



DISTRIBUTED
TCRM 2-23-15

MEMO

TO: Town of Munster Town Council
FROM: Dustin Anderson, Town Manager
SUBJECT: Proposed Additional Police Compensation
DATE: February 23, 2015

Council has requested to receive an analysis of the fiscal impact of potentially giving certain police officers an addition \$5,000 stipend that would be distributed on a bi-weekly basis on the same schedule as regular payroll.

Background

Police Administration believes that Munster's police officers are undercompensated. Of the 19 communities in Lake County, only two do not offer their police officers take home vehicles. Munster is one of those communities that do not offer this benefit. There is a concern that we have lost thirteen officers over the last ten years to other employment opportunities. Of those thirteen that separated from our employment, five went to the private sector and the remaining eight joined other law enforcement agencies. The department has an estimated voluntary turnover rate over this ten year period of time of 3.71%.

There is a considerable amount of initial investment of both time and capital when onboarding a new officer. One Munster Police Sergeant characterizes the loss of a new officer as "the equivalent of giving that [other] agency a check for approximately \$10,000."

Because we are one of the few communities to not provide take home vehicles, the Council expressed a desire to know what the financial impact of implementing this benefit would be. The Town Manager's Office produced a financial analysis of this option that is included as an attachment for your convenience. Once all vehicles were to be acquired, the annual operating and replacement cost of that program would be nearly \$1 million dollars.

Police Administration then calculated the financial benefit of a Ford Interceptor SUV by utilizing the IRS general valuation for that particular vehicle. The methodology of this calculation is included in the attached memorandum dated January 22, 2015. This is a reasonable starting point to discuss the financial benefit received by an employee that enjoys a take home vehicle.

The Police Department believes that if Council were inclined to provide additional compensation, it could be in the form of a stipend that is a rough approximation of the value of a take home vehicle.

Of the 17 communities that provide permanent vehicles to officers, all of them have different rules and regulations regarding the use of such vehicles. Some communities require that officers may not take their vehicles outside of the town/city limits – even if the officer lives outside the community. Some communities limit vehicles to only those officers who live in that particular community or in an adjoining community. The variations are many. As any restriction on use would naturally reduce the financial benefit of vehicle, it was the impression of Town Council and the Police Department that \$5,000 would be



as good a number as any to use – recognizing that if the Town of Munster indeed offered tangible vehicles to its officers, there would naturally be restrictions on the use of those vehicles.

Methodology

While these additional earnings would not be pensionable, the new compensation will indeed be taxable to both the employee as well as the Town. Munster will pay .53% for long term disability and 1.45% for Medicare on each dollar associated with this initiative.

In calculating the potential costs, it was requested by Council to only consider sworn officers that were at the rank of Officer 1st Class or Sergeant. Currently, the two Lieutenants as well as the Chief receive tangible take home vehicles. Council requested a number of different scenarios of how this potential additional compensation could be distributed and for what periods of time. The following analysis represents three potential options for consideration.

In discussions with the Clerk Treasurer's Office it seems that the most reasonable way to administer this additional stipend would be to include it in the routine bi-weekly payroll process. This would alleviate a large amount of clerical work at the end of the month/quarter/year depending on what alternative payment schedule is contemplated. No details have been finalized at this time regarding the actual mechanics of the possible transaction. This will have to be an iterative process between the Police Department, Town Manager's Office, and the Clerk Treasurer's Office.

Option One

Provide stipend to eligible officers retroactively to Q4 2014 and then prospectively from the date of adoption until otherwise directed by Council.

Option One					
Year	Sworn Personnel Eligible	Stipend Value	LTD (.53%)	Medicare (1.45%)	Total Cost
Q4 2014	29	\$36,250	\$192	\$525.63	\$36,968
2015	33	\$152,247	\$807	\$2,207.58	\$155,261
2016	34	\$167,425	\$887	\$2,427.66	\$170,740
2017	35	\$175,000	\$928	\$2,537.50	\$178,465
2018	35	\$175,000	\$928	\$2,537.50	\$178,465

Under this option the \$5,000 stipend would be divided into fourths. This would result in each eligible police officer receiving a stipend amount of \$1,250. There were 29 employees eligible for this benefit during the fourth quarter of 2014. A detailed accounting of the officers eligible is included as the attachment labeled "2014 ELIGIBILITY".

As of January 1, 2015 there were still 29 officers eligible for this additional compensation. The total number of employees that will receive this new compensation in 2015 will be 33. Throughout the course of the year there will be an additional four officers that will become eligible by promotion to Officer 1st Class. In these cases the value of the \$5,000 stipend was prorated to the date of their respective promotions. A detailed accounting of the officers eligible is included as the attachment labeled "2015 ELIGIBILITY".

Option Two

Provide stipend to eligible officers retroactively to January 1, 2015 and then prospectively from the date of adoption until otherwise directed by Council.



Option Two					
Year	Sworn Personnel Eligible	Stipend Value	LTD (.53%)	Medicare (1.45%)	Total Cost
2015	33	\$152,247	\$807	\$2,207.58	\$155,261
2016	34	\$167,425	\$887	\$2,427.66	\$170,740
2017	35	\$175,000	\$928	\$2,537.50	\$178,465
2018	35	\$175,000	\$928	\$2,537.50	\$178,465

As discussed in the previous paragraph, by the end of 2015 there would be 33 officers receiving the new stipend. In 2016, there will be one additional officer that will become eligible. The rate of the officer's stipend was calculated in the same manner as the other mid-year promotions were. A detailed accounting of the officers eligible in this year is included as the attachment labeled "2016 ELIGIBILITY".

The Police Department is currently going through the recruitment process to hire additional sworn staff. If we assume that a hire is made in 2015 that officer or (officers) will be probationary for one year. On their first-year anniversary they will be promoted to Officer 2nd Class. This will take place in 2016. On their second-year anniversary they will be promoted to Officer 1st Class and will be eligible for the stipend. Without knowing when or how many of these potential employees may be hired, this analysis uses a projection of single new hire.

These same caveats apply to 2018 projections.

Option Three

Provide stipend to eligible officers prospectively from the date of adoption until otherwise directed by Council.

Option Three					
Year	Sworn Personnel Eligible	Stipend Value	LTD (.53%)	Medicare (1.45%)	Total Cost
2015	33	\$130,795	\$693	\$1,896.53	\$133,385
2016	34	\$167,425	\$887	\$2,427.66	\$170,740
2017	35	\$175,000	\$928	\$2,537.50	\$178,465
2018	35	\$175,000	\$928	\$2,537.50	\$178,465

This option is very similar to Option Two, except for the fact that it does not pay out retroactively to January 1, 2015. Rather, it becomes effective of on the day that Council affirmatively votes to amend the 2015 Salary Ordinance to include the provision for this additional pay for police officers.

A detailed accounting of the officers eligible under this option is included as the attachment labeled "2015 PRORATED ELIGIBILITY".

*	Average Cost Per Mile SUV 4WD	0.736
	Average Miles Per Year Driven	25000
**	One Ford 4WD Police Interceptor 2015	\$28,720.00
**	Equipment	
	Emergency Equipment	\$15,588.00
	Decals	\$500.00
	Computer and Mount	\$3,000.00
	Storage Box	\$500.00
	Total Equipment	\$19,588.00
	Total Upfront Cost Per Vehicle	\$48,308.00
	Total Vehicles Desired	30

		Acquisition Period					Replacement Period				
		1.02	1.02	1.02	1.025	1.025	1.03	1.03	1.03	1.03	1.03
		2014	2015	2016	2017	2018	2019	2020	2021	2022	2022
Vehicles Purchased		6	6	6	6	6	6	6	6	6	6
Cost Per Purchase		\$48,308.00	\$49,274.16	\$49,274.16	\$49,515.70	\$49,515.70	\$49,757.24	\$49,757.24	\$49,757.24	\$49,757.24	\$49,757.24
Total Cost of Purchase		\$289,848.00	\$295,644.96	\$295,644.96	\$297,094.20	\$297,094.20	\$298,543.44	\$298,543.44	\$298,543.44	\$298,543.44	\$298,543.44
Total Miles Driven		150,000	300,000	450,000	600,000	750,000	750,000	750,000	750,000	750,000	750,000
Total Cost Miles Driven		\$110,400.00	\$225,216.00	\$339,480.00	\$452,640.00	\$568,560.00	\$568,560.00	\$568,560.00	\$568,560.00	\$568,560.00	\$568,560.00
Total Take Home Annual Cost		\$400,248.00	\$520,860.96	\$635,124.96	\$749,734.20	\$865,654.20	\$867,103.44	\$867,103.44	\$867,103.44	\$867,103.44	\$867,103.44
		Year One	Year Two	Year Three	Year Four	Year Five	R One	R Two	R Three	R Four	R Five

* <http://newsroom.aaa.com/tag/driving-cost-per-mile/>

** http://www.munster.org/egov/documents/1419025483_72829.pdf

*** http://www.bls.gov/data/inflation_calculator.htm

(2016 - 2021 rates represent a financially conservative estimate of CPI)

Memo

To: Chief Stephen Scheckel
From: Sgt. Thomas Kuhlenschmidt
Date: January 22, 2015
Re: Value of take home vehicle

Chief Scheckel,

In response to your request for information on determining a value of a take home vehicle for an officer, I was unable to locate any open source information regarding specific numbers assigning a value. This is not to say that a take home vehicle does not have value to an officer, but rather it is because the IRS does not consider a police vehicle to be a fringe benefit and taxable under their current regulations. A clearly marked police vehicle and officially authorized unmarked vehicles used by law enforcement officers are considered "qualified nonpersonal use vehicles" and not subject to fringe benefit taxationⁱ. Because of this, police departments do not have a need to determine an amount a patrol vehicle is worth to each officer, resulting in the lack of open source information mentioned above.

Determining a value to each specific officer would be next to impossible given the vast number of variables that exist, including time and distance to travel to work, number of times an officer responds to work in a given year, time it takes to switch out equipment, number and amount of times a vehicle is removed from service for routine and emergency repair, etc. The best method of determining a take home vehicle's worth, in the eyes of the IRS, is through the general valuation rule, which determines the fair market value of a vehicle, either purchased or leased, as if the employee themselves were assuming financial ownership of the vehicle". The cents per mile value is unable to be used because a take home patrol vehicle exceeds the 2015 maximum automobile valueⁱⁱⁱ. The commuting value does not apply because patrol vehicles do not meet the established requirements of this rule^{iv}.

According to the IRS, the general valuation of a take home patrol vehicle (a Ford Interceptor SUV prior to installation of radios, emergency lights, and cages that was purchased for over \$28000.00 but under

\$30,000.00) is \$7750.00 per year under a four year lease plan^v. By taking that value (\$31000.00 over 4 years), and extending that value over 6 years (a take home vehicle will last longer than a pool vehicle), the general valuation can be approximated to be \$5166.00. When you consider that any monetary value given to an officer that is considered supplemental income is taxed at the 25% range, the actual monetary value of a take home vehicle before taxes would be approximately \$6457.00.

I have included copies of the referenced IRS documents with this memo for your review.



Sgt. Thomas Kuhlenschmidt

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- ⁱ IRS Publication 15-B 2015 Edition, p 21
 - ⁱⁱ IRS Publication 15-B 2015 Edition, p 22
 - ⁱⁱⁱ IRS Notice 2014-79
 - ^{iv} IRS Publication 15-B 2015 Edition, p 23
 - ^v IRS Publication 15-B 2015 Edition, p 25

2014 ELIGIBILITY**Fourth Quarter 2014**

230	Archer, Nolan R.	1st Class Officer	\$1,250.00
228	Ashcraft, Mark J.	1st Class Officer	\$1,250.00
254	Ayersman, Brian K.	1st Class Officer	\$1,250.00
256	Broelmann, Dan M.	Sergeant	\$1,250.00
209	Cochran, Marc J.	Sergeant	\$1,250.00
245	Cooley, Kevin P.	1st Class Officer	\$1,250.00
224	Croyle, Daniel R.	1st Class Officer	\$1,250.00
231	Deleeuw, Jack R.	1st Class Officer	\$1,250.00
255	Foulkes, David D.	1st Class Officer	\$1,250.00
213	Ghrist, James L.	1st Class Officer	\$1,250.00
264	Hernandez, Brian A.	1st Class Officer	\$1,250.00
220	Holloway, Erik J.	1st Class Officer	\$1,250.00
216	Isenblatter, Gabriel T.	1st Class Officer	\$1,250.00
202	Janiga, Michael J.	1st Class Officer	\$1,250.00
203	Johnston, Daymon W.	Sergeant	\$1,250.00
219	Kuhlenschmidt, Thomas H.	Sergeant	\$1,250.00
263	Lindemulder, Donald W.	1st Class Officer	\$1,250.00
227	Martin, Nathanael M.	Sergeant	\$1,250.00
242	Newton, Joseph B.	Sergeant	\$1,250.00
212	Nosich, Timothy M.	1st Class Officer	\$1,250.00
253	Oberc, Bryan J.	Sergeant	\$1,250.00
206	Pacheco, Joseph G.	1st Class Officer	\$1,250.00
221	Peirick, John T.	Sergeant	\$1,250.00
249	Rodriguez, Joseph G.	1st Class Officer	\$1,250.00
236	Schweitzer, Raymond J.	Sergeant	\$1,250.00
266	Scheffel, Brett J.	1st Class Officer	\$1,250.00
261	Silsby, Michael D.	1st Class Officer	\$1,250.00
262	Van Schouwen, Marshall J.	1st Class Officer	\$1,250.00
207	Wells, Joseph M.	1st Class Officer	\$1,250.00

\$36,250.00

2015 ELIGIBILITY

2015

230	Archer, Nolan R.	1st Class Officer			\$5,000.00
228	Ashcraft, Mark J.	1st Class Officer			\$5,000.00
254	Ayersman, Brian K.	1st Class Officer			\$5,000.00
256	Broelmann, Dan M.	Sergeant			\$5,000.00
209	Cochran, Marc J.	Sergeant			\$5,000.00
245	Cooley, Kevin P.	1st Class Officer			\$5,000.00
224	Croyle, Daniel R.	1st Class Officer			\$5,000.00
231	Deleeuw, Jack R.	1st Class Officer			\$5,000.00
255	Foulkes, David D.	1st Class Officer			\$5,000.00
213	Ghrist, James L.	1st Class Officer			\$5,000.00
264	Hernandez, Brian A.	1st Class Officer			\$5,000.00
220	Holloway, Erik J.	1st Class Officer			\$5,000.00
216	Isenblatter, Gabriel T.	1st Class Officer			\$5,000.00
202	Janiga, Michael J.	1st Class Officer			\$5,000.00
203	Johnston, Daymon W.	Sergeant			\$5,000.00
219	Kuhlenschmidt, Thomas H.	Sergeant			\$5,000.00
263	Lindemulder, Donald W.	1st Class Officer			\$5,000.00
227	Martin, Nathanael M.	Sergeant			\$5,000.00
242	Newton, Joseph B.	Sergeant			\$5,000.00
212	Nosich, Timothy M.	1st Class Officer			\$5,000.00
253	Oberc, Bryan J.	Sergeant			\$5,000.00
206	Pacheco, Joseph G.	1st Class Officer			\$5,000.00
221	Peirick, John T.	Sergeant			\$5,000.00
249	Rodriguez, Joseph G.	1st Class Officer			\$5,000.00
266	Scheffel, Brett J.	1st Class Officer			\$5,000.00
236	Schweitzer, Raymond J.	Sergeant			\$5,000.00
261	Silsby, Michael D.	1st Class Officer			\$5,000.00
262	Van Schouwen, Marshall J.	1st Class Officer			\$5,000.00
207	Wells, Joseph M.	1st Class Officer			\$5,000.00
Anticipated Promotion Date:					
250	Lemmons, Spencer T.	2nd Class Officer	7/22/2015	203/365	\$2,219.18
248	Meyers, David R.	2nd Class Officer	7/22/2015	203/365	\$2,219.18
252	Niven, Tyler M.	2nd Class Officer	7/22/2015	203/365	\$2,219.18
267	Padilla, Omar	2nd Class Officer	11/25/2015	322/365	\$589.04
					\$152,246.58

2016 ELIGIBILITY

2016

230	Archer, Nolan R.	1st Class Officer	\$5,000.00
228	Ashcraft, Mark J.	1st Class Officer	\$5,000.00
254	Ayersman, Brian K.	1st Class Officer	\$5,000.00
256	Broelmann, Dan M.	Sergeant	\$5,000.00
209	Cochran, Marc J.	Sergeant	\$5,000.00
245	Cooley, Kevin P.	1st Class Officer	\$5,000.00
224	Croyle, Daniel R.	1st Class Officer	\$5,000.00
231	Deleeuw, Jack R.	1st Class Officer	\$5,000.00
255	Foulkes, David D.	1st Class Officer	\$5,000.00
213	Ghrist, James L.	1st Class Officer	\$5,000.00
264	Hernandez, Brian A.	1st Class Officer	\$5,000.00
220	Holloway, Erik J.	1st Class Officer	\$5,000.00
216	Isenblatter, Gabriel T.	1st Class Officer	\$5,000.00
202	Janiga, Michael J.	1st Class Officer	\$5,000.00
203	Johnston, Daymon W.	Sergeant	\$5,000.00
219	Kuhlenschmidt, Thomas H.	Sergeant	\$5,000.00
263	Lindemulder, Donald W.	1st Class Officer	\$5,000.00
227	Martin, Nathanael M.	Sergeant	\$5,000.00
242	Newton, Joseph B.	Sergeant	\$5,000.00
212	Nosich, Timothy M.	1st Class Officer	\$5,000.00
253	Oberc, Bryan J.	Sergeant	\$5,000.00
206	Pacheco, Joseph G.	1st Class Officer	\$5,000.00
221	Peirick, John T.	Sergeant	\$5,000.00
249	Rodriguez, Joseph G.	1st Class Officer	\$5,000.00
266	Scheffel, Brett J.	1st Class Officer	\$5,000.00
236	Schweitzer, Raymond J.	Sergeant	\$5,000.00
261	Silsby, Michael D.	1st Class Officer	\$5,000.00
262	Van Schouwen, Marshall J.	1st Class Officer	\$5,000.00
207	Wells, Joseph M.	1st Class Officer	\$5,000.00
250	Lemmons, Spencer T.	2nd Class Officer	\$5,000.00
248	Meyers, David R.	2nd Class Officer	\$5,000.00
252	Niven, Tyler M.	2nd Class Officer	\$5,000.00
267	Padilla, Omar	2nd Class Officer	\$5,000.00

Anticipated Promotion Date:

268	Vassar, Ryan	Probationary Officer	7/7/2016	188/365	\$2,424.66
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\$167,424.66

2015 PRORATED ELIGIBILITY

2015

			Effective Date:		
230	Archer, Nolan R.	1st Class Officer	2/23/2015	54/365	\$4,260.27
228	Ashcraft, Mark J.	1st Class Officer	2/23/2015	54/365	\$4,260.27
254	Ayersman, Brian K.	1st Class Officer	2/23/2015	54/365	\$4,260.27
256	Broelmann, Dan M.	Sergeant	2/23/2015	54/365	\$4,260.27
209	Cochran, Marc J.	Sergeant	2/23/2015	54/365	\$4,260.27
245	Cooley, Kevin P.	1st Class Officer	2/23/2015	54/365	\$4,260.27
224	Croyle, Daniel R.	1st Class Officer	2/23/2015	54/365	\$4,260.27
231	Deleeuw, Jack R.	1st Class Officer	2/23/2015	54/365	\$4,260.27
255	Foulkes, David D.	1st Class Officer	2/23/2015	54/365	\$4,260.27
213	Ghrist, James L.	1st Class Officer	2/23/2015	54/365	\$4,260.27
264	Hernandez, Brian A.	1st Class Officer	2/23/2015	54/365	\$4,260.27
220	Holloway, Erik J.	1st Class Officer	2/23/2015	54/365	\$4,260.27
216	Isenblatter, Gabriel T.	1st Class Officer	2/23/2015	54/365	\$4,260.27
202	Janiga, Michael J.	1st Class Officer	2/23/2015	54/365	\$4,260.27
203	Johnston, Daymon W.	Sergeant	2/23/2015	54/365	\$4,260.27
219	Kuhlenschmidt, Thomas H.	Sergeant	2/23/2015	54/365	\$4,260.27
263	Lindemulder, Donald W.	1st Class Officer	2/23/2015	54/365	\$4,260.27
227	Martin, Nathanael M.	Sergeant	2/23/2015	54/365	\$4,260.27
242	Newton, Joseph B.	Sergeant	2/23/2015	54/365	\$4,260.27
212	Nosich, Timothy M.	1st Class Officer	2/23/2015	54/365	\$4,260.27
253	Oberc, Bryan J.	Sergeant	2/23/2015	54/365	\$4,260.27
206	Pacheco, Joseph G.	1st Class Officer	2/23/2015	54/365	\$4,260.27
221	Peirick, John T.	Sergeant	2/23/2015	54/365	\$4,260.27
249	Rodriguez, Joseph G.	1st Class Officer	2/23/2015	54/365	\$4,260.27
266	Scheffel, Brett J.	1st Class Officer	2/23/2015	54/365	\$4,260.27
236	Schweitzer, Raymond J.	Sergeant	2/23/2015	54/365	\$4,260.27
261	Silsby, Michael D.	1st Class Officer	2/23/2015	54/365	\$4,260.27
262	Van Schouwen, Marshall J.	1st Class Officer	2/23/2015	54/365	\$4,260.27
207	Wells, Joseph M.	1st Class Officer	2/23/2015	54/365	\$4,260.27
			Anticipated Promotion Date:		
250	Lemmons, Spencer T.	2nd Class Officer	7/22/2015	203/365	\$2,219.18
248	Meyers, David R.	2nd Class Officer	7/22/2015	203/365	\$2,219.18
252	Niven, Tyler M.	2nd Class Officer	7/22/2015	203/365	\$2,219.18
267	Padilla, Omar	2nd Class Officer	11/25/2015	322/365	\$589.04

\$130,794.52