

**CITY OF DANA POINT
AGENDA REPORT**

Reviewed By:	
DH	<u> X </u>
CM	<u> X </u>
CA	<u> </u>

DATE: AUGUST 29, 2017
TO: FINANCIAL REVIEW COMMITTEE
FROM: MARK DENNY, CITY MANAGER
SUBJECT: SHERRIF'S DEPARTMENT EFFICIENCY STUDY

RECOMMENDED ACTION:

That the Financial Review Committee Receive and File.

BACKGROUND:

At the request of Chair Porter, Staff has provided a Supporting Document A, the draft Scope of Work for a study to assess opportunities for further efficiencies in the Orange County Sheriff's contracts for police services to cities.

Following meetings with Sheriff Hutchens and Supervisor Lisa Bartlett, leadership from the cities that contract with the Sheriff's Department initiated an effort to have an independent third party review and analyze the existing Agreement model, cost assumptions, methodologies and allocations, and cost-benefit of certain programs provided under the contract.

A copy of the draft Scope of Work for the study is attached for reference.

The City Council will consider the Scope and a draft Memorandum of Understanding between the cities to facilitate and allocate costs for the work at its September 19, 2017 meeting.

FISCAL IMPACT:

None

ALTERNATIVE ACTIONS:

None

ACTION DOCUMENTS:

None

SUPPORTING DOCUMENTS:

PAGE #:

- A. DRAFT Scope of Work Orange County Sheriff-Coroner Department's Law Enforcement Cost and Efficiency Study.....3

SUPPORTING DOCUMENT A**SCOPE OF WORK****ORANGE COUNTY SHERIFF-CORONER DEPARTMENT'S LAW ENFORCEMENT
COST AND EFFICIENCY STUDY****BACKGROUND**

Thirteen cities currently contract with the Orange County Sheriff-Coroner Department (OCSD) for law enforcement services:

- Aliso Viejo
- Dana Point
- Laguna Hills
- Laguna Niguel
- Laguna Woods
- Lake Forest
- Mission Viejo
- Rancho Santa Margarita
- San Clemente
- San Juan Capistrano
- Stanton
- Villa Park
- Yorba Linda

OCSD services the contract cities over three patrol areas; North Patrol, Southeast Patrol, and Southwest patrol.

Over the last ten fiscal years, costs charged by OCSD for law enforcement services have increased on average by 33%, with approximately 26% of the increase occurring in the last five years. During the last four fiscal years, average growth in contract costs has ranged from 5.69% to 7.40% where prior years experienced growth ranging from 0.31% to 3.00%.

While contract costs may change due to changes in service hours in a given year or changes in staffing levels requested by the contracting City, most changes to cost are not within a contracting City's control. Most changes are within the control of the Orange County Board of Supervisors (BOS), OCSD, other County agencies such as the County's Auditor Controller or Risk Management Unit, and agencies outside the County such as the Orange County Employees Retirement System (OCERS). The primary driver of increased costs over time has been increases in salaries and benefits. New programs implemented by OCSD have also impacted direct charges and allocated overhead.

The cost model used by OCSD was developed prior to 2002 with minimal changes until approximately 2006 to 2008 when allocations for new programs or modifications for changes to existing programs began to be implemented. Changes include (but are not limited to) charges for Patrol Video Systems (PVS), addition of the Field Training Bureau, addition of the Southeast Substation including addition of positions, addition to Command Staff impacting allocated overhead.

Costs for certain services have seen significant growth including salaries and benefits, enhanced helicopter services, and increased overhead costs being allocated to contract cities. At the same time, credits to cities from citation revenues have significantly decreased. The average rate of cost increases over the last four years (5.69%, 6.83%, 6.81 %, and 7.40%) significantly outpace growth in cities' revenues and changes in the

Consumer Price Index for All Urban Consumers (CPI_U) for the region. Cost increases at current rates are no longer sustainable. Cities are looking to partner with OCSD and the County of Orange to develop solutions toward stabilizing costs while continuing the quality service that OCSD is known for.

It is understood and agreed that the protection of our region, and each City specifically, is the primary role of government. To that end, the attraction, and more vital, the retention of top quality law enforcement personnel is of primary importance. Yet, costs must balance the ability to afford the expected service levels.

OBJECTIVE

All thirteen cities contracting with OCSD for law enforcement services desire to gain a more detailed understanding of the trends and issues resulting in annual increases in the cost of service, which continue to exceed 5% on an ongoing basis. The County leadership, including our Sheriff and County of Orange Executive Staff, also support the completion of this exercise. To this end, the cities desire to understand the underlying methodology of calculating and allocating specific costs and revenues charged or credited by OCSD to the contract cities.

SCOPE OF WORK

Project tasks shall include, but are not necessarily limited to, the following. If the Proposer feels that additional tasks are warranted, they must be clearly identified in the proposal. The Proposer is encouraged to recommend other tasks that it deems appropriate to achieve the objectives set forth in this RFP.

1. Meet with cities to understand their concerns related to the cost of law enforcement services.
2. Review the current internal cost study (compliant with Title 2, Code of Federal Regulations, Part 225 Cost Principles for State, Local and Indian Tribal Governments) and document changes occurring over the last ten years that have had significant impact (1% or more) on law enforcement costs charged to contract cities. Changes may include operational changes, rate changes, and changes to cost capture and allocation methodologies.
3. Review a copy of Orange County Board of Supervisors Resolution No. 89-1160 dated August 8, 1989, directing the Sheriff-Coroner as to what services are to be provided county-wide to all Orange County cities at no-cost, and allowing recovery of costs from contract cities to the extent that the level-of-service requested by the city is greater than that given to other Orange County cities free-of-charge.
4. For services received by cities per Resolution No. 89-1160 (per item 3 above), meet with OCSD staff to gain an understanding of how OCSD defines when contract cities are provided greater service than given to other Orange County cities. Document

how the OCSD defines when a city "requests" greater service, and how OCSD tracks or monitors usage.

5. Review and document the methodology used to measure and allocate costs for significant changes (as identified in item 2 above), and other programs as summarized below:
 - a. Division, Department and County-wide overheads.
 - i. Are supervision, administrative and other costs related to units falling under Resolution No. 89-1160 removed from total overhead costs allocated?
 - ii. What has been the impact of increased staffing (both sworn and civilian) in overhead support units in terms of cost and performance? Have stated goals supporting staffing increases been met?
 - b. Substations serving North, Southeast, and Southwest patrol areas.
 - i. Is there opportunity to consolidate regional teams and share supervisory positions (e.g.: shared lieutenant and/or sergeants)?
 - ii. Are any costs included in the Southeast Substation operating lease capital in nature that should be charged through the Countywide Cost Allocation Plan (CWCAP) and not direct as an operating lease cost?
 - iii. Would it be feasible to allocate substation costs on a County-wide model versus the current regional model and what would be the cost impact on individual cities?
 - c. Helicopter Services.
 - i. What costs are included and excluded from helicopter services allocated?
 - ii. How have services provided and costs changed since the agreement with ABLE (a joint agreement for maintenance with the cities of Costa Mesa and Newport Beach) was discontinued?
 - iii. Has there been a change in philosophy in what is base level service over the last five years?
 - iv. Are calls for fire support, other law enforcement agency support, unincorporated support, etc. appropriately removed from city allocations?
 - v. Do flight logs, calls for services, and priority level of calls, support the enhanced services allocations?

- vi. Is there a more accurate methodology for allocating enhanced helicopter services, such as square miles covered, calls for service, or other method compared to allocating by the number of deputy FTEs (see item six below).
- d. Field Training Bureau.
 - i. Review program statistics for pass and fail rates for all participants broken out by first time and repeat participants since program inception.
 - ii. Determine the number of participants who drop out and do not return.
 - iii. Are program goals being met based on current statistics?
 - iv. Do program statistics justify all costs allocated as patrol training that should be allocated, and are allocation methods appropriate?
 - v. How do other County Sheriff operations (e.g.: Los Angeles, San Diego, Riverside, San Bernardino) allocate cost for training with contracting agencies?
 - e. General Liability and Workers Compensation Annual Insurance Costs.
 - i. Document the last five year history of annual costs charged to OCSD by the County Executive Office, Risk Management Unit.
 - ii. Document whether the impact of jail claims and patrol claims on costs can be segregated or reasonably estimated?
 - iii. Review claims over the last five years to determine if new programs are reducing risk and costs, e.g. do programs such as the Field Training Bureau appear to have a positive impact?
 - f. Traffic Citation Revenue.
 - i. Document the collection, reporting and allocation methods for citation revenues.
 - ii. Obtain traffic citation statistics for the last five years by city to include the number of citations issued and the value of fines charged.
 - iii. Obtain a list of collections and outstanding fines for the last five years.
 - iv. Review the statistics collected against revenues credited to cities to determine if allocations appear reasonable.
 - g. Cost of Sworn Staff.

- i. Confirm that sworn staff are charged to contract cities at top step.
 - ii. Determine if there is a more representative methodology of charging sworn staff to contract cities, such as an individual's actual rate of pay or an average rate of pay.
 - iii. Determine if retirement rates passed through appropriately reflect rates for new sworn staff subject to lower benefit retirement plans. Review rate calculations projected by the County Executive Office for reasonableness.
6. Identify potential alternatives to cost allocation methodologies for the programs identified in item five above and calculate an estimated cost impact to cities for identified alternatives.
 - a. Is there an alternative or more appropriate base of allocation (e.g. allocation based on number of calls or full-time equivalents assigned to a City, etc.)?
 - b. Is the calculation of credits for vacancies and overtime assumptions a fair methodology? How can this be refined to better show actual cost of services at the contract level?
7. Meet with OCSD contract and cost unit staff to determine new programs that may impact law enforcement costs over the next two to five years. Determine if there is a method to forecast potential costs impacts. Results might be a cost range, a percentage impact, or other method that will allow cities to plan for future increases.
8. Can efficiencies be found by consolidating the accounting, purchasing and human resources units between the OCSD and the County to reduce administrative overhead costs?
9. An optional direct purchase position under the Agreement is the School Resource Officer (SRO). Some of the cities purchase this position, some share the cost of an SRO with other cities and a few cities have opted not to purchase an SRO. The number of SROs purchased by each city varies. As an alternative to the current structure, determine if an optional, regional/shared staffing approach could achieve operational and staffing efficiencies and cost savings.
10. The Sheriff offers a Drug Enforcement Team (DET) as an optional program. If a city opts into the program, then they are required to assign one of their DSII Patrol deputies to the DET team and are charged their pro rata share of one DET Sergeant and one DET Investigator. Calculate the total cost of the DET program and evaluate its effectiveness and determine if the program justifies the assignment of a DSII Patrol Deputy as opposed to reassigning the DSII Patrol Deputy to the normal patrol complement.

11. As an alternative to the current DET program structure, determine if Deputy staffing of the DET team should fall under the regional/shared staffing approach and if this could achieve operational and staffing efficiencies and cost savings.
12. Under the current contract model, Investigators are direct purchase positions and each city is required to purchase Investigators. The number of Investigators purchased by each city varies. Supervision of Investigators is not included in the regional/shared staff, but is instead allocated under Division Overhead. As an alternative to the current structure, determine if a regional/shared staffing approach could achieve operational and staffing efficiencies and cost savings.
13. Provide samples of various County Contract models for consideration by the group. Provide comments for discussion if other models value review and potential for consideration.

The successful respondent shall be required to retain all working papers and related supporting documents, including records of professional time spent, for a period of five years after delivery of the required reports, unless notified in writing by City of Mission Viejo of the need to extend the retention period. The Proposer further agrees to allow City of Mission Viejo staff to review such documents upon written request at any time during the retention period.

(END OF SCOPE OF WORK)

SUPPORTING DOCUMENT A – Provided by Chair Porter

EXHIBIT B

**Orange County Sheriff-Coroner Department's
Contract Law Enforcement Cost and Efficiency Study**

Cost Allocation Summary

Estimated Costs: \$ 300,000

City	Population*	Population %	Pro-Rata Cost Share
Aliso Viejo	50,312	7.81%	\$ 23,417.59
Dana Point	33,699	5.23%	\$ 15,685.12
Laguna Hills	31,544	4.89%	\$ 14,682.08
Laguna Niguel	66,689	10.35%	\$ 31,040.23
Laguna Woods	16,319	2.53%	\$ 7,595.64
Lake Forest	84,931	13.18%	\$ 39,530.92
Mission Viejo	96,763	15.01%	\$ 45,038.10
Rancho Santa Margarita	48,602	7.54%	\$ 22,621.68
San Clemente	65,975	10.24%	\$ 30,707.90
San Juan Capistrano	36,262	5.63%	\$ 16,878.06
Stanton	39,611	6.15%	\$ 18,436.84
Villa Park	5,944	0.92%	\$ 2,766.62
Yorba Linda	67,890	10.53%	\$ 31,599.23
Totals	644,541	100.00%	\$ 300,000.00

* - CA DOF Population Estimates as of 01/01/2017