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September 22, 2010

To: Hamilton Board of Selectmen

Fr: Michael Lombardo, Town Manager

Re: Essex Regional ECO

You have asked me to work with staff to analyze the fiscal impact of migrating our current regional dispatch to the proposed Essex County Regional ECC (ECRECC) and compare that to the cost of maintaining operations independent of the current partnership with the Town of Wenham. The following memo summarizes our findings:

The following table represents the cost sharing arrangement under the partnership with the Town of Wenham, and the breakdown for the E911 Operating & Support Grant for FY2011.

FY2011 Total Operating Budget

Expenditures

Town of Hamilton	308,833	
Town of Wenham	<u>176,754</u>	
		<u>\$485,587</u>

Revenues

E911 Grant Revenue		
Town of Hamilton	94,496	
Town of Wenham	<u>54,083</u>	\$148,578
General Fund		
Town of Hamilton	214,338	
Town of Wenham <sup>1</sup>	138,446	<u>352,784</u>

<sup>1</sup>This includes \$15,775 Admin Fee (10%) paid to the Town of Hamilton by Wenham.

\$501,362

Should the Town of Wenham join the ECRECC, Hamilton's budget would have to fund an additional \$192,529 (176,754 + 15,775.) Additionally, the E911 grant would be reduced to approximately \$25,000 total; this represents the loss of Wenham's portion of the grant and a reduction in funding due to the loss of status as a regional facility.

The net increase to the Town's budget to maintain service is approximately:

**\$316,107\*** [176,754 + 15,775 + (148,578-25,000)]

**\*Note: Projected cost increases do not include potential savings through organizational restructuring. We have identified approximately \$134,000 - \$155,000 in additional savings potential depending on the level of support for restructuring and the ability to successfully renegotiate existing labor contracts.**

The following section analyzes the costs and potential saving should the Town of Hamilton join the ECRECC.

Current Population	8,651	
Per Capita Rate	\$16.26	
Annual Cost Per Capita ECRECC		\$140,665
Plus ongoing Retirement Costs		<u>49,246**</u>
		\$189,911
Less G/F Expenditures	241,338	
And loss of 10% Admin. Fee	15,775	<u>257,113</u>
		(\$67,202)

**\*\*This represents 100% of ongoing retirement costs based on current rates and staff. A portion of these ongoing costs arguably belong to the Town of Wenham. However, the current inter-local agreement is silent on how such costs would be distributed upon dissolution of the Agreement.**

The \$67,202 in expenditure reductions for the Town of Hamilton assumes that all employees will either transfer to the ECRECC or otherwise leave employment. The first year savings might be diminished by the cost of potential unemployment claims.

In evaluating the cost-benefit potential of moving to the ECRECC, consideration should be given to all services provided by HW Regional ECO staff and whether or not some or all of those services will be continued in some manner.

For instance, closing the department would leave the front desk unattended for two day shifts during the week and both days on the weekend. Preserving front desk coverage would greatly reduce or perhaps eliminate savings.

- The additional cost to provide front desk service seven days per week from 8 am to 4 pm is approximately \$33,280/year and assumes that we are able to cover the shifts with two or more part-time employees. The cost would be approximately \$2,500 higher if we increase current staff hours and cover only the weekend shifts with part-time staff.
- The additional cost to provide front desk coverage from 4 pm to midnight seven days per week is \$58,240 - \$80,256 depending on our ability to use part-time staff.
- Existing staff currently take Open Burn Permits and approximately \$6,300 would be needed to continue to provide this service on the weekends.

Unresolved Items/Issues:

- The Town of Wenham does not own a separate frequency and it is unclear how they would receive their calls if the Town of Hamilton does not join the ECRECC.

- The existing Agreement with the Town of Wenham is silent on the distribution of ongoing costs (such as retirement costs) upon dissolution.
- While representatives from the ECRECC assure member-Towns that calls for service will be distributed over existing frequencies. Based on my experience providing regional dispatch service and staff experience providing service locally, we believe this is an unsustainable (and perhaps unsafe) assertion and there will be considerable pressure to migrate to a common frequency. It is unclear how such costs would affect the per capita rate.
- The proposed ECRECC Agreement is not clear on how costs of migration would be paid for. Such costs could be substantial and would greatly mitigate potential savings.
- The original construct of the ECRECC did not contemplate distribution of the signal across existing infrastructure. We do not presently know the condition of infrastructure in other jurisdictions and therefore cannot ascertain the potential for and timing of increased capital costs and how that may affect the per capita rate.
- With the recent departure of Methuen from the ECRECC it is uncertain when the facility will be constructed and we do not know the intended date the facility will be operational.

I look forward to meeting with you to discuss this in greater detail.