Hi Shaun,

As we discussed earlier today, I’ve been thinking about a new police services contract, looking at where we are in the current 3-year contract, and reviewing past contracts. I have some thoughts about the future contract and some concerns about FY21 and FY20.

I am attaching a PDF with my notes and a spreadsheet with calculations related to the current contract. The two files should be considered together. Please have a look at both files and let me know if you see any major errors or omissions.

I’m happy to meet in person, or via Zoom, or a regular phone call.

Gary
The following are my thoughts on the past, current, and future contracts. These notes are accompanied by an Excel spreadsheet and the two should be considered together.

Going forward, it would be ideal if the incentives for the two towns were more closely aligned. If actual costs go up, both towns would feel the impact; if actual costs go down, both towns would share in the savings. For my analysis, I assumed that our two towns effectively share one police department and the towns have agreed to split the cost for running that department (most recently with a 76% / 24% split). In this email I

(1) go through the main terms of past contracts as a reference point;
(2) discuss some of the terms and wording in the contract to address going forward;
(3) outline my concerns with the current contract; and
(4) provide ideas to consider in a renewal contract.

(1) Brief summary of the main terms in past contracts

FY06 – FY10: Greensboro paid a fixed amount per year for 54 hours of scheduled service per month and received 24 hour coverage. “Minor” (my term) additional time was not charged to Greensboro.

FY11: Greensboro paid 22.5% of HPD’s budget for 24/7 coverage.

FY12: Greensboro paid 24% of HPD’s budget for 24/7 coverage. The amount Greensboro paid had a dollar cap. Greensboro did not pay any costs for cruisers.

FY13: Greensboro paid 24% of HPD’s budget for 24/7 coverage.

FY14: Greensboro paid the lesser of (1) a fixed amount or (2) 24% of HPD’s budget for 24/7 coverage.

FY15: Greensboro essentially paid the lesser of (1) a fixed amount or (2) 24% of HPD’s budget for 24/7 coverage.

FY16 – FY18: Greensboro paid the lesser of (1) a fixed amount; or (2a) 24% of the HPD Budget (excludes dispatch fees paid by Hardwick) plus (2b) 24% of the operating costs of the Public Safety Building plus (2c) 24% of the Police Department Capital Fund.

FY19 – FY21: Greensboro paid a fixed amount that included amounts for an additional officer as well as 24% of the operating costs of the Public Safety Building and 24% of the Police Department Capital Fund.

(2) Issues with the terms and wording in the contracts

As we’ve discussed previously, no one from either town seems to know why 24% has recently (since FY12 as far as I can determine) been the ratio applied to share certain costs. Without record-keeping of time spent by HPD on “town by town” matters, it’s almost impossible to justify a certain percentage of costs that each town should pay based on prior years’ experience. Here are some notes and questions to facilitate a conversation about the proper ratio:

- Greensboro’s population as a percentage of the total Hardwick/Greensboro population has hovered around 20% (and over time I believe Greensboro has trended down compared to Hardwick).
- Does Greensboro receive or consume 24% of HPD’s total time/resources?
- Do Greensboro’s residents use more police resources per capita than Hardwick’s residents?
- Is there a way to have HPD employees track their time on Greensboro-related issues, perhaps in estimated 15-minute increments per day?

To my knowledge, the terms “HPD’s Budget,” “operating costs of the Public Safety Building,” and “Police Department Capital Fund” have never been clearly defined. For example, for the Police Department Capital Fund it is not clear whether Greensboro pays based on contributions to, or expenditures paid out of, that fund.

With no clear documentation on which to base my work, I’ve interpreted the police services contracts in such a way that assumes the parties’ intention was for Greensboro to pay 24% of the net expenditures of HPD and for Hardwick to pay 76% of the net expenditures. I therefore roughly adjusted for related revenues (based on Town Report-level information). So, ideally,* for example, if there’s a COPS grant (revenue) for $60,000 and a related COPS expenditure of $80,000, it seems only fair that Greensboro would pay 24% of the net $20,000 in expenditures and not 24% of the gross $80,000 in expenditures. (*I say “ideally” because in my spreadsheet I did not make this full adjustment. Because of this, my numbers may be off by a few thousand dollars, but hopefully not by any material amount.)

(3) Concerns with the current contract

Based on my interpretation of what is “fair” and what was “intended” by the limited descriptions in the contracts, as compared to the “24% standard” I think Greensboro may have overpaid/will overpay by about:

- $11,200 in FY19
- $56,400 in FY20, and
- $54,300 - $61,500 in the current FY21

Based on my calculations, Greensboro:

- Paid over 25% of HPD’s “eligible” costs in FY19 (actual expenses were slightly below budgeted expenses).
- Paid over 31% of HPD’s “eligible” costs in FY20 (actual expenses were far below budgeted expenses)
- Will pay over 30% of HPD’s “eligible” costs in FY21 (it seems to be the case that budgeted expenses for FY21 are significantly below what was anticipated when the 3-year contract was signed in January 2018).

Note that each 1% represents about $8,000 - $9,000. Given the above numbers, I can only assume that the current monthly payments are not representative of the two towns’ intentions when the current 3-year contract was signed.

As an example of how costs seem to have been skewed over time, I’ll compare the total “eligible” costs and the payments made by each town for FY13 and FY20, the last year for which I have actual amounts:

- For FY13, my estimate of total “eligible” costs is $800,276. Greensboro paid $159,936 and Hardwick paid $640,340.
- For FY20, my estimate of total “eligible” costs is $783,165. Greensboro paid $244,355 and Hardwick paid $538,810.
- Over those 8 years, total “eligible” costs decreased by $17,111. However, Greensboro’s yearly costs increased by $84,419 (+53%) while Hardwick’s yearly costs decreased by $101,530 (-16%).
(4) Ideas for future contract terms and conditions

If costs are as unpredictable as they seem, we should consider a 1 year contract.

The contract could be structured so that Greensboro pays the lesser of (1) an agreed-upon fixed-cost cap or (2) 24% (or come up with a more supportable percentage) of ACTUAL costs (clearly defined) for HPD’s operations, the Public Safety Building, and the Police Department Capital Fund. The rationale for the fixed-cost cap is that Greensboro has no control over actual costs. That control rests with Hardwick. However, if there is a good reason to increase costs that was not foreseen when the contract was signed, the towns could agree to modify the current contract.

To ensure that each town pays its fair share of actual costs, Greensboro could make ~9 months of payments based on estimated budgeted net costs for HPD. Then, the last ~3 payments of each fiscal year could be adjusted based on the best estimate of actual net costs year-to-date. There may need to be a settlement amount after a fiscal year ends so that each town actually ends up paying according to the intended split.

Because Greensboro has been paying into the Police Department Capital Fund for many years, it seems fair that if the police services contract were not renewed, Hardwick would “buy-out” Greensboro’s actual interest in assets purchased with the Police Department Capital Fund. A clause to this effect could be added to the next contract.

The contract could include language to make sure that each town is confident in how HPD’s time and resources are divided between the towns. For example, each HPD member could track his/her time spent on each town.
### Summary of Costs Related to the Police Services Contract

<table>
<thead>
<tr>
<th>Costs</th>
<th>Description</th>
<th>FY20/21</th>
<th>FY19/20</th>
<th>FY18/19</th>
<th>FY17/18</th>
<th>FY16/17</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Hardwick’s Revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Greensboro Police Contract</td>
<td>267,938</td>
<td>230,879</td>
<td>223,966</td>
<td>267,938</td>
<td>230,879</td>
<td>204,168</td>
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<tr>
<td>COPS Grant</td>
<td>56,152</td>
<td>57,892</td>
<td>14,912</td>
<td>58,152</td>
<td>57,892</td>
<td>0</td>
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<tr>
<td>HPD Ticket Revenue</td>
<td>7,500</td>
<td>7,500</td>
<td>1,767</td>
<td>7,500</td>
<td>7,500</td>
<td>3,140</td>
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<tr>
<td>Outside Services - PD</td>
<td>590</td>
<td>1,050</td>
<td>300</td>
<td>1,050</td>
<td>590</td>
<td>1,050</td>
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<tr>
<td>Police SIU Revenue</td>
<td>0</td>
<td>24,000</td>
<td>24,000</td>
<td>0</td>
<td>24,000</td>
<td>24,000</td>
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<tr>
<td>HPD Vest Grant</td>
<td>649</td>
<td>900</td>
<td>944</td>
<td>900</td>
<td>649</td>
<td>1,267</td>
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<tr>
<td>Gov Highway Safety Grant</td>
<td>0</td>
<td>9,500</td>
<td>9,500</td>
<td>0</td>
<td>9,500</td>
<td>4,140</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>334,789</td>
<td>331,721</td>
<td>278,207</td>
<td>331,721</td>
<td>334,789</td>
<td>263,391</td>
</tr>
</tbody>
</table>

**Hardwick’s Expenses**

- HPD’s Total Costs: 983,023
- less Special PD Expenses: (79,337)
- less Dispatch Services: (35,723)
  - HPD Operating Expenses excluding Dispatch: 867,963
  - Public Safety Building: 22,126

**HPD Capital Fund Notes**: HPD Capital Fund notes:

- FY19: $0
- FY20: $35,000
- FY21: $20,000
- FY22: $33,500
- FY23: $34,500
- FY24: $31,000
- FY25: $22,000

**Greensboro’s Actual payments to Hardwick**: 267,938

**Amount Greensboro Overpaid**: 54,317

**Percent of Total Costs Actually Paid by Greensboro**: 24.53%

**Amount Hardwick Paid**: 622,151

**Total Eligible Costs**: 890,089

**Dollar Change by Year**:

<table>
<thead>
<tr>
<th>Year</th>
<th>Hardwick</th>
<th>Greensboro</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>83,341 (138,986)</td>
<td>17,568</td>
</tr>
<tr>
<td>2020</td>
<td>23,583</td>
<td>14,081</td>
</tr>
</tbody>
</table>

**Percentage Change by Year**:

<table>
<thead>
<tr>
<th>Year</th>
<th>Hardwick</th>
<th>Greensboro</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>15.47% (28.4%)</td>
<td>2.66%</td>
</tr>
<tr>
<td>2020</td>
<td>2.46%</td>
<td>5.00%</td>
</tr>
</tbody>
</table>

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**GC**: Revenues are Budget 19/20 numbers; replace with Actual (got from Hardwick). Expenses are Actual 19/20 numbers from an email from Hardwick on 10/30/20.

**GC**: On 10/30/20, Hardwick confirmed that there are no big budget vs actual variances expected for FY21.

**GC**: Need to get/confirm amounts with Hardwick.

**GC**: From Hardwick’s Town Report 2019

**GC**: Most noteworthy items.

**GC**: Summary of Costs Related to the Police Services Contract

**GC**: Yellow highlighting = Need to get/confirm amounts with Hardwick.

**GC**: Orange highlighting = Most noteworthy items.

**GC**: Why $0? 

**GC**: Based on the Capital Equipment Purchase Schedule from Hardwick’s Town Reports.

**GC**: May include more than cruisers. Confirm with Hardwick.