

**Statement of John Stuermer
on Behalf of**

**TN911
and
Hamilton County Emergency Communications District**

**Before the
TACIR Commission Panel
On the
E911 Study**

December 6, 2016

Good morning Mr. Chairman and committee members. My name is John Stuermer. I serve as the Executive Director for the Hamilton County Emergency Communications District and have served in that capacity for twelve (12) years. Prior to my current position, I served over 26 years with the Chattanooga Police Department where I retired as the Captain over all investigative services. I have been a member of NENA, the National Emergency Number Association, and APCO, the Association of Public-Safety Communications Officials, for twelve (12) years as well as an active member of TENA, the Tennessee Emergency Number Association. Additionally, the Hamilton County Emergency Communications District is a member of TN911, for which I serve as the Chairman of the Board.

Hamilton County Emergency Communications District, through contract with municipalities in Hamilton County, manages a full service unified emergency communications center. We are very proud of the fact that our unified emergency communications center provides all call taking and dispatching services for twenty-seven (27) public safety agencies, which includes Police, Fire, EMS and Emergency Services. The emergency communications center receives approximately 650,000 calls for service annually.

The Hamilton County District is committed to ensuring that citizens living in and traveling throughout our District are afforded access to the highest level of service in the delivery of an emergency call for service to the first responders. We strongly believe that it is our duty and responsibility to ensure that all emergency calls are delivered to the first responders in the quickest and most reliable manner. The rapid and successful completion of these calls for help can mean the difference between recovering from an injury or life and death, as well as the preservation of property.

It is for these reasons that I appear before you today, on behalf of the Hamilton County District and TN911, to discuss the current status of E9-1-1 in Tennessee, the challenges facing our life saving industry and to assist in establishing a plan that ensures that adequate funding is provided in Tennessee to meet the operational needs of today and the future for life saving 911 services.

I would like to thank you for the opportunity to participate in the process for what I believe to be a critical and pivotal point for 911 services in Tennessee.

As we look back over the history of 911, we see a significant evolution since its inception. Advancements in technology have greatly impacted our industry, with increased demands in both equipment and levels of services, as well as increases in our citizen's expectations of services. In the early days, 911 systems focused solely on the routing of a 911 call to the proper local PSAPs. Back then, most emergency service agencies dispatched out of independent dispatch centers, worked off independent radio frequencies and utilized independent CAD systems, or Computer Aided Dispatch system, IF a CAD system was even available.

As advanced technologies emerged, 911 industry standards and public expectations evolved accordingly. Improved technologies have made it possible for multiple agencies to work off of one CAD system, instead of independent CAD systems, which improved the interoperability of multi-agency responses. Advances in GIS and Mapping technologies brought enhancements for identifying caller locations on maps. Other technologies such as Mobile CAD, Net Clocks, Recording Systems, Uninterrupted Power Systems (UPS), texting-to-911, Automated Secure Alarm Protocol or ASAP, access to remote surveillance cameras from CAD mapping, as well as redundant and backup systems have all brought additional enhancements to our 911 systems.

All of the aforementioned advancements, as well as others, have made significant contributions to 911 services. Each one enhancing the ability to quickly and reliably identify the location of a 911 caller while facilitating the rapid and accurate delivery of emergency call information to the proper emergency responders. Many of these cases include multiple first responder disciplines as well as multiple agencies. This is the ultimate goal of the life saving 911 services. However, these advancements come with increased costs to 911 service providers due to increases in equipment purchases as well as the associated costs for maintenance and replacement.

911 service providers across the United States, including those in Tennessee, are faced with troubling and uncertain times in how to maintain and provide this critical life saving service in light of increasing operational costs with revenues not meeting those cost increases.

Between 2005 and 2010, Emergency Communications Districts in Tennessee began to experience declining revenues as customers transitioned from the old standard landline service to the newer technology of cellular service, which had lower statewide surcharge rates. This transition was noted on several occasions in TACIRs 2010 report on *E-911 Emergency Communications Funding in Tennessee*. Then in 2012 many Districts across the state were thrust into potential financial distress due to yet another technology driven change in the telecommunications industry. This occurred as a result of one telecommunications carrier moving its customers from standard landlines delivery to VoIP delivery, with VoIP having a significantly lower statewide surcharge rate.

Facing the reality of a funding crisis, select districts came together and formed TN911 to focus on working with the General Assembly and stakeholders to address the issue.

In 2014 the Tennessee Legislature took action on behalf of 911 Districts to correct the disparate surcharge rates for different technologies with the passing of the *911 Funding Modernization and IP Transitions Act of 2014*. This bill stabilized 911 surcharge funding through the establishment of a single and uniform statewide 911 surcharge rate for all devices. The funding model established in this bill is considered by many states as the model for future 911 funding to address the constant changes in technologies and the method for which customers access 911 services.

While the *911 Funding Modernization and IP Transitions Act of 2014* very effectively addressed the problem of stabilizing 911 funding between changing technologies, many in our industry had concerns with the new surcharge rate as established in the bill. The General Assembly established in 1998 that surcharge rates of \$1.50 and \$3.00 for residential and business landlines, respectively, were reasonable and appropriate for the funding of 911 services at that time. With many districts already at these rates and experiencing financial difficulties there were very real concerns on how the new statewide surcharge rate of \$1.16, which is significantly under the previous rates, could meet the current and future needs of 911 in Tennessee.

Early reports clearly indicate that the \$1.16 surcharge rate does not meet current funding needs, let alone provide for what we know will be increased financial needs of the future. The financial well being of a district is measured by its ability to fiscally maintain a positive change in net assets, or annual revenue being more than expenses. The Tennessee Emergency Communications Board (TECB) reports that Fiscal Year 2015 district audits show 21% of districts in Tennessee reported their first year of negative net assets changes, with an additional 10% of districts in Tennessee reporting their second year of negative changes. The report that 31% of the 911 districts in Tennessee were in a negative financial status is an unprecedented and extremely disturbing indicator as to the financial stability of 911 in Tennessee under the current surcharge rate.

To provide a more granular picture on the financial impact of the current surcharge rate I would like to provide some financial data from my district. The new surcharge rate was effective January 2015 which is the second half of Fiscal Year 2015. Under the new rate Hamilton County District revenue collections for the second half of Fiscal Year 2015 were approximately \$374,000 less than the first half of that fiscal year under the old rate. Fiscal Year 2016 audit report reflects that Hamilton County revenue collections were approximately \$276,000 less than Fiscal Year 2015. Additionally, Fiscal Year 2016 revenue collections, the first full year under the new rate, were equivalent to those for 2011 and below collections for 2013, 2014, and 2015.

While Hamilton County has been very fortunate to not realize the negative change in assets that is impacting 31% of the districts in Tennessee, it and many other districts

across the state are teetering on the financial edge of not being able to meet today's demands and operational costs.

Let me be very clear, the financial problems being experienced by districts statewide are not due to mismanagement of funds. Quite the contrary, directors across the state are doing an extraordinary job managing budgets considering the financial constraints they are working under. Unfortunately the reduction of expenses that directors are taking to maintain a balanced budget comes with very real consequences. Districts, including Hamilton County, have been forced to reduce or not budget positions, place a hiring freeze for open positions as well as postpone the purchase or upgrade of essential equipment. All of these have a very direct and negative impact on a districts ability to effectively provide life saving 911 services for their community.

The Hamilton County, as well as many other districts, has demonstrated a very pressing need for a new communications center. However, across the state the proposals for new centers have been placed on hold as the district's current and projected future revenues do not provide sufficient funding for the much needed new centers.

To put it plainly, 911 in Tennessee is at a cross road.

The facts clearly demonstrate that the current surcharge rate does not generate adequate revenue to cover the costs of services, equipment, maintenance, and improvements needed to provide a uniform, stable and effective statewide 911 system. Changes in technology and public safety operational practices have pulled 9-1-1 services into new areas of operations in which the public demands that we provide quick and reliable service in support of emergency responses. If a uniform, stable and effective statewide 911 system which meets the expectations and demands of our citizens is the goal for Tennessee, it is imperative that a uniform statewide standard for this life saving service be established.

Recent incidents across our country, starting with 9/11, have highlighted the critical roles that emergency communications centers play in public safety emergency responses. Every emergency response begins with and ends at a public safety emergency communications center.

The question that Tennessee must address is does the original 1984 definition of 911, that being the cost and equipment for simply routing a 911 call to the proper answer point, still hold true for today?

Many in the industry do not believe so. Many hold that through changes in technologies, changes in the expectations of our citizens and changes in national standards for public safety emergency responses, 911 and public safety emergency communications have in fact become one and the same. This is supported by our industry's national organizations, APCO and NENA, as reflected through their recommended operational protocols and training curriculum.

Tennessee must determine and clarify how 911 fits into today's public safety emergency communications and then determine how to fund that role statewide. The questions that must be defined are: What is 9-1-1's role in relation to public safety emergency communications? Is 9-1-1 just the routing of the call to an answering point or does it encompass call taking and dispatching? Should there be established minimum levels of training and certifications with the ability to enforce those standards? Should there be minimum staffing levels? Should standards apply to all public safety communications centers statewide, not just ECDs, to provide true continuity of services? What should TECBs role be in advancing the uniformity of services statewide? This study and the establishing of a new surcharge rate will be an act of futility without first defining the standard for a uniform statewide 911 system in Tennessee, as that standard directly affects the amount of funding needed to support that system statewide.

I would like to address an area related to the financial status of districts that I believe is often misunderstood and results in misconceptions of a district's true financial status, that being a district's operational reserves. I believe we have all at one time or another heard someone say that the districts could not be in financial trouble because they have large reserves. This could not be further from the truth and is often spoken from a lack of understanding of the structure of districts.

It is important to recognize, the Tennessee General Assembly established Emergency Communication Districts under the same guidelines and requirements of public utilities. Those guidelines were established to ensure that critical public services were managed and funded in a manner that ensured financial stability for ongoing and future

operations. As such, operational reserves play a critical component of the district's financial status and are managed in a different manner than the reserves of other governmental entities. While the designation and amounts of operations revenues will vary between districts, operational reserves in general can be comprised of four categories. Those reserve categories are for: (1) replacement of assets, (2) emergency funding for continuity of services, (3) risk management funding as well as (4) future operational and capital investments.

A large part of operational reserves are mandated and reserved for the future replacement of assets. As a critical public service, districts are required to include in their operational budget the annual depreciation and amortization cost of assets to ensure that funding is available to replace those assets at end of life. In Fiscal Year 2016 Hamilton County had approximately \$14 million invested in capital assets with approximately \$5.9 million in reserves towards the future replacement of those assets.

While the requirement to annually budget deprecation costs is necessary to ensure the future availability of funds for the replacement of assets, it also reduces the amount of revenue that is available for district's annual operational needs. As districts are required to purchase more and more equipment and services to meet the demands from new technologies, the associated increase in depreciation for those purchases further reduces funds available to support general operations. For Fiscal Year 2017 Hamilton County depreciation and amortization is approximately \$1.1 million, thus reducing revenue available for annual operational needs in that same amount.

In the past, funding levels provided the ability for Hamilton County and other districts to build and USE their operational reserves for capital projects. That is not the case today. Due to revenues not matching the increased cost of operations, districts are now fighting to maintain razor thin balanced budgets. These financial constraints prevent districts from using reserve funds for needed capital purchases, even when reserve funds are available, as the associated annual depreciation expense would push the districts into negative operational budgets.

Another critical part of a district's operational reserves is the designation of emergency funds to ensure on-going continuity of services. As with utilities, districts are financially autonomous from other government entities. As such a district should maintain

sufficient reserve funds to ensure continued operations in the event of revenue shortages. Unfortunately this is not the case for the vast majority of districts across the state. Most districts have little or no emergency funds available to support financial continuity of these life saving services.

Funds for future operational expenses and capital investments are another important component of operational reserves. Technology is constantly and rapidly changing, bringing with it new challenges for districts. Funds to meet those future challenges are necessary to make it possible for districts to continue providing of this life saving service in a reliable and rapid manner to our citizens.

THE BOTTOM LINE IS THIS - To ensure that a statewide 911 system is uniform, stable and effective, it is imperative that ALL districts in the state have sufficient reserves to meet new challenges.

As you can see, operational reserves play a critical part in a district's financial stability and wellness. It is imperative that these reserves are in place and considered as essential to the on-going operations of a district, not as excess funds that are available for daily operational expenses. The troubling fact is that most districts in Tennessee, including Hamilton County, do not have reserve funds to meet these basic needs for a financially sound operational reserve.

While it is vital that an adequate surcharge rate is in place to meet the financial demands of districts for today and the near future, it is equally important to have a responsive and timely process in place to adjust rates to support future financial challenges that districts will face. While districts are established under the laws and operational guidelines of utilities, which includes the requirement that they must be financially self-supporting, 911 districts are the ONLY entities under utility guidelines for which the revenue rate is set and limited by law. All other utilities have the ability to submit a request to an oversight board for a rate increase to ensure their financial health for the continued delivery of service. 911 districts need this same capability to provide for responsive and timely increases in surcharge rates. The Tennessee Emergency Communications Board or TECB is an established and capable entity that is available to correct this problem. The General Assembly could task this board with the

oversight role of evaluating and authorizing changes in 911 surcharge rates to ensure the self-supporting financial health of the state's life saving 911 systems.

In conclusion, as I stated previously, we believe 911 in Tennessee is at a critical crossroad. Our state has historically been considered a leader in the 911 industry for providing modern and high quality 911 services. However, significant changes in technologies and public safety emergency response protocols have changed the role of 911 in public safety emergency communications. If Tennessee is going to remain on the forefront of providing these life saving services to our citizens then it must define the uniform standard by which a contemporary and modern 911 system in Tennessee is to operate statewide and then ensure adequate funding is provided to support that standard statewide at all levels.

Thank you for your time and the opportunity to be here. I look forward to answering any questions you have on this very important matter.