SALT LAKE VALLEY
LAW ENFORCEMENT SERVICE AREA

sorenson impact center
investing • policy • innovation

David Eccles School of Business
THE UNIVERSITY OF UTAH

Five-Year Strategic Plan

March 2016

Contents

Executive Summary

In October, 2015, the Salt Lake Valley Law Enforcement Service Area ("SLVLESA"), through its Chief Executive Officer Sheriff Jim Winder, entered into an agreement with the University of Utah's Sorenson Impact Center ("Center") to assist SLVLESA with a five year planning exercise. Specifically, Sheriff Winder and the SLVLESA Board of Trustees requested that the Center conduct a planning symposium with SLVLESA policy makers to address SLVLESA's five year plan for budgeting, future resource allocation, capital facilities planning, and annexation planning.

Sheriff Winder, the SLVLESA Board and, more broadly, SLVLESA entity leadership are to be commended for approaching SLVLESA's five-year planning process thoughtfully and with a data-informed and outcomes-focused approach. Especially when it comes to thinking through resource allocation, the SLVLESA Board is leading the national policy discussion for local law enforcement. In a 2013 report, Dr. James McCabe from ICMA stated that, Police staffing models in the U.S. are generally determined by one of five common methods. "[Police] departments traditionally have used crime trends, a per-capita approach, minimum-manning levels, authorized/budgeted levels, and least-commonly, workload-based models to make staffing decisions...Relying on antiquated and unreliable methods to make one of the most financially important and critical decisions with respect to the quality of life and safety of a community is ill-advised."

The Sorenson Center team recommends that the SLVLESA Board and policymakers adopt a five-year financial plan for SLVLESA that accomplishes the following:

11% Property Tax increase in 2017 to right size the organization and ~3% annual increases in 2018, 2019, 2020 and 2021 to accomplish the following:

- Designated Fund Balance of 25% by 2021: this is accomplished by dedicating centrally assessed property tax revenues to fund balance each year for the next five years (projected to be ~$750K per year)
- Revenues deriving from new growth dedicated to new growth resources: this is accomplished by dedicating new growth-derived revenue to new resources (projected to be ~$740K per year). As proposed, "resources" are defined to include staffing, capital outlay, equipment, pooled services, and support.
    - Allocate the first $156K to capital outlay for construction of SLVLESA-owned facilities in Millcreek and Kearns. This accomplishes the SLVLESA Board's goal of moving all major SLVLESA precincts into purpose-built and owned rather than leased space. Riverton, Millcreek and Kearns will be in purpose-built facilities. Herriman City requested that the precinct be located in their City Hall for a period of time and the lease payment is part of their debt service strategy for the new City Hall. When Herriman City officials determine the time is optimal, the SLVLESA Board can consider a purpose-built facility for the Herriman precinct.
    - Implement a workload-based staffing allocation formula (60% calls for service, 30% population, 10% geography) for ***new*** staffing resource allocation
    - Develop and implement a formal administrative support, equipment and pooled services allocation formula to provide for these services in proportion to the new staffing resources (current allocation is: 50% direct precinct; 6% rent/administration; 7% operations; 38% pooled services)

Sorenson Center's Approach and Broad Findings

Prior to hosting the symposium, Center staff set out to meet individually with each of the twenty elected policy makers representing the communities encompassed by SLVLESA. Specifically, Center staff attempted to meet with the elected legislative leadership of Salt Lake County government (representing the unincorporated areas of Salt Lake County) as well as the Salt Lake County Mayor, Herriman City officials and Riverton City officials. Center staff was successful in meeting with fifteen individual policy makers (75% of target) prior to the symposium.

The Center's goal in conducting individual meetings was to ascertain common policy themes from elected officials. From the individual meetings, Center staff was able to capture common interests in each of the target issue areas. The symposium discussion was planned around the directions identified and resultant options for each issue area were presented to policy makers for consideration. Specifically, during individual meetings, Center staff asked elected officials to reflect upon approaches to:

Revenue Generation – Inflationary Increases: SLVLESA's revenue base is exclusively derived from property tax revenues. On the expense side, 80% of annual resources are dedicated to personnel services. The UPD Board adopted a compensation plan for its sworn and civilian employees that requires an ~ 3% annual expenditure increase to implement. If tax revenue derived from real property new growth is dedicated to the inflationary demands of existing services, then service levels within the Service Area are eroded over time. Policy makers generally seem to understand this budgetary reality and were asked to reflect upon their personal preference toward small and more frequent increases to address inflationary pressures, or large and less frequent increases. **There was a clear consensus of support for small and more frequent tax increases to address inflationary pressures within the SLVLESA budget.**

Revenue Generation – New Resources: Property taxes have not been increased since SLVLESA levied its first tax in 2012. As such, there have not been new resources available for allocation to SLVLESA precincts. Generally, policy makers are feeling the erosion of service levels described above because resource generation has not kept pace with inflationary or service demands. **There was clear consensus for support of a "right sizing" increase to catch resources up with service demand. However, political support for a "right sizing" increase is contingent upon adoption of a mutually agreed upon new resource allocation formula.**

Revenue Generation – Centrally Assessed Property Tax: Policy makers understand the tremendous impact centrally assessed property taxes have on SLVLESA's overall revenue. However, the Board and policy makers generally have no control over this revenue source. **There was some consensus that, given the current climate and annual Legislative discussions regarding limitations on centrally assessed property tax revenue, SLVLESA should not rely on increases in centrally assessed revenue to meet the Service Area's service level needs. Rather, centrally assessed tax revenue should be earmarked to strengthen the financial stability of the Service Area and as a budget stabilizer.**

Future Resource Allocation: Since its creation in 2010, policy makers have sought to keep fees/taxes as low as possible for the Service Area and have adopted budgets that meet the current operational requirements of the Service Area, but do not provide for new resources as the populations and call volumes of the Service Area expand. Since levying its first property tax in 2012, the SLVLESA Board has relied upon draw-downs from fund balance to balance the Service Area's budget. While, fortunately, new growth revenues have created a situation where the draw down has not occurred as budgeted, the trend is clearly toward actual drawdown for the future. The modest new resources provided to precincts in budget years 2012 – 2014 were largely funded by fund balance drawdown. **There is broad consensus that policy makers favor a resource allocation formula that goes beyond the antiquated officer/thousand metric. Policy makers favor a workload-focused formula that includes population, the geographic footprint of the precinct and call volumes/call types as proxies for service demand.**

Capital Facilities Planning: When the SLVLESA Board entered into an agreement with Riverton City for the construction of new precinct facility, the Board made clear its intention that the physical facility and funding partnership between SLVLESA and Riverton City should serve as a model for future SLVLESA capital facilities' development. **There is broad consensus that policy makers favor owning versus leasing SLVLESA facilities. However, policy makers also favor a policy of local entity involvement in spurring the transition of a precinct facility from rental to ownership status – i.e. local entity donates land and participates in obtaining favorable mortgage terms as appropriate.**

Annexation of entities into SLVLESA: Policy makers generally support the annexation of entities into the Service Area as a long term strategy to stabilize and equalize funding for local law enforcement services. However, there is a strong sense among many that SLVLESA is not financially able to absorb communities wherein application of the existing SLVLESA tax rate does not generate sufficient revenue to cover the approximate local law enforcement expenditures for the jurisdiction. Broader policy issues while appreciated by notwithstanding, there is a tendency amongst current policymakers to default to a simple financial analysis when making annexation decisions. **There appears to be broad support in a five-year plan to apply a +/- 10% financial rule to annexations. If revenue generation is within 10% +/-, then the annexation should move forward for consideration of operational and facilities considerations.**

Revenue Strategies

SLVLESA is a funding district that is entirely funded with revenue from property taxes. One of the primary goals of the Center's engagement on this strategic plan is to assist in the development of a revenue strategy that ensure the long-term financial viability of the district and aligns with SLVLESA's historical goals of:

- Increase Fund Balance:
  - Decrease reliance on TRANs and reduce borrowing costs
  - Enhance Financial Stability
  - Allow District to move to July 1 fiscal year
- Own instead of Rent Facilities:
  - Demonstrate Permanence of service delivery
  - Provide for purpose-built facilities
  - Enhance Financial Stability
  - Allows co-location partnerships
- Sound Budget Practices:
  - Predictable and planned property taxes – not crisis based
  - Dedication of a portion of revenue to fund balance each year
  - Maintain market-based expense growth at 4% or less

To achieve this goal, the Center worked with SLVLESA staff to build a financial model capable of reflecting the sophistication of the SLVLESA revenue model and make forward-looking projections based on key assumptions. For three months, the Center and SLVLESA staff collected extensive data from within SLVLESA and UPD, as well as, entities including the Utah Tax Commission to build the model and customize assumptions to reflect a multitude of projection scenarios. The subsequent section showcases the outputs of the financial model.

Scenario Options

In the adopted 2016 budget, SLVLESA is planning to run a budget shortfall of approximately $1.2M. Beginning in 2017, incremental revenue from new growth is anticipated to add approximately $600-$800K in new revenue each year and expenses are anticipated to grow by approximately $1.3-$1.5M per year. These expense increases are attributable to inflationary increases associated with the high proportion of personnel in the budget and do not represent the addition of new resources. As a result, the revenue shortfall anticipated in 2016 will continue to widen if the tax rate is not increased even without any new resources being added to the budget.

The current SLVLESA Tax rate is .002038 which translates to a tax burden of approximate $297 per household on a $265,000 house. If the tax rate is increased, every 1% increase in the tax rate generates approximately an additional $320,000 in new tax revenue to SLVLESA and has an average annual impact of $2.97 in incremental tax burden on the average household. Below are six tax scenarios that provide a range of potential options and their financial implications. The categories are segmented into two groups, distinguished by the ability to afford to bring on new resources. The first category presents three different alternatives to eliminate the budget shortfall and stabilize the fund balance but do not provide sufficient resources to add new resources. The second set of scenarios provide three alternative ways to increase revenue enough to allow for a modest amount of new resources to be added. A detailed view of each scenario is provided below.

Summary of Scenarios to Eliminate Budget Shortfalls and Stabilize Fund Balance (No new resources)

	2017	2018	2019	2020	2021
	Annual Rate of Tax Increase				
Scenario 1	6.50%	2.00%	2.00%	2.00%	2.00%
Scenario 2	4.00%	4.00%	2.50%	2.00%	2.00%
Scenario 3	3.00%	3.00%	3.00%	3.00%	3.00%

Summary of Scenarios to Generate Sufficient Revenue for Modest New Resources (officers, capital facilities, equipment)

	2017	2018	2019	2020	2021
	Annual Rate of Tax Increase				
Scenario 4	11.00%	3.00%	3.00%	3.00%	3.00%
Scenario 5	7.00%	7.00%	3.00%	3.00%	3.00%
Scenario 6	5.00%	5.00%	5.00%	5.00%	5.00%

Detailed View of Scenarios to Eliminate Budget Shortfalls and Stabilize Fund Balance
(No new resources)

Scenario 1: A 6.5% one-time increase to re-set tax base to eliminate budget shortfall by 2017, followed by 2% annual increases, the minimum level necessary to prevent annual budget shortfall.

2017 - 2021 Financial Projection

Assumed Tax Increase (Annual)		6.5%	2.0%	2.0%	2.0%	2.0%	
	2016 Budget	2017 Projected	2018 Projected	2019 Projected	2020 Projected	2021 Projected	Cum. 2017-2021
Revenue							
Base Revenue	31,669,603	32,200,651	34,895,213	36,310,538	37,765,904	39,323,225	
Property Tax (Change in Rate)	-	1,958,494	655,963	684,237	713,307	743,890	
Property Tax (New Growth)	600,000	708,981	757,713	769,262	815,858	816,568	
Revenue (pre TRANS)	32,269,603	34,868,127	36,308,889	37,764,037	39,295,070	40,883,683	
Expense (pre TRANS)	33,471,688	34,797,388	36,270,407	37,714,283	39,158,174	40,695,697	
Surplus / (Deficit)	(1,202,085)	70,739	38,482	49,754	136,895	187,986	
Ending Fund Balance	5,165,794	5,236,441	5,274,830	5,324,489	5,461,288	5,649,176	
% of Revenue	*16%*	*15%*	*15%*	*14%*	*14%*	*14%*	
Funds available for new resources (Officers, capital facilities, equipment)	-	-	-	-	-	-	$0
Incremental tax, per household	$0.00	$19.31	$5.94	$5.94	$5.94	$5.94	$43.07

Scenario 2: Two years of 4% increases designed to re-set tax base to eliminate budget shortfall by 2019, followed by 2-2.5% annual increases, the minimum level necessary to prevent annual budget shortfall.

2017 - 2021 Financial Projection

Assumed Tax Increase (Annual)		4.0%	4.0%	2.5%	2.0%	2.0%	
	2016 Budget	2017 Projected	2018 Projected	2019 Projected	2020 Projected	2021 Projected	Cum. 2017-2021
Revenue							
Base Revenue	31,669,603	32,200,074	34,114,020	36,149,049	37,772,293	39,330,567	
Property Tax (Change in Rate)	-	1,205,227	1,281,130	851,595	713,702	744,302	
Property Tax (New Growth)	600,000	692,339	754,435	769,688	816,310	817,020	
Revenue (pre TRANS)	32,269,603	34,097,640	36,149,585	37,770,333	39,302,305	40,891,889	
Expense (pre TRANS)	33,471,688	34,797,388	36,270,407	37,714,283	39,158,174	40,695,697	
Surplus / (Deficit)	(1,202,085)	(699,748)	(120,822)	56,050	144,131	196,192	
Ending Fund Balance	5,165,794	4,465,954	4,345,038	4,400,994	4,545,028	4,741,122	
% of Revenue	*16%*	*13%*	*12%*	*12%*	*12%*	*12%*	
Funds available for new resources (Officers, capital facilities, equipment)	-	-	-	-	-	-	$0
Incremental tax, per household	$0.00	$11.88	$11.88	$7.43	$5.94	$5.94	$43.07

Scenario 3: Annual increases of 3% that eliminates the budget shortfall by 2021.

2017 - 2021 Financial Projection

Assumed Tax Increase (Annual)		3.0%	3.0%	3.0%	3.0%	3.0%	
Revenue	2016 Budget	2017 Projected	2018 Projected	2019 Projected	2020 Projected	2021 Projected	Cum. 2017-2021
Base Revenue	31,669,603	32,199,843	33,801,098	35,482,748	37,238,322	39,131,684	
Property Tax (Change in Rate)	-	903,920	951,609	1,002,357	1,055,187	1,111,217	
Property Tax (New Growth)	600,000	685,682	739,996	758,640	812,482	821,160	
Revenue (pre TRANS)	**32,269,603**	**33,789,445**	**35,492,703**	**37,243,745**	**39,105,991**	**41,064,061**	
Expense (pre TRANS)	33,471,688	34,797,388	36,270,407	37,714,283	39,158,174	40,695,697	
Surplus / (Deficit)	(1,202,085)	(1,007,943)	(777,704)	(470,538)	(52,184)	368,364	
Ending Fund Balance	5,165,794	4,157,759	3,379,962	2,909,329	2,857,049	3,225,315	
% of Revenue	*16%*	*12%*	*10%*	*8%*	*7%*	*8%*	
Funds available for new resources (Officers, capital facilities, equipment)	-	-	-	-	-	-	$0
Incremental tax, per household	$0.00	$8.91	$8.91	$8.91	$8.91	$8.91	$44.55

Detailed View of Scenarios to Generate Sufficient Revenue for Modest New Resources (officers, capital facilities, equipment)

Scenario 4: A one-time 11% increase in 2017 followed by 3% annual increases through 2021 that generates approximately $9.6M in resources (cumulative over the five years) available for new resources.

2017 - 2021 Financial Projection

Assumed Tax Increase (Annual)		11.0%	3.0%	3.0%	3.0%	3.0%	
Revenue	2016 Budget	2017 Projected	2018 Projected	2019 Projected	2020 Projected	2021 Projected	Cum. 2017-2021
Base Revenue	31,669,603	32,201,691	36,302,507	38,153,821	40,086,995	42,168,939	
Property Tax (Change in Rate)	-	3,314,375	1,025,520	1,080,210	1,137,143	1,197,525	
Property Tax (New Growth)	600,000	738,938	797,472	817,564	875,587	884,940	
Revenue (pre TRANS)	**32,269,603**	**36,255,004**	**38,125,498**	**40,051,594**	**42,099,724**	**44,251,404**	
Expense (pre TRANS)	33,471,688	34,797,388	36,270,407	37,714,283	39,158,174	40,695,697	
Surplus / (Deficit)	(1,202,085)	1,457,616	1,855,091	2,337,312	2,941,550	3,555,707	
Ending Fund Balance	5,165,794	6,623,318	8,478,316	10,815,533	13,756,987	17,312,596	
% of Revenue	*16%*	*18%*	*22%*	*27%*	*33%*	*39%*	
Funds available for new resources (Officers, capital facilities, equipment)	-	957,616	1,355,091	1,837,312	2,441,550	3,055,707	$9,647,276
Incremental tax, per household	$0.00	$32.67	$8.91	$8.91	$8.91	$8.91	$68.31

Scenario 5: Two years of 7% increases in 2017 and 2018 followed by 3% annual increases through 2021 that generates approximately $8.8M in resources (cumulative over the five years) available for new resources.

2017 - 2021 Financial Projection

Assumed Tax Increase (Annual)		7.0%	7.0%	3.0%	3.0%	3.0%	
Revenue	2016 Budget	2017 Projected	2018 Projected	2019 Projected	2020 Projected	2021 Projected	Cum. 2017-2021
Base Revenue	31,669,603	32,200,767	35,052,813	38,186,848	40,123,197	42,208,526	
Property Tax (Change in Rate)	-	2,109,148	2,306,650	1,081,721	1,138,734	1,199,201	
Property Tax (New Growth)	600,000	712,310	798,588	818,708	876,812	886,178	
Revenue (pre TRANS)	32,269,603	35,022,225	38,158,051	40,087,277	42,138,743	44,293,905	
Expense (pre TRANS)	33,471,688	34,797,388	36,270,407	37,714,283	39,158,174	40,695,697	
Surplus / (Deficit)	(1,202,085)	224,836	1,887,644	2,372,994	2,980,569	3,598,208	
Ending Fund Balance	5,165,794	5,390,538	7,278,089	9,650,988	12,631,461	16,229,571	
% of Revenue	*16%*	*15%*	*19%*	*24%*	*30%*	*37%*	
Funds available for new resources (Officers, capital facilities, equipment)	-	-	1,387,644	1,872,994	2,480,569	3,098,208	$8,839,415
Incremental tax, per household	$0.00	$20.79	$20.79	$8.91	$8.91	$8.91	$68.31

Scenario 6: Annual 5% increases through 2021 that generates approximately $7.6M in resources (cumulative over the five years) available for new resources.

2017 - 2021 Financial Projection

Assumed Tax Increase (Annual)		5.0%	5.0%	5.0%	5.0%	5.0%	
Revenue	2016 Budget	2017 Projected	2018 Projected	2019 Projected	2020 Projected	2021 Projected	Cum. 2017-2021
Base Revenue	31,669,603	32,200,305	34,426,946	36,822,540	39,388,290	42,199,084	
Property Tax (Change in Rate)	-	1,506,534	1,616,811	1,736,102	1,863,092	2,000,119	
Property Tax (New Growth)	600,000	698,996	769,013	803,697	877,449	904,041	
Revenue (pre TRANS)	32,269,603	34,405,835	36,812,770	39,362,338	42,128,831	45,103,244	
Expense (pre TRANS)	33,471,688	34,797,388	36,270,407	37,714,283	39,158,174	40,695,697	
Surplus / (Deficit)	(1,202,085)	(391,553)	542,363	1,648,056	2,970,656	4,407,547	
Ending Fund Balance	5,165,794	4,774,149	5,316,418	6,964,379	9,934,939	14,342,388	
% of Revenue	*16%*	*14%*	*14%*	*18%*	*24%*	*32%*	
Funds available for new resources (Officers, capital facilities, equipment)	-	-	42,363	1,148,056	2,470,656	3,907,547	$7,568,622
Incremental tax, per household	$0.00	$14.85	$14.85	$14.85	$14.85	$14.85	$74.25

Recommendation

The Center and SLVLESA staff recommend pursuing a revenue strategy that closely resembles option 4, emphasizing the one-time large increase to reset the tax base to align with expenses. Several years without a change to the tax rate has begun to jeopardize SLVLESA's financial stability, eroded the service level (by using new growth to offset inflationary cost increases), and begun to diminish the fund balance. The one-time increase to reset the tax rate to align with expenses is necessary to ensure the long-term financial viability of the district. Following a one-time increase with smaller annual increases will allow SLVLESA to increase service levels and maintain sufficient resources to keep pace with new growth in the district.

Fund Balance

The fund balance is an important financial consideration and is an integral part of the revenue strategy. Since 2012, SLVLESA's fund balances have averaged approximately 20% of revenue and are anticipated to decrease to 16% at the end of 2016. Eliminating the downward trend, and rebuilding the fund balance, will help ensure SLVLESA's long-term financial stability.

Maintaining a fund balance above the minimum levels required by law is generally considered best practice. Further, as SLVLESA looks to borrow money in public markets, either for long-term capital expenditures or short term TRANs financing, interest rates will be based on the financial stability of the Service Area. A major test of financial stability is the accumulated fund balance as compared to the maximum and minimum amounts allowed by law.

Determining the appropriate level of fund balance can be difficult because every organization is unique. Many organizations provide guidance to help inform the appropriate level for the organization. The Government Finance Officers Association recommends a minimum of at least two months (16%)[i] of fund balance reserves, and significantly more for organizations with higher degrees of uncertainty in their funding sources or expenses. The Nonprofit Operating Reserves Initiative, a collaborative effort between the Nonprofit Operating Reserves Initiative Workgroup and the Center on Nonprofits and Philanthropy at the Urban Institute, recommend a minimum of at least three months (25%) reserve.[ii] SLVLESA is allowed to carry a maximum 100% of current year property tax revenue fund balance, and may not appropriate amounts below 5% of accumulated fund balance for operating expenses.[iii] Municipalities in Utah are allowed to accumulate 25% fund balance and must maintain 5% as a minimum fund balance.[iv]

Recommendation

The Center and SLVLESA staff recommend establishing a policy to maintain a fund balance of three months' of operating expense (25% fund balance level) and that contributions to the fund balance be derived by dedicating increases in centrally assessed revenue to fund balance from 2017 - 2021. Centrally assessed revenue is highly volatile and increases in revenue one year could be offset with a reduction in subsequent years. Therefore, it is recommended to use increases in centrally assessed revenue that derive from the property tax rate increase to increase fund balances in years when it goes up to insulate SLVLESA against revenue declines in years in which centrally assessed goes down.

To achieve a three month balance, equal to 25%, requires a fund balance of approximately $10M by 2021, an increase of approximately $5M from the projected 2016 ending balance of $5.1M. To accomplish this funded through increases in centrally assessed only, SLVLESA would need centrally assessed values to grow by approximately 4% per year from 2017 to 2021.

An ambitious goal would be to achieve a fund balance of six months, equal to 50% of operating expense. This level of fund balance would allow SLVLESA to operate without a reliance on TRANS at the point at which it could consider altering the fiscal year to align with UPD. To accomplish this funded through increases in centrally assessed would require annual growth rates in centrally assessed values of approximately 9.5% each year through 2021.

			Generally Recommended Balance Range					
Months of Expense in Fund Balance	1	2	3	4	5	6	7	8
Months as Percentage of Year	8.3%	16.7%	25.0%	33.3%	41.7%	50.0%	58.3%	66.7%

20% = SLVLESA Average Fund Balance 2012 - 2015

50% = Point at which SLVLESA can begin to consider changing fiscal year

Capital Facilities

There remains broad consensus that policy makers favor owning versus leasing SLVLESA facilities and that policy makers support locating SLVLESA precincts in purpose-built facilities. However, policy makers also favor a policy of local entity involvement in spurring the transition of a precinct facility from lease to ownership status – i.e. local entity donates land and participates in obtaining favorable mortgage terms as appropriate.

In addition to entering into an agreement with Riverton City in 2013 for construction of a new precinct facility, in 2015 the SLVLESA Board adopted a letter of intent to occupy space in Herriman City's planned new City Hall, and thereby entered into an agreement with Herriman City for construction of a temporary precinct facility to be located in the planned City Hall. The SLVLESA lease revenue for the Herriman facility is being pledged as a revenue source for the Herriman City Hall debt obligation.

For the Kearns, Millcreek and Magna facilities, the SLVLESA Board either needs to invest in existing facility improvements or needs to work with the local communities to begin the process of identifying land options and potential financial partnership opportunities. The Center and SLVLESA staff believe the most prudent financial decision is to invest in SLVLESA-owned facilities while interest rates are amongst the lowest of a generation.

Kearns: Library and community Center opportunity

Millcreek: Most likely requires SLVLESA to issue the bond

Magna: Address near term needs by co-locating in Kearns until growth in Magna materializes

SLVLESA Board Options

Adopt a precinct development policy:

- Local entity needs to donate land
- Best possible lending terms need to be fully explored before entering into financial agreement
- Claw back provisions in the event the entity disconnects from SLVLESA to pay SLVLESA back

for its investment in the community

Kearns/Millcreek

Policy: Donate Land, best possible lending terms, claw back if entity leaves SLVLESA

Annexation

A task of the strategic plan and pervasive theme in the conversations with elected officials regarding SLVLESA's centered on a process for evaluating potential candidates for annexation into SLVLESA. In addition to establishing a recommended a framework to evaluate potential annexations over the next five years, the Center was asked to assess the municipalities throughout the Salt Lake Valley for potential annexation partners based on the proposed evaluation criteria.

Evaluation Criteria

The primary concern for annexation consideration over the next five years is budgetary, therefore the first point of evaluation used was strictly financial. To assess the financial viability of annexations, the Center and SLVLESA staff conducted a comparison of police service expenses of municipality compared to the revenue that would be generated by the SLVLESA funding model if the entity were a part of the district. When conducting this comparison, it was important to "normalize" each budget to ensure similar expenses were included to ensure standardization with the UPD budget. For example, some police districts do not include items such as administrative and fleet costs in their police budget so data on these elements must be collected separately to ensure a level comparison of the historical expense data. Using this methodology, Cottonwood Heights and Sandy were identified as police districts that would generate more in revenue than their current police budgets cost if there were to annex into SLVLESA.

Following this initial financial analysis, the Center and SLVLESA staff initiated further evaluation of the districts that passed the initial financial screen using a three criteria annexation evaluation process.

The first criteria is to conduct a more detailed financial analysis to identify potential synergies or gaps if combined with UPD services. This evaluation assess the potential for identifying additional potential cost savings created by annexation. For example, if the municipality has large specialty police functions also offered by UPD pooled services, there are potential economies of scale to be gained by bringing them into the pooled-service umbrella. Conversely if there are gaps in similar services the increased burden on UPD pooled services would increase overall expense of annexation.

The second step of the assessment is to determine the service need of the annexation candidate and the subsequent staffing need. This is accomplished through an analysis of the historical call data and staffing levels. Applying this data to the resource allocation model proposed in this document, determines if the potential annexation would be a net positive or negative impact to resource levels as a result of the additional member to the district.

The third step of the evaluation is to examine the candidate based on length of shared borders with current UPD members and overall compatibility of the geographic location. This criterion assess the amount of incremental burden the resulting annexation would have on existing resources as a result of transit time.

As a result of the initial financial analysis, the Center identified two potential annexation candidates for further evaluation: Cottonwood Heights (+14%) and Sandy (+1%) (e.g. Cottonwood Heights' SLVLESA revenue would be 14 percent greater than their current police service expanse). The police service expenses of these cities all fit the SLVLESA financial model within a 15% margin of error from the SLVLESA revenue for that city. The Center is currently evaluating these potential annexations using the three step detailed analysis detailed above and will offer the results of the analysis upon completion.

Recommendation

The Center and SLVLESA staff recommend adoption of a two-staged evaluation process to evaluate annexation potential of new districts as outlined below.

Stage 1: Financial Review

All potential annexation candidates will be evaluated to compare the police service expenses of municipality compared to the revenue that would be generated by the SLVLESA funding model if the entity were a part of the district. When conducting this comparison, each budget should be "normalized" to ensure consistent expense inclusions with the UPD budget. If the entity would generate revenue that is within 10% +/- in the SLVLESA model than they currently spend on their policing budgets per the comparative analysis, then the annexation should move forward for consideration of operational and facilities considerations. An entity can be reconsidered for annexation once it can be demonstrated that revenues exceed expenses.

Stage 2: Detailed Financial, Operational, and Geographical Review

After successfully passing the first stage of review, annexation candidates will be reviewed with the following criteria:

> **Financial Review**: Conduct a more thorough examination of the services offered by the city in question to analyze potential synergies or gaps with UPD services to identify potential cost savings created by annexation. Specific consideration should be given to evaluation of shared service efficiency gains. For example, if the municipality in question is currently paying for SWAT services independently and there would be economies of scale gained by bringing them into the pooled-service umbrella. Conversely, potential gaps in services should also be identified if the annexation would increase the burden on UPD pooled services that outweigh the resources it would bring to the district.
>
> **Operational Review**: Annexation candidates should be evaluated on the basis of the service demands, the subsequent staffing need, and the resources they would bring to district. To evaluate the service level demands, call data from the jurisdiction should be evaluated to assess volume, severity, and response times. In addition, data on call volume, population, and geographic footprint should be analyzed with the resource allocation model proposed in this document to evaluate if the new jurisdiction is sufficiently staffed to meet the service levels of the existing SLVLESA partners. Any cities that are under the UPD service standard, should propose a plan to bring the service level up to UPD standards, including an estimation of the cost required to do so, and present it to the SLVLESA board for further evaluation.

Geographic Review: The final stage of the evaluation is a geographic assessment of the length of shared borders and other geographic considerations of the annexation candidates to identify potential cost efficiencies or additional complexities to service the new area.

Upon completion of the analysis, each candidate will be evaluated on the three components (Financial, Operational, and Geographic) and the findings on each component presented to the SLVLESA board for approval or disapproval of the proposed annexation.

Resource Allocation

The determination of a systematic formula to allocate new resources to align with workload is a complicated and important topic. Historically, officers per 1,000 is a metric used to assess police service levels and while it is widely regarded as an ineffective measure to evaluate service, there is no consensus alternative approach. To overcome this challenge, the Center and SLVLESA staff collaborated to create an allocation formula to inform resource allocation with more nuance than a simple officer per 1,000 assessment.

Call volume is the primary determinant of service demands in each area. The Center and SLVLESA staff reviewed call volume data from 2012-2014 with analysis of the volume, the severity, the number of officers required to respond, and the time to complete the call response. Informed by this analysis, the Center developed a resource allocation formula that accounts for call volume, population, and miles of geography covered.

Workload-Based Resource Allocation Formula

Category	Total Weighting	Call Priority Sub Weighting
Call Priority 1-3	60%	60%
Call Priority 4-9		40%
Population	30%	
Square Miles	10%	
Total	**100%**	

Recommendation

The Center and SLVLESA staff recommend adoption of the following process to determine where new staffing resources are assigned.

Define the workload-based resource allocation formula as follows to determine placement of new personnel resources:

- 60% based on call volume
- 30% based on population
- 10% based on geographic area served, as defined by UPD.

Conclusion

Adoption of the plan recommended by the Center and supported by SLVLESA staff provides for the 5-year projected needs of SLVLESA precincts, accomplishes the SLVLESA Board's goal of transitioning from leased to purpose-built SLVLESA-owned space and stabilizes the SLVLESA's budget and annual cash flow. The plan is reasoned and allows SLVLESA to maintain high quality services that meet the demands of growth, while minimizing the impact on individual taxpayers.

As the Center began its analysis, staff reached out to national sources to learn how other agencies have implemented data-informed resource allocation formulas. While much academic research has been dedicated to this topic, few examples of implementation exist. The SLVLESA Board's adoption of a workload-driven new resource allocation model can serve as a template for other organizations. The SLVLESA Board's adoption of the recommendations should be the beginning of a new commitment of SLVLESA to data-informed policy making.

"It would be useful for future research to consider developing work-load-based models to assess staffing need for community policing, while also considering the "time" (by hour of day and day of week) during which the efforts should occur. Unlike patrol, which can be fairly well predicted based on the easily measurable time to respond to calls for service, an approach to determining staffing needs for community policing would need to account for 1) fluctuations in the definition and operationalization of community policing; 2) the opportunity and need to engage the community and solve problems over time; 3) the difficulty of measuring the "time" to complete the typical "community policing activity;" and 4) the need to strategically engage the community regarding the implementation of and staffing for community policing. Until such resources exist, it is likely that agencies will continue to staff for community policing based on general expectations of time commitment required or what can be afforded (e.g., a certain percentage of patrol officers' shifts or number community policing officers per beat) rather than on a formal community policing workload assessment." A Performance Based Approach to Police Staffing and Allocation – Michigan State University 2012

---

[i] http://www.gfoa.org/appropriate-level-unrestricted-fund-balance-general-fund
[ii] http://www.urban.org/sites/default/files/alfresco/publication-pdfs/411913-Washington-Area-Nonprofit-Operating-Reserves.PDF
[iii] Utah Code 17B-1-612(4)
[iv] Utah Code 10-6-116(2)(4)