

Article IV Alarm Systems Revision Request

The alarm application and renewal process is managed by the Police Department with assistance from the Finance Department. For over 25 years the application fee has remained at \$25 and the annual renewal fee at \$10. The process includes a great deal of staff hours both from the Police Department and the Finance Department.

Our current registered residential and commercial alarm customers number approximately 5700. Much of the time devoted to the process is with the renewal effort. The Police and Finance Departments have been researching ways to make the alarm registration process more efficient while maintaining a quality level of customer service. There has been a drastic decline in recent years in the return of the renewal requests and payments as seen below:

2019 – 5199 sent; 4375 paid (84% return)

2020 – 5523 sent; 4110 paid (74% return)

2021 – 5745 sent; 3265 paid (57% return)

The current renewal process requires a large mass mailing to registered system owners. The steps taken to produce this mailing and to process the resulting payments require about \$6,000 of staff time each year, and an additional \$3,700 in postage and envelopes for a total estimated cost of approximately \$9,700.

We are proposing to eliminate the renewal process of the alarm program. If we were to stop the renewal process we would lose approximately \$32,000 in annual renewal fees. However, we would propose an increase in the initial application fee from \$25 to \$50, thereby offsetting some of the lost renewal fees.

All existing customers would be grandfathered in and only the new applicants would be required to pay the new fee of \$50. This would be considered a one time or lifetime fee for the existing owner or alarm subscriber. An online system will be put in place to collect any updated information from alarm system users.

There has been a steady decline in new alarm registrations. This can be attributed primarily to new technology such as Ring, Nest, and other brands of doorbell cameras. The new technologies have made it very easy for homeowners to monitor their own homes while away. Below is a snapshot of the last three years of new applicants:

2019 - 323

2020 - 318

2021 – 222

By increasing the alarm registrations to \$50 and removing the annual alarm renewal, the revenue would drop significantly, but the offset in employee man hours would create a near revenue neutral scenario. Below is a simple illustration of % revenue drop if the registration would have been \$50 and no annual renewal during the previous three years:

2019 – 69%

2020 – 68%

2021 - 71%

Below is the actual impact in dollars comparing the last three years to if we eliminated annual renewals and increased the application fee to \$50:

2019 (\$51,825 to \$16,150)

2020 (\$48,950 to \$15,900)

2021 (\$38,200 to \$11,100)

In conclusion, the trend is clear that alarm users in the city of Lee's Summit for both new applicants and renewing customers is declining. We concede that the suggested change comes with a noted revenue loss. However, it is a near neutral loss when compared to the current employee resources and postal expenses used to complete the process. Additionally, there would be no loss in customer service. This process would fall in line with other city fee structures that offer a one time or lifetime fee option.