



Date: May 1, 2012

To: Thomas J. Bonfield, City Manager

Through: Wanda S. Page, Deputy City Manager

**From: David Boyd, Finance Director
Joseph W. Clark, Financial Operations Manager
Paul Mason, General Billing and Collection Manager**

Subject: Contract for False Alarm Billing and Tracking Services

Executive Summary

The contract under consideration will provide the City with a turnkey solution for False Alarm Billing and Tracking Services.

In January 2006, the City Council adopted a new False Alarm ordinance (#13194). The purpose of the new ordinance was to encourage more responsible use of alarm systems and to reduce the number of false alarms to which Police and Fire personnel must respond.

Responding to false alarm calls by Police and Fire involves an enormous amount of personnel time and related equipment use that creates an unnecessary expense. Growing concerns about the number of false alarm calls that the Police and Fire Departments receive on a monthly basis revealed the need to establish a way to help further reduce and eliminate as many false alarm calls as possible.

Currently, staff from Police, Fire, Emergency Communications, Finance, and Technology Solutions all have a role in the day-to-day administration of the false alarm ordinance.

The administration recommends that the City outsource the management of the false alarm program to Public Safety Corporation (PSC). The solution proposed by Public Safety Corporation will be more comprehensive, efficient and cost effective than the City's current method of operation.

The total estimated cost of the contract is \$76,800.00 per year, and \$230,400.00 over a three-year period. Funding for this contract is available from the revenues collected.

The Equal Opportunity/Equity Assurance Department reviewed the bid submitted by Public Safety Corporation of Waldorf, Maryland and have determined that they are in compliance with the Ordinance to Promote Equal Opportunities in City Contracting. There were no SDBEs to provide this product.

Recommendation

That the City Manager be authorized to enter into a contract with Public Safety Corporation for False Alarm Billing and Tracking Services in the estimated amount of \$230,400.00 and be authorized to execute all relevant contracts, and

That the City Manager be authorized to modify the contract before execution provided that modifications do not increase the dollar amount of the contract and are consistent with the general intent of the existing version of the contract.

Background

In January 2006, the City Council adopted a new False Alarm ordinance (#13194). The ultimate goal of the false alarm ordinance was not to generate revenues, but to educate alarm users on how to be more responsible, which will ultimately reduce the number of false alarms, which lowers the costs of Police and Fire personnel responding to such alarms.

Currently, staff from Police, Fire, Emergency Communications, Finance, and Technology Solutions all have a role in the day-to-day administration of the false alarm ordinance.

Issues/Analysis

The administration is looking for a more effective method to manage the false alarm program (which includes tracking the number of false alarms, generating invoices, and collecting payments) and to decrease the number of false alarms that emergency personnel must respond to on a yearly basis. City staff is currently trying to manage the false alarm program with limited resources and a lack of automation.

The administration recommends that the City outsource the management of the false alarm program to Public Safety Corporation (PSC). PSC is highly experienced and recommended and will use their CryWolf False Alarm Solutions software to automate the program.

CryWolf is a patented false alarm management solution, which tracks false alarms, processes invoices, and collects payment for jurisdictions of all sizes. The CryWolf program will interface directly with the City's OSS I SunGard Emergency dispatch

system, which allows the system to receive alarm incident information.

PSC is the oldest and largest provider of false alarm solutions in North America and has helped more than 200 agencies supporting more than 450 cities, counties, and other municipalities throughout the United States and Canada. PSC also has an exceptional record of accomplishment of reducing the number of false alarms by 30% or more.

PSC is currently providing solutions for 13 North Carolina jurisdictions – Asheville (Buncombe County), Cabarrus County, Charlotte-Mecklenburg, Concord, Fayetteville, Greensboro, Greenville, High Point, Huntersville, Jacksonville, Kannapolis, Matthews, and Rocky Mount.

The solution proposed by Public Safety Corporation will be more comprehensive and cost effective than the current system.

Utilizing the proposed solution the City will benefit from:

- The ability to re-direct emergency personnel to critical public safety priorities
- Enhanced program efficiency
- Minimal program funding requirements
- Enhanced customer service capabilities with on-line processing of permit payments processing, and user training
- Redirection of Finance staff members that are now tasked with handling billing and collection of false alarm fees towards other areas that are currently deficient, such as the collection of delinquent water/sewer bills and code enforcement violation accounts
- Educational program – PSC educates users on how to avoid setting off false alarms

In addition, if implemented, there will be a communication and marketing campaign explaining the upcoming changes. City administration will inform residents about the change through information on the City website and through other appropriate means. PSC will also notify those with registered alarms about the transition. PSC will be the primary point of all alarm billing questions and residents will be directed to the PSC website or provided with a telephone number to contact PSC staff.

During calendar year 2011, Police and Fire personnel responded to 23,659 alarms, of which 8,638 were considered to be false alarms (see exhibit 1).

A 2010 benchmarking study conducted by the UNC School of Government indicated that it costs the Police Department \$202.00 and the Fire Department \$1,399.00 respectively, to respond to an alarm. Using these figures, false alarm responses are estimated to have cost the Police and Fire Departments collectively \$5,002,830.00 in 2010 and \$4,049,101 in 2011 (see exhibit 2).

Alternatives

One alternative would be to continue operating as usual. This solution does not address the lack of automation and does not help to further reduce the number of false alarms.

Another alternative would be to purchase software such as CryWolf and manage the program in-house. This solution would address the lack of automation, but may not be as effective in driving down the number of false alarms because the City does not have resources that can be dedicated strictly to collection of fees that are billed. The City's current collection rate for false alarm billings is at 65%. PSC has experienced collection rates of 75%-85% within other jurisdictions.

The administration believes that the proposed outsourcing solution is the best alternative. It addresses the lack of automation and should help reduce the number of false alarms by ensuring comprehensive billing for all appropriate false alarms, coupled with aggressive collection follow-up, both of which are key components in driving increased alarm owner responsibility.

Financial Impact

This proposed contract has no startup costs. PSC only receives payment when they are successful in the collection of false alarm revenues. The contract uses a revenue sharing model that would cover the cost of running this program.

City Revenue Share: 60% – 80%, depending on collections.

<u>Collected Revenue Each Contract Year</u>	<u>PSC Revenue Share</u>
0 - \$100,000	40%
\$100,001 - \$200,000	30%
\$200,001 and up	20%

While the actual cost of the contract is dependent upon collections, it is estimated that PSC's share of the revenue will approximate \$76,800.00 per year, and \$230,400.00 over the three-year life of the contract. Funding for this contract would come from the revenues collected.

While the intent of the false alarm fees is to encourage alarm owner responsibility and the related reduction in false alarm response costs, not revenue generation, a comparison of current program administration costs to the proposed model show an estimated increase in net program administration revenues of \$11,904.00 (see Exhibit 3).

As noted in Exhibit 3, one of the expected benefits of the proposed contract is that existing staff tasked with administering the program would be redirected towards collection efforts, new business discoveries, and auditing business license fees submitted that are based on gross annual sales. These areas have been identified as ones that need additional attention.

Presently, collection results have been subpar for billing segments such as fire inspections (67.8%) and code enforcement violation accounts such as weedy board lot and clean (14.6%). The new Periodic Rental Inspection Program (PRIP) will require an enhanced focus on the collection of Housing Code violation penalties and aggressive collection of demolition costs may require more labor intensive foreclosure actions. In addition, the number of new businesses is down and revenues from business licenses are not increasing as hoped. Redirecting existing staff to focus on these areas will help increase revenues and ties in with the General Billing and Collections Division's current retooling process. The division is undergoing a transformation where the staff is being converted from specialists to generalists, meaning that each staff member will be trained and capable of performing all collection related duties, such as issuing business licenses, researching and collecting on the 20+ different billing segments, handling bankruptcies, returned checks, overseeing assessments, and utility and non-utility related payment appeals.

The administration believes that the solution would most likely favorably impact the estimated \$4 million cost of responding to false alarms in both the Police and Fire Departments.

SDBE Summary

The Equal Opportunity/Equity Assurance Department reviewed the bid submitted by Public Safety Corporation of Waldorf, Maryland and have determined that they are in compliance with the Ordinance to Promote Equal Opportunities in City Contracting.

SDBE REQUIREMENTS

There were no SDBEs to provide this service.

WORKFORCE STATISTICS

The workforce statistics for Public Safety Corporation are as follows:

Total		
Workforce	34	100%
Total Females	28	82%
Total Males	6	18%
Black Males	0	0%
White Males	5	15%
Other Males	1	3%
Black Females	2	6%
White Females	24	70%
Other Females	2	6%

Exhibit 1

City of Durham False Alarms by Month

	CY 2003	CY 2004	CY 2005	CY 2006	CY 2007	CY 2008	CY 2009	CY 2010	CY 2011
January	1,277	1,463	2,496	1,876	1,005	601	748	793	624
February	1,432	977	1,068	1,522	960	701	748	784	570
March	1,550	1,480	1,112	1,727	936	975	817	860	624
April	1,293	1,439	1,186	1,679	1,135	966	740	984	665
May	2,504	1,191	1,143	1,723	1,230	1,181	732	968	875
June	1,811	1,355	1,256	1,929	1,748	895	1,036	1051	976
July	1,755	1,314	985	1,983	1,667	1,032	715	1107	786
August	702	1,252	1,284	1,713	1,278	658	900	764	863
September	979	1,038	157	1,673	1,158	649	738	883	779
October	2,635	1,130	476	1,606	1,502	625	739	493	683
November	796	404	652	1,440	1,206	881	857	749	491
December	1,137	1,301	151	1,058	1,186	720	922	1084	702
TOTAL	17,871	14,344	11,966	19,929	15,011	9,884	9,692	10,520	8,638

Exhibit 2

Police and Fire Alarms for Calendar Year 2010

	Number of Alarms	Number of False Alarms	% of False Alarms	Cost per Call to Respond to Alarms *	Average Time Spent Per Response (Minutes)	Time Spent Responding to All Alarms (Hours)	Time Spent Responding to False Alarms (Hours)	Cost to Respond to False Alarms	Cost to Respond to All Alarms
Police	20,838	8,117	38.9%	\$202.00	18:52	6,552	2,552	\$1,639,634.00	\$4,209,276.00
Fire	4,186	2,404	57.4%	\$1,399.00	16:45	1,168	755	\$3,363,196.00	\$5,856,214.00
Total	25,024	10,521	42.0%					\$5,002,830.00	\$10,065,490.00

* From 2010 UNC-School of Government Benchmark report (Durham provided cost figures)

Police and Fire Alarms for Calendar Year 2011

	Number of Alarms	Number of False Alarms	% of False Alarms	Cost per Call to Respond to Alarms *	Average Time Spent Per Response (Minutes)	Time Spent Responding to All Alarms (Hours)	Time Spent Responding to False Alarms (Hours)	Cost to Respond to False Alarms	Cost to Respond to All Alarms
Police	19,555	6,713	34.3%	\$202.00	16:42	5,352	1,837	\$1,356,026.00	\$3,950,110.00
Fire	4,104	1,925	46.9%	\$1,399.00	16:45	1,168	755	\$2,693,075.00	\$5,741,496.00
Total	23,659	8,638	36.5%					\$4,049,101.00	\$9,691,606.00

Exhibit 3**Current (FY11) vs. Expected Net Cost of False Alarm Administration**

	2011	2012	Change
Program Revenue			
Gross Revenue Billings	305,000	300,000	(5,000)
Bad Debt	(107,000)	(60,000)	(47,000)
Net Revenue	<u>198,000</u>	<u>240,000</u>	<u>42,000</u>
Direct Program Costs			
Outsourcing Contract	-	76,800	76,800
Banking Charges	6,000	6,000	
Paper/Postage	4,930	-	(4,930)
Finance Personnel Salary	21,708	-	(21,708)
Finance Personnel Benefits	6,512		(6,512)
E-911 Personnel Salary	264	-	(264)
E-911 Personnel Benefits	79		(79)
Fire Personnel Salary	2,644	-	(2,644)
Fire Personnel Benefits	793		(793)
Police Personnel Salary	6,405	-	(6,405)
Police Personnel Benefits	1,922	-	(1,922)
Total Direct Costs	<u>51,258</u>	<u>82,800</u>	<u>31,542</u>
Indirect Program Costs			
Finance Mgmt Salary	3,532	2,649	(883)
Finance Mgmt Benefits	1,060	795	(265)
Technology Personnel Salary	458	229	(229)
Technology Personnel Benefits	138	69	(69)
Total In-Direct Costs	<u>3,670</u>	<u>2,718</u>	<u>(1,446)</u>
Total Costs	<u>54,928</u>	<u>85,518</u>	<u>30,096</u>
Net Program Revenue/(Cost)	<u>143,072</u>	<u>154,482</u>	<u>11,904</u>

Note: Personnel costs would not be eliminated but would instead be redirected within each Department to other priorities.