

Townships want to see 'true costs' of fire contracts

By Lori Carlson

Created 09/25/2010 - 6:00am

By Lori Carlson, Editor

Township officials say they might be paying too much for fire services. Prior Lake leaders say if the townships knew the “true costs” of providing those services, they might be surprised.

For decades, Credit River and Spring Lake townships have had agreements with the city of Prior Lake for fire department services. Currently, the city uses a complex funding formula partly based on tax capacity and valuation to come up with the townships' contributions.

But recent questioning by members of both township boards has led to the city agreeing to an addendum to the contracts. The addendum would require the city to show “actual costs” – including any and all expenses relating to carrying out the fire contracts.

Township leaders believe that will lead to more fairness in charging townships for the services. But city leaders say the “actual costs” scenario might end up costing townships more. City Manager Frank Boyles said the city incurs other expenses that don't currently get charged to the townships, such as administrative costs and maintenance of fire equipment.

“Historically, there's some stuff we have not included in the costs, such as annual maintenance on millions of dollars worth of fire engines,” Boyles said.

For 2010, Credit River Township will pay the city about \$218,000 for fire services. Spring Lake Township will pay about \$136,000. The townships pay in two annual installments.

Spring Lake Township leaders said that in 2009, they paid the city based on an \$877,000 fire department budget, but the Prior Lake Fire Department only spent \$593,000. Township officials have started asking where the rest of that money has gone.

Brent Lawrence, vice chairman of the Credit River Township Board, said the board values the fire services and is not upset about having to pay for them. But as he found out in a June meeting with the city's finance director and fire chief, the city sometimes ends up with money left over after the township payments.

“It raised a little bit of a red flag,” said Glenn Kelley, supervisor on the Spring Lake Township Board.

Boyles confirmed that the left over money has gone into the city's general fund reserve. But he said he reminded township officials that the city is not charging them for everything it could be.

“My question to them was, ‘Why should you get a credit when you're not paying all of the costs?’” Boyles said.

Of the 390 calls Prior Lake firefighters responded to in 2009, 70 calls were in Credit River Township and 61 calls were in Spring Lake Township. However, “we have never based it on number of calls,” Boyles said.

Boyles said the city is aiming to have a complete list of costs available by Jan. 1, when the addendum would be effective, to coincide with the townships’ 2011 budget year. The addendum also would include a way for townships to be credited if the annual actual costs are lower than initially calculated. It also would allow the city to charge the townships more if the costs are more than originally expected.

At a Sept. 7 workshop, Prior Lake City Council members said they think the “actual costs” breakdown could be eye-opening for township officials, who originally had suggested renegotiating their contracts with the city.

“Townships would see how much extra is paid for, and any negotiations would be over,” Councilman Richard Keeney said.

Mayor Mike Myser said a full breakdown of costs actually could be beneficial for everyone.

“We aren’t fully costing our fire department,” Myser said. “The issue is about fairness and transparency.”

Lawrence maintains that seeing the “actuals” will give Credit River Township a better idea of what it’s paying for.

“This is the biggest line item in our budget,” Lawrence said. “It’s a hard one for us and our residents to understand. But at the same time, we certainly want to pay our fair share. We just don’t want to pay more than our fair share.”

Both townships have had preliminary talks about starting their own fire departments or joining together to create one department. But at Spring Lake Township’s annual meeting in March, board supervisors and residents had concerns about high startup costs and equipment purchases. No one associated with either township wants to go on record supporting plans for a separate fire department until more research is done.

“It’s an interesting concept that we will certainly look into,” Lawrence said. “There are some numbers we’re looking at just to understand what some of the costs might be.”

Credit River Township has about two years left on its most current contract with the city. Spring Lake Township is in the second year of a five-year contract renewal.

Township and city leaders agree that having townships pay on all of the costs could result in a more equitable relationship. Even if the townships end up paying more in some years, Lawrence said, representing actual costs is a more transparent way of charging for services.

“We want to have a good relationship with the city. We aren’t mad about the amounts – we just want to make sure it’s fair,” Lawrence said.

Township and city officials will continue to meet to talk about an addendum to the agreements in the coming months, Boyles said.

Added Kelley: “We have a responsibility to watch the township’s money. It’s a pretty complicated formula that’s being used right now. We would like to close the gap a little bit, and we’d like to have a seat at the table more than we have in the past.”

Lori Carlson can be reached at (952) 345-6378 or editor@plamerican.com [2].