTEE	1.0000
MARQUETTE	0.4970
MIDLAND	0.6000
MUSKEGON	0.3000
OSCEOLA	1.0638
OTTAWA	0.4400
ROSCOMMON	0.6593
SANILAC	0.2000
SAINT JOSEPH	0.5000

ATTACHMENT II
Counties that Levy a Surcharge

COUNTY	SURCHARGE LEVIED
ALCONA	\$3.00
ALGER	\$0.42
ALLEGAN	\$3.00
ALPENA	\$2.46
ARENAC	\$0.32
BENZIE	\$3.00
BERRIEN	\$0.42
BRANCH	\$0.42
CALHOUN	\$0.60
CASS	\$1.39
CHARLEVOIX	\$0.61
CHEBOYGAN	\$0.61
CHIPPEWA	\$1.50
CLARE	\$0.47
CLINTON	\$2.25
CRAWFORD	\$2.35
DELTA	\$0.80
DICKINSON	\$0.68
EMMET	\$0.61
GENESEE	\$1.24
GLADWIN	\$0.51
GOGEBIC	\$1.30
GRAND TRAVERSE	\$1.85
GRATIOT	\$2.89
HILLSDALE	\$2.42
HOUGHTON	\$1.10
HURON	\$2.20
INGHAM	\$0.42
INONIA	\$2.30
IOSCO	\$2.10
IRON	\$2.70
ISABELLA	\$1.50
JACKSON	\$0.44
KALAMAZOO	\$0.42
KALKASKA	\$2.52

COUNTY	SURCHARGE LEVIED
KENT	\$0.42
LAPEER	\$1.55
LENAWEE	\$1.18
LIVINGSTON	\$1.85
LUCE	\$0.99
MACKINAC	\$1.48
MASON	\$2.09
MECOSTA	\$2.25
MENOMINEE	\$2.20
MONROE	\$0.42
MONTCALM	\$2.85
MONTGORENCY	\$1.47
MUSKEGON	\$0.34
NEWAYGO	\$1.95
OAKLAND	\$0.28
OCEANA	\$2.09
OGEMAW	\$1.38
ONTONAGON	\$0.51
OSCEOLA	\$2.25
OSCODA	\$1.45
OTSEGO	\$1.72
PRESQUE ISLE	\$0.42
SAGINAW	\$2.65
SANILAC	\$0.44
SCHOOLCRAFT	\$0.40
SHIAWASSEE	\$1.22
ST. CLAIR	\$0.60
TUSCOLA	\$2.03
VAN BUREN	\$1.92
WASHTENAW	\$0.43
WAYNE	\$0.42
WEXFORD	\$0.42

ATTACHMENT III

Counties that Levy a Millage and a Surcharge

COUNTY	MILL LEVIED	SURCHARGE LEVIED
ARENAC	0.7983	\$0.32
BERRIEN	0.4500	\$0.42
BRANCH	1.0000	\$0.42
CASS	0.2000	\$1.39
CLARE	0.3500	\$0.47
DELTA	0.3000	\$0.80
DICKINSON	0.4000	\$0.68
GLADWIN	1.7500	\$0.51
INGHAM	0.8431	\$0.42
OSCEOLA	0.3000	\$0.34
SANILAC	0.2000	\$0.44

ATTACHMENT IV
Proposed Surcharge Revenue and Distribution

Current Surcharge Revenues (\$0.45 & \$0.19)			
	Kent County	City of Grand Rapids	Total
Annual Local Surcharge Revenues at \$0.45	\$1,444,796	\$1,444,796	\$2,889,591
Annual State Surcharge Revenue at \$0.19 (State Keeps Portion)	<u>\$487,709</u>	<u>\$487,709</u>	<u>\$975,417</u>
Total Annual Surcharge Revenue	<u>\$1,932,504</u>	<u>\$1,932,504</u>	<u>\$3,865,008</u>

Note:

(1) Surcharge Revenue is estimated to be distributed 50% to Kent County and 50% to Grand Rapids due to the City of Wyoming switch from GR to KC.

Potential New Local Surcharge Revenue of \$0.70 (\$1.15 & \$0.19)			
	Kent County	City of Grand Rapids	Total
Annual Local Surcharge Revenues at New Rate of \$1.15.	\$3,692,255	\$3,692,255	\$7,384,509
Annual State Surcharge Revenue at \$.019 (State Keeps Portion)	<u>\$487,708</u>	<u>\$487,708</u>	<u>\$975,417</u>
Total Annual Surcharge Revenue	<u>\$4,179,963</u>	<u>\$4,179,963</u>	<u>\$8,359,926</u>

Annual Additional Revenues and Possible Expenditures			
	Kent County	City of Grand Rapids	Total
Annual Additional Revenues	\$2,247,459	\$2,247,459	\$4,494,918
Radio Infrastructure Improvements	\$0	\$0	(\$1,839,544)
Fire Dispatch - FY 2017 Budget Estimate	(\$954,720)	(\$1,000,000)	(\$1,954,720)
Technology Contingency and Inflation	<u>\$0</u>	<u>\$0</u>	<u>\$700,654</u>

Note:

(1) Bond improvements to radio infrastructure in amount of \$25M for 20 years at 4%

ATTACHMENT V
Detailed Comparison of Current Surcharge and
Proposed Surcharge

Cost per Capita Summary - Current Surcharge of \$.45						
	<i>Kent County</i>	<i>Genesee County</i>	<i>Ottawa County</i>	<i>Washtenaw County</i>	<i>Oakland County</i>	<i>Ingham County</i>
Total Expenditures	\$5,569,888	\$7,172,150	\$5,040,265	\$7,084,283	\$28,382,051	\$7,373,370
Population Served	442,577	410,849	279,955	358,880	1,242,304	286,082
Cost per Capita	\$12.59	\$17.46	\$18.00	\$19.74	\$22.85	\$25.77

Notes:
(1) The 2015 estimated Census figures are used for the counties.

Cost per Capita Summary - Total Surcharge of \$1.15 (\$.70 additional)						
	<i>Genesee County</i>	<i>Kent County</i>	<i>Ottawa County</i>	<i>Washtenaw County</i>	<i>Oakland County</i>	<i>Ingham County</i>
Total Expenditures (1) (2)	\$7,172,150	\$7,817,347	\$5,040,265	\$7,084,283	\$28,382,051	\$7,373,370
Population Served	410,849	442,577	279,955	358,880	1,242,304	286,085
Cost per Capita	\$17.46	\$17.66	\$18.00	\$19.74	\$22.85	\$25.77

(1) Bond Improvements to radio infrastructure in amount of \$25 million for 20 years at 4% (amounts to \$1,839,544 per year) - divided evenly between Kent County and City of GR (\$919,772)
(2) Fire expenditures added of \$1,327,687 to Kent County and Grand Rapids (FY 2017 Budget estimate to subsidize without using existing \$.45 surcharge) (with contingency and inflationary costs)