What Happened with Hardwick?

Greensboro distributed a statement briefly describing what happened during the contract renewal process with the Hardwick Police Department (“HPD”). Please see the 3/17/21 issue of the Hardwick Gazette (see page 16 of the full PDF and the article titled “Greensboro Police Services Changes.”), Greensboro’s Front Porch Forum on 3/14/21, or Greensboro’s website. Greensboro wanted to let the results of the negotiation speak for themselves. However, statements have appeared in the Hardwick Gazette that do not tell the whole story and we have received additional questions. As such, we would like to more fully explain our side of the story.

Overview

Greensboro began the contract renewal process by asking a few questions of Hardwick:

(1) How much does it actually cost to run HPD?
(2) What is a fair percentage of that cost for Greensboro to pay?
(3) How much of HPD’s time and resources does Greensboro use?

Greensboro was willing to pay its fair share and we expected to continue the relationship with Hardwick, just in a more equitable way. In October 2020, we identified a significant financial problem with the current 3-year contract covering 7/1/18 – 6/30/21. We then raised the issue with Hardwick. At that point, we thought a renewal contract could be agreed to in principal with a few hours of discussion. Given the financial windfall to Hardwick under the current contract, Greensboro was not going to sign a comparably unfair renewal contract. Our ideas for a fair renewal contract were clearly presented to Hardwick on 11/4/20 in a memo and a detailed companion spreadsheet. However, Hardwick expected us to willingly continue with the same unfavorable cost formula underlying the current contract even after we explained the problems, expressed our concerns, and suggested alternative ways the formula could be made be fair to both towns. We therefore began to pursue other options. If Hardwick had addressed our concerns, we would have had another contract with HPD that could have been signed as early as November 2020.

How much does it actually cost to run HPD?

In other words, what is a fair base amount for a cost sharing calculation? Greensboro believes that a fair base amount would consider police revenues and use HPD’s actual expenses.

Hardwick very closely monitors its town budget and has a Town Manager, a Business Manager, a Payroll and Benefits Administrator, and a fully staffed Select Board to help with that work.

Hardwick considers both revenues and expenses when determining how the town is doing financially. However, when dealing with Greensboro about police services, Hardwick ignored all police revenues and wanted Greensboro to pay based solely on expenses. This was a problem considering that there are some significant police revenues, such as the $125,000 COPS grant or an annual $24,000 Special Investigative Unit grant. To see how this causes a problem, here is an example. Assume that HPD receives a $125,000 COPS grant and hires another officer that costs the same $125,000. Greensboro would pay $30,000 (24% of the $125,000 in expenses) to HPD. So HPD receives $155,000 in revenues even though HPD’s expenses have only increased $125,000 (a windfall profit of $30,000).
Almost every year HPD comes in under budget. However, when dealing with Greensboro about police services, Hardwick wanted Greensboro to pay based on budgeted expenses and not what Hardwick actually spends to run HPD. This causes a problem when HPD operates at significantly below budgeted amounts (for example, when HPD is short-staffed by one or two officers). Greensboro is paying for a fully-staffed police department, but for long periods of time HPD has not been fully staffed.

These issues have resulted in financial windfalls to Hardwick in fiscal year 2020 and again in fiscal year 2021, and to a lesser extent in fiscal year 2019. Note that this discussion relates to calculating the base amount; how that base amount should be split between the two towns is a separate issue. We never came to an agreement on how to calculate the base amount.

How big was this aspect of the financial problem?

The table below shows how much Greensboro paid by year, how much we estimate Hardwick paid by year (based on Hardwick’s Town Reports), and how much we estimate it cost to run HPD by year (based on Hardwick’s Town Reports). This represents a portion of the research that Greensboro performed on its own from public records as part of our examination of the contracts. Hardwick’s numbers are not exact (because we don’t have access to Hardwick’s accounting system), but the trends and conclusions are undeniable. We gave our data analysis to Hardwick and asked for any corrections, but we did not receive any feedback or corrections.

<table>
<thead>
<tr>
<th></th>
<th>Greensboro Actual</th>
<th>Hardwick Actual (Est.)</th>
<th>Total Actual (Est.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2013</td>
<td>$159,936</td>
<td>$640,340</td>
<td>$800,276</td>
</tr>
<tr>
<td>FY 2014</td>
<td>$178,000</td>
<td>$626,790</td>
<td>$804,790</td>
</tr>
<tr>
<td>FY 2015</td>
<td>$185,055</td>
<td>$622,426</td>
<td>$807,481</td>
</tr>
<tr>
<td>FY 2016</td>
<td>$194,446</td>
<td>$642,890</td>
<td>$837,336</td>
</tr>
<tr>
<td>FY 2017</td>
<td>$204,169</td>
<td>$643,591</td>
<td>$847,760</td>
</tr>
<tr>
<td>FY 2018</td>
<td>$214,377</td>
<td>$659,422</td>
<td>$873,799</td>
</tr>
<tr>
<td>FY 2019</td>
<td>$228,458</td>
<td>$676,990</td>
<td>$905,448</td>
</tr>
<tr>
<td>FY 2020</td>
<td>$244,355</td>
<td>$538,810</td>
<td>$783,165</td>
</tr>
<tr>
<td>FY 2021</td>
<td>$267,938</td>
<td>Not yet known.</td>
<td>Not yet known.</td>
</tr>
</tbody>
</table>

Comparing FY 2013 to FY 2020:

- Total policing costs went DOWN $17,111.
- Greensboro’s costs went UP $84,419 (up 53%).
- Hardwick’s costs went DOWN $101,530 (down 16%).

Based on Greensboro’s interpretation of what is “fair” and using 24% as Greensboro’s share of costs (as referred to in the most recent prior contracts), Greensboro may have overpaid (and will overpay) by about:

- More than $11,000 in FY 2019
- More than $56,000 in FY 2020
- More than $54,000 in current FY 2021 (this could be significantly more than $54,000)

These are big numbers. We have received questions about whether Hardwick somehow violated the contract. To our knowledge, Hardwick has not violated any terms in the police services contract.
As previously mentioned, the actual costs to run HPD were significantly lower than the budgeted amounts that Hardwick wanted to continue to use as a basis for Greensboro’s payments. Here are some quotes about HPD’s expenses from Hardwick’s audited financial statements for the fiscal year ending 6/30/20:

- “and expense savings among various departments, including Police...” (p. 4)
- “lower-than-expected expenses in the Police Department (vacant positions)...” (p. 7)
- “The increase in the General Fund Balance can be primarily attributed to expense savings in the Police Department...” (p. 8)
- “The overall increase in the general fund balance of $295,342 was partially due to increased revenues, but primarily due to less expenses in the Police Department due to vacant positions...” (p. 8)
- “At the close of FY 2020, the Town was able to put $295,342 into its General Fund balance (Town savings account). This budget savings was due largely to expense savings associated with the Police Department vacant positions...” (p. 10)

What is a fair percentage for Greensboro to pay?

This remains an open question because negotiations broke down before we examined this issue. Population may be a reasonable way to split costs, but we did not analyze any data. Time spent by town would likely be the most appropriate way to split costs. However, because HPD does not track its time on a town-by-town basis, prior contracts have apparently relied on population as a way to calculate the cost sharing percentage.

Older contracts have used 22.5%, and more recently 24%, as Greensboro’s share. In order to have Greensboro pay 24% based on population, it’s necessary to start with the year-round populations (Hardwick at perhaps 2,861 and Greensboro at perhaps 699) and boost Greensboro’s summer population to 2,000 for two months per year. Note that in this calculation Hardwick’s summer population is not increased even though it is generally believed that Hardwick’s summer population does increase. If year-round populations were used, Greensboro would pay about 20% of the total costs (not 24%).

How much of HPD’s time and resources does Greensboro use?

This remains an open question because negotiations broke down before we examined this issue. Greensboro does not receive information about how much of HPD’s time and resources we actually receive or use. As we understand it, Hardwick doesn’t know that information either. This makes it difficult to evaluate whether we are getting what we pay for beyond knowing that HPD responds to calls for service.

Brief timeline of events

10/7/20: Hardwick asked to start discussions on a renewal contract.

10/15/20: Greensboro asked for some information about how the amounts in the current 3-year contract were calculated and for some information about what it actually cost to run HPD during the 2 ¼ years that the current contract has been in existence.

10/23/20: Hardwick’s Town Manager and Police Chief had a call with two Greensboro Selectboard members about a renewal contract. During that call, Hardwick proposed amounts for a new 3-year contract for around $270,000 for the first year, around $280,000 for the second year, and around $290,000 for the third year. These amounts were calculated by starting with an inflated base of $267,938 as described above and increasing 0.5% in year 1, then 3.5% to 4.0% in year 2, then 3.5% to 4.0% in year 3. Hardwick also confirmed that they didn’t know why Greensboro paid 24% of some costs (“we’ve always done that”).
We note that in fiscal year 2011 and for several years prior to that time, 22.5% was the most likely percentage used. Furthermore, the base amount that Greensboro was expected to contribute to increased over time. In the past, Greensboro did not contribute to cruisers or for Hardwick’s Public Safety Building, but now we do. Hardwick further insisted that, despite contributing at least 24% to the purchase of cruisers, Greensboro would have no claim to those assets if the contract ended.

10/28/20: Greensboro asked for the information requested in the 10/15/20 email.

11/4/20: Greensboro sent Hardwick an email with our concerns, comments, questions, and ideas for a future contract. This was Greensboro laying all of our cards on the table in good faith.

11/10/20: Phone call between Hardwick’s Town Manager and a Greensboro Selectboard member. Greensboro used the 11/4/20 email and attachments as a basis for this conversation and went through some of our thoughts and ideas. Hardwick’s Town Manager said “no” or “we don’t intend to do that” or “we don’t want to do that” to Greensboro’s concerns and ideas that were discussed.

Greensboro also asked Hardwick to adjust the payments in the current contract because the current payments are unfair to Greensboro. Greensboro is paying for a fully staffed department and HPD had 1 or 2 vacant spots for a long while during this contract; the actual costs to run HPD were much lower than what the contract seemed to envision; and Hardwick was receiving $125,000 in COPS grant revenues (and other grant revenues) that the contract didn’t seem to consider. Note that at this point we were less than 4 ½ months into the fiscal year 2021 payment cycle. Hardwick was not obligated to adjust the payments for fiscal year 2021, but we believe it would have been the fair thing to do.

11/19/20: Email from Hardwick to Greensboro. Using the same formula that Greensboro disagreed with, Hardwick told Greensboro that Greensboro’s cost would be $249,486.

12/16/20: Email from Hardwick to Greensboro. Using the same formula that Greensboro disagreed with, Hardwick told Greensboro that Greensboro’s cost would be $244,683.

1/8/21: Email from Hardwick to Greensboro. Using the same formula that Greensboro disagreed with, Hardwick told Greensboro that Greensboro’s cost would be $245,053. The 11/19/20, 12/16/20, and 1/8/21 amounts were based on Hardwick’s budgeting process and were not a result of considering Greensboro’s stated concerns.

By this date a lot of damage had been done. Given the lack of response from Hardwick, Greensboro had already been investigating other options for law enforcement services. No final decisions had been made. Budgeting season was coming to an end and Greensboro was preparing to have two public Zoom meetings with voters before our budget was finalized.

Questions for Hardwick

Greensboro does not know whether Hardwick thought Greensboro would never leave no matter how lopsided the terms, or whether Hardwick did not care whether Greensboro left. If the public wants to know Hardwick’s reasoning, they’ll have to ask Hardwick directly.

Greensboro does not know who the ultimate decision-maker was from Hardwick. We attempted to get information from Hardwick’s Town Manager, Chief of Police, and to a lesser extent, their Select Board. If the public wants to know who from Hardwick made the decisions about how to negotiate the renewal contract, they’ll have to ask Hardwick directly.