

FOSP Cost Benefit
Sounding Board Subcommittee
September 28, 2011 3:00 p.m. ACP Conference Room
Meeting Minutes **DRAFT**

Present: Craig Cooper, Frank Governali, Jessica Sullivan

Staff: Chuck Lawton, Planning Decisions, Inc, Michael McGovern, Maureen O'Meara

The subcommittee agreed that Maureen would prepare the minutes. No public comments were offered.

Mr. Lawton began by summarizing the goal for this meeting. He needs to articulate the assumptions he has established for the next stage of the work for the FOSP committee. To date, he has prepared a summary of town fiscal information by function. He has averaged capital expenditures over 3 years. He has factored in commercial activities by allocating 97% of cost to residential and 3% to commercial, mirroring the split in the town valuation of property. Measurements have been prepared based on average per household and on millions of valuation of commercial property. The end result of these allocations will be to answer the question of what does it cost the town if land is developed rather than left vacant. Based on the fiscal analysis of the last ten years, I will now take 4 development types previously identified by the committee and test the data for each type.

Mr. Governali asked if the study would aggregate impacts. Mr. Lawton said that he would take the population today and then add the impact and determine how much in aggregate over the threshold to determine cost.

Mr. Lawton had some questions. First, are these previously identified neighborhoods the four categories of development? The RFP was referenced and the general answer was yes.

Mr. Lawton asked if the quality of service currently delivered should be assumed to continue. General consensus was that current service maintained should be assumed for the study.

Mr. Lawton said he would be conducting interviews with key department heads to identify the key determinants that will be needed to maintain the current level of service if new development is added.

Mr. Governali asked how you would determine the range to maintain the current level of service. Mr. Lawton said that the standard would largely be articulated by the department head. For example, the Fire Chief mentioned the Rescue Department. With more elderly, a higher level of service is needed because that population requires more attention when they fall down, such as transport, as compared to someone falling down who is not elderly. Mr. Lawton noted that level of service is also influenced by the need for EMT's, which is actually a higher level of service. It would not be as precise as a numerical function.

Mr. McGovern noted that it is not as simple as just adding another police officer on duty.

Mr. Cooper clarified that the averages assumes impacts, but there would also be gains, such as revenue from new taxes.

Mr. Lawton said that would be marginal revenue v. marginal cost. Is the current level of service pushing up as we add more development. For example, is the factory making more loaves of bread? In Cape, number of households and service levels have been steady the last few years.

Mr. McGovern asked if the department head interviews will include questions about how many new homes can be added before we need a new athletic field, plow truck, etc. to determine break points? Mr. Lawton said he will ask those questions.

Mr. Cooper noted the cost per student criteria example. With declining enrollment, there are less students even with new development.

Mr. Lawton explained that if you built a school system for 1800 students, you may be able to expand to 1900 without significantly decreasing the level of service or increasing costs. If you drop down to 1200, however, you may contract the system and decrease the level of service. I will be asking those questions. With 1 new development, such as 24 homes over a period of years, is there sufficient infrastructure? If 5 times that, it may be a different answer. Volume will influence marginal cost. We also do not want to oversell the predictability of the model.

Mr. Cooper said that using the last 10 years, Cape has seen a boom and low growth. What numbers are you using? He referenced building permit data.

Mr. McGovern said that the last 2 years have really quieted down.

Mr. Lawton said that total enrollment has declined and costs have increased.

Mr. Governali said that the math on school costs is less variable because the cost structure is a function of distribution of the school population. It is less impacted by the number of households than age of children in those households.

Mr. Lawton agreed that age has variability and noted the Rescue example.

Mr. Governali added that the older demographic has more demands and also contributes less Rescue volunteers.

Mr. Lawton noted that in his interviews with department heads, location is a factor as well as type of development. He noted that the current Police/Fire station position in the center of town means location has less impact.

Mr. Governali stated that different departments have different metrics. For example, Community Services is more influenced by population, so you should give them population info when you conduct the interview.

Mr. Lawton said that he learned in his interview with the Library Director that there are national standards of acquisitions based on number of households. If the youth population decreases, the type of acquisitions will change.

Mr. Governali asked how you will help department heads approach how development impacts their department? Mr. Lawton said he will do a literature search of town reports, and ask in the interviews what will effect the department's ability to maintain services.

Mr. McGovern said that we are moving into a contracting model; as population increases and decreases, contracting allows flexibility in changing costs.

Mrs. Sullivan asked what the standard approach would be for a study like this? Mr. Lawton said this structure of population/distribution of costs and then department head interviews is standard. For example, an open space expense was identified by the Fire Chief, who said they need to perform 3-4 rescues of people on the rocks at Fort Williams each year. That can be a big labor expense.

Mrs. Sullivan noted that type of expense may be more related to tourism than a population/household model.

Mr. Lawton said he would calculate using existing metrics, gather department metrics, then question if added development pushes capital needs or if existing systems are under utilized.

Mr. McGovern said the department head response will be on the old school model – need more staff. Service delivery in the future will likely including more contracting out.

Mr. Governali said this will make calculating impacts easier because the variable will be population. Mr. McGovern suggested it could also be miles of road.

Mr. Sullivan said that it is still a concept of spending more, whether in-house or contracting. Is the standard average cost per household? If it is cost per capita, isn't that more confusing. We should stick to one standard.

Mr. Governali said that if you are going with population, then using household is not a good model.

Mrs. Sullivan said we haven't moved toward the population/contracting model yet. The study is based on today v. what if, so we need to use today's values. We should use today's standard.

Mr. McGovern said that today we have capacity to serve more development. If the purpose is asking for a product, then look to the future. For example, if we contract out Assessing, the price would be per parcel.

Mrs. Sullivan said that if we take that route, we need to change the FOSP charge.

Mr. Cooper said we don't have that model now and won't be using that model for one neighborhood.

Mr. McGovern said we could be.

Mr. Lawton said it has to be a metric, not a standard. Two questions: What is your sense of the thresholds and then how do you address reaching the threshold. One way to address is to contract out. For Emergency response, you are already at the threshold with volunteers.

Mrs. Sullivan said that with contracting, there are unknowns, and sometimes cheaper. There are variables.

Mr. Governali said we need to have an effective model, and may need to use other measures.

Mr. McGovern noted that it depends a lot on who is moving in [demographically] that influences changes in service delivery.

Mrs. Sullivan suggested we use pure population. These people live somewhere.

Mr. Governali said the number of people in households is shrinking. This is a problem for every metric. We should identify the threshold for each department, either people or houses, and how much we can serve incrementally above that. Mike will determine the cheapest way to meet needs with department heads. It is the logical way to go. It is important to come up with thresholds.

Mr. Lawton said you can then compare the projected cost of serving new development with the cost of buying land. It is a different question than future development over the next 10 years. The answer will be different in future years. We need to differentiate between future projections and current costs.

Mrs. Sullivan noted that we haven't asked for 10 years in the future as stated in the RFP for the study.

Mr. Governali agreed. When we come up with new costs, the best methodology is population/households/miles of road/etc. Our objective is to make this precise. Don't build the model on history in my career experience.

Mr. McGovern said that in your career, technology resulted in economies of scale. We spend to purchase technology, but now we are enjoying technology generated savings. One of the effects, however, is negative - lost jobs.

Mrs. Sullivan said she is still leaning toward cost per household. We all agreed on that. That is the standard metric for this study. If we go in other directions, there are pitfalls. The way the charge of the committee is written references households. It later may be too confusing to switch to population.

Mr. Governali said our charge is to study and come up with the cost of development using a consultant. We shouldn't be defining formulas.

Mr. Cooper said that he thinks what we're doing is more expensive. Contracting is less expensive.

Mr. Governali said that depends on how it is applied. He asked Mr. Lawton what he recommended.

Mr. Lawton said he recommends continuing along the lines of interviews with department heads and use the variables identified by the department of the cost to serve new development. He will add commentary on the recommended variables and factor in demographic differences. He will deliver that with the

proviso that this is not predicting the future. Costs can change when you get closer to the threshold.

Mr. McGovern suggested the question to pose to department heads is, "If you had 200 more homes on 2 parcels, what more would you need?"

Mrs. Sullivan confirmed that what Mr. Lawton produces will be comprehensive. Ask those questions.

Mr. Lawton said the final product will provide a unique answer for a unique option instead of strategic questions for the town of at what level does the town hit the threshold for any type of development.

Mr. Governali observed that we won't be achieving a level of accuracy. Mr. McGovern agreed.

Mr. Cooper said we were charged with specific parcel identification. Mr. McGovern said we won't know which parcels. Mrs. Sullivan said we will be looking historically.

Mr. Governali summarized that for some services, the number of people is the driver, in others another method. He suggested Mr. Lawton identify the drivers.

Mr. Lawton said that he could use valuation or property driven. He wants to provide something that meets the town's purposes. First he will finish the interviews. He will look at the differences between a discrete parcel either developed or left as open space. This will not address the threshold piece. He explained that the marginal cost is below average cost for any one parcel. His approach will be the same, but the question addressed is different

Mrs. Sullivan asked if he will identify thresholds in the past? Mr. Lawton said that he would, using ranges and relative to current level of service. He will subjectively determine and define criteria, such as miles of road.

Mrs. Sullivan asked that if you use the current methodology, such as households, then the thresholds will be listed by department? For example, Public Works has a great level of service today and assuming no change in demographics, what will the threshold be and cost increase if we add 200 households.

Mr. McGovern said that every additional house adds some cost; right now, they also add more revenue than cost.

Mr. Governali said we should use whatever method makes the most sense for accuracy. We have a consultant for that purpose.

Mr. Lawton said he would deliver what is the average cost today. If you add to what needs to be delivered, this is the cost to deliver the service. He will identify how much more can be added before you hit the threshold where costs increase.

Mr. Governali said to capture the number of students, roads, etc in each development model. That makes sense.

Mr. Lawton said what makes sense is to show what it would cost in services if you add this development. Then, where are the thresholds when you begin to drive up average cost. He will not include future innovations in how service is delivered. To apply the potential open space acquisition option, we will need to redo the cost calculation.

Mr. Governali said that this study is a part of the decision model, not the whole decision. It will all be reduced to a per household byproduct.

Mr. McGovern said that it would be very quick for him to add a line to the budget to show the impact of adding 350 homes.

Mrs. Sullivan reminded that the committee charge was to be transparent.

Mr. Cooper noted that we are looking at land.

Mr. Lawton said his conclusions would be in the context of other hypotheticals in the future.

Mrs. Sullivan wanted it clear that there are unknowns in the future that this study cannot capture.

Mr. Governali said the model would reside in the Planning Office and we can keep it updated.

Mr. Lawton summarized that he should:

1. Continue to gather existing data of these 4 neighborhoods.
2. Continue to interview department heads re: costs to provide services by type. He should arrive at some number by function to derive cost until development reaches the threshold. This would be described.

Mr. Governali said that Emergency Services is already at the threshold. How will you handle that? Mr. Lawton suggested using measures such as cost per call, per hour, cost of contract., then factor in number of calls per household and average.

Mr. McGovern said it is no different than how condo projects contract out for services.

Mr. Governali and Mr. Cooper agreed this was the right direction. Mrs. Sullivan wanted to confirm using households with threshold addendums.

Mr. Lawton said the most important information is the threshold identification and possible negative thresholds.

The committee then opened the meeting to public comment.

Mrs. Wickham said she appreciated being here to listen and was glad not to be in the committee's shoes.

Mr. Cooper moved, seconded by Mr. Governali, to adjourn. Meeting adjourned at 4:30 p.m.