



STAFF REPORT

Date: April 14, 2015
To: City Council
From: Bryan Montgomery, City Manager 
Paul Abelson, Finance Director

SUBJECT: Resolution Directing the City Manager to notify Contra Costa County of the City's Intention to Form its own Municipal Police Department and Electing Not to Extend its Contract with Contra Costa County when it would Typically Extend on July 1, 2015, thus Terminating the Contract on June 30, 2016, unless the Parties Agree to an Earlier Termination Date.

Background and Analysis

Since its Incorporation, the City of Oakley has formally contracted with the Contra Costa County Sheriff's Office for police services. At that time there were 17 sworn personnel at a cost of approximately \$2.5 million. Currently, there are 28 sworn personnel costing about \$8.2 million. The contractual arrangement with the Sheriff's Office has worked very well and the City has received a high quality level of service.

The ongoing analysis and discussion over the current contracting arrangement has not been about the quality of service, but about the ever-increasing cost of the service. Contra Costa County has over the last several years been allocating more and more of its unfunded liabilities cost on to the contract cities and the overall cost of the personnel benefits is significant, though there have been different tiers of benefits established that will likely reduce the benefit cost over time.

This table shows the increases in cost per top-step Deputy since 2008-09:

Fiscal Year	Cost per Deputy	Annual Increase	Cumulative Increase
2014/15	\$243,718	8.83%	33.10%
2013/14	\$223,953	4.62%	22.79%
2012/13	\$214,062	7.86%	17.37%
2011/12	\$198,462	3.33%	8.81%
2010/11	\$192,072	3.75%	5.31%
2009/10	\$185,120	1.50%	1.50%
2008/09	\$182,383		

In January of 2014, the City Council formally directed City Staff to commence a detailed analysis of the costs related to the police services contract and to explore alternative service delivery models. This direction was further confirmed as Action Item 6.f. in the current 2014-16 Strategic Plan.

Over the past year, Staff has been taking a measured and deliberate approach to gathering the necessary data, and exploring the options and opportunities that may be available regarding the very complex and critical delivery of police services. The goal was to present a comprehensive, actionable analysis offering the City Council the opportunity to evaluate and decide how to best proceed with the long-term delivery of these very critical services.

The key action items of police services analysis included the following:

1. **Defined the Objective:** The goal of the Study was to determine whether the City may be able to provide equal or improved police services at a lower cost than under the current County contract arrangement.
2. **Met and conferred with the Sheriff and other County officials:** the purpose of the meetings and other communications was to reassure the Sheriff of our continued satisfaction with the quality of services provided, but that the costs of the services were increasingly becoming a serious concern.
3. **Conducted a survey of other police departments:** we surveyed 27 other police agencies and identified how these agencies were providing (in-house or by contract) over 30 components of the police services function. Some of these components include staffing, records, training, recruitment and selection, investigations, dispatch, property/evidence, forensics, fleet maintenance, etc. In the process we identified a number of third-party providers for these services.
4. **Conducted preliminary organizational analyses:** with the data collected, we evaluated potential organizational structures and models for providing the police services functions. This analysis reviewed the common "hybrid" approach of providing some services in house and others by contracting with other entities.
5. **Met with other cities that have separated from County contracts:** We gleaned information from a number of cities that have adjusted their police services model over the years. Most notably we met with officials from the cities of San Ramon and Citrus Heights who separated from County contracts and went mostly in house.
6. **Contacted potential vendors:** we connected with over a dozen vendors (some other public entities) to assess the capacity for and the costs to provide these various services to Oakley.

7. **Further developed preliminary models for in-house and hybrid service delivery approaches:** this effort revisited potential organizational structures that would establish a mostly in-house arrangement, but with some services contracted out.
8. **Received input from experienced law enforcement professionals regarding organizational structures:** while some minor adjustments could be made, a preferred organizational chart was necessary to properly cost out the models.
9. **Contracted with compensation and benefits consultants:** this consultant team conducted a salary, benefits and overall compensation survey and also met in focus group settings with some of the existing Oakley officers. This effort assisted with the development of a strategic recruitment plan based on an initial compensation and benefits model that could be used should the City separate from the County.
10. **Identified and worked to quantify the risk transfer components that would occur if the City no longer contracted police services from the County:** there are a number of "back of house" services provided and the assumption of a significant amount of risk by the County as a part of the contract. Identifying those costs and the impact on the City organization has been a critical part of the analysis.
11. **Identified and estimated one-time conversion costs should the City separate from the County:** while almost all of the vehicles, equipment and other assets are already owned by the City, additional vehicles and equipment would need to be purchased, some office space re-worked and some "overlap" staffing brought on board prior to the separation to prepare for the transition.
12. **Prepared cost estimates comparing current costs with the County contract and the estimated costs of an in-house police department that contracts some services (most notably forensics and dispatch).** These cost estimates have been reviewed and re-reviewed several times and Staff believes we have a solid idea of what the costs will likely be to separate from the County contract.
13. **Conferred with the County once again to determine if they would consider any changes to the cost modeling.** We felt it important to ask once again if the County would consider adjustments to how the costs of services under the police services contract are calculated. We received formal word that such adjustments would not be considered; although a continued contractual relationship with the County for some services, as is done by many cities, is expected and Staff would be

meeting with the County staff, should the Council decide to separate from the County contract.

14. **Held Public Meetings and conducted other public outreach to discuss the ongoing analysis and to receive further public input.** Updates were provided at City Council Meetings during 2014 on January 14th, April 8th, August 12th, and on December 9th; City Council work sessions were held on February 10th, 24th and on March 10th of this year; supplemental public input sessions took place on February 25th and 26th; and, further public input was sought through social media, the City's website, the weekly F.Y.I., and the weekly *Oakley Outreach* email blast. Residents were also encouraged to email comments, suggestions and questions.

15. **A Preliminary "Meet and Confer" Meeting was held with sworn personnel currently assigned to Oakley and who would consider becoming a part of a newly-formed Oakley Police Department.** The purpose of this meeting was to discuss potential compensation and benefit plans that could be available if the City chooses to proceed with bringing the sworn personnel staffing "in-house." It is expected that a significant number of the existing staffing would want to become a part of a new municipal police department.

16. **The City Council provided direction at the March 10, 2015 City Council Meeting for City Staff to proceed with obtaining more firm cost estimates for the City-hybrid model.** These costs estimates were reviewed and confirmed and included the expected in-house cost e as well as the estimated costs for various services that are proposed to be contracted with third parties.

Budget Estimates

As has been discussed over the past few months, the analysis has indicated a significant savings by bringing the sworn personnel "in-house." Below is a comparison of the current year operational budget as it is with the County contract and the estimates of what it would cost utilizing the City-hybrid model where many services are contracted with other parties, but with the sworn personnel in-house:

<i>Expenditure Category</i>	FY 14/15 County Contract Model	Projected Equivalent City-Hybrid Model
Personnel Services	\$227,000	\$5,640,000
Contracted Services	\$8,160,000	\$1,700,000
Supplies	\$231,000	\$280,000
Other City Departments	\$0	\$300,000
TOTALS	\$8,618,000	\$7,920,000

There are some one-time, start-up costs that we can expect as a transition is made, but these costs are estimated to be roughly equal to one-year of cost savings. After the first year of operations, the City Council would then be able to identify how to best utilize the ongoing savings to improve community services, which could very well include the addition of police officers and/or other programs, projects or staffing that would enhance the police services function.

Summary

Oakley has been **very** well served over the years by the police services provided by the Contra Costa Sheriff's Office, and Oakley is blessed to be one of the safest cities in California. The desire to be able to afford to maintain and even increase this level of service has been the impetus and objective of the ongoing Police Services Study. Through thoughtful study, analysis, consultation and public discussion, it is evident that the City-Hybrid model provides the most effective way to proceed with the delivery of these critical services.

The attached resolution would provide the authorization to notify the County of the decision to separate from the County contract effective July 1, 2016 (or before if mutually agreed to with the County). If the resolution is adopted, County staffing would continue during the transition period; however, we would recruit/put into place the Oakley transition team and methodically take the steps necessary to form the municipal police department, utilizing the City-Hybrid model. For the most part, the transition will be seamless.

Recommendation

Adopt a resolution directing the City Manager to notify Contra Costa County of the City's decision to form its own municipal police department.

Attachments

1. Resolution
2. Public Input Summary regarding the Police Services Study

RESOLUTION NO. _____

RESOLUTION DIRECTING THE CITY MANAGER TO NOTIFY CONTRA COSTA COUNTY OF THE CITY'S INTENTION TO FORM ITS OWN MUNICIPAL POLICE DEPARTMENT AND ELECTING NOT TO EXTEND ITS CONTRACT WITH CONTRA COSTA COUNTY WHEN IT WOULD TYPICALLY EXTEND ON JULY 1, 2015, THUS TERMINATING THE CONTRACT ON JUNE 30, 2016, UNLESS THE PARTIES AGREE TO AN EARLIER TERMINATION DATE

WHEREAS, the City has contracted with the Contra Costa County Sheriff's Office for police services since its Incorporation under a comprehensive agreement; and

WHEREAS, the City has been very pleased with the police services received, but has become increasingly concerned over the costs of these services charged under the contract; and

WHEREAS, the City Council directed City staff to conduct a detailed analysis of the costs related to the police services contract and to explore alternative service delivery models; and

WHEREAS, the City Council has reviewed the analysis related to the police services contract compared to the costs of a mostly "in-house" municipal police department; and

WHEREAS, various work sessions and information sessions were held to provide the public an opportunity to learn more and voice its opinions regarding the provision of police services in Oakley; and

WHEREAS, additional discussions were held with the County to receive their input on the many considerations necessary for this analysis, and to determine what services the County would be willing to continue to provide, if requested by the City; and

WHEREAS, the City's analysis concludes that a mostly "in-house" municipal police department can provide the same or increased level of service at a lower cost than the current comprehensive police services contract with the County; and

WHEREAS, the City Council has made the finding that it is in the best interests of Oakley to form its own municipal police department and to separate from the existing police services contract with the County; and

WHEREAS, the contract automatically renews each July 1, unless either party gives notice of its intention not to renew at least one year in advance, although both parties can agree to an earlier termination.

NOW, THEREFORE, BE IT RESOLVED:

1. The City Council declares its intent to form a municipal police department and has determined to not extend the existing police services agreement with the County;

2. The City Manager is directed to notify the County and the Sheriff in writing that the City of Oakley will not be renewing the police services contract and that the police services provided by the County will terminate on June 30, 2016;

3. The City Manager is authorized to enter into a written agreement with the County and the Sheriff for an earlier termination of the contract, provided that the County's police services to Oakley shall not terminate prior to one year from the date of the adoption of this Resolution.

The foregoing resolution was passed and adopted at a regular meeting of the City Council of the City of Oakley held on the 14th day of April, 2015, by Councilmember _____, who moved its adoption, which motion being duly seconded by Councilmember _____, was upon voice vote carried and the resolution adopted by the following vote:

AYES:
NOES:
ABSTENTIONS:
ABSENT:

APPROVED:

Doug Hardcastle, Mayor

ATTEST:

Libby Vreonis, City Clerk Date

POLICE SERVICES STUDY

~ PUBLIC INPUT SUMMARY ~

Presented on March 10, 2015

Q: Doesn't Oakley already have a Police Department?

A: *Yes, the City does have a defined operational department for Police; however, the principal services of the Oakley Police Department are provided by the Contra Costa County Sheriff's Office for a fee paid by the City. To further explain, while some non-sworn staff members are City employees and the vehicles and equipment are owned by the City, the sworn police officers serving Oakley are actually County employees. The City has contracted with the County for these staffing services since its Incorporation. The County employees are well "embedded" in the City organization, wear City of Oakley uniforms, drive City-marked patrol vehicles, and use title of "police officer" instead of "deputy" which likely leads many residents to believe they are all City employees within the Oakley Police Department.*

Q: If things are going so well, why is this study being conducted?

A: *With the clear acknowledgement of how critical police services are to the community (really the highest priority of City operations), the City Council asked staff to conduct an analysis to determine whether, over the long-term, service levels can be better maintained financially by establishing a mostly "in-house" Police Department or by remaining with the County contract.*

While the services provided by the County have been outstanding, the costs of these services have increased dramatically over the last several years. In fact, this current fiscal year alone the County has increased costs by \$650,000 – just to maintain the existing service levels (i.e. these funds weren't to hire additional staff). These ever-increasing costs could threaten Oakley's ability to maintain, let alone improve, police services over time.

Q: What changes are being considered as a result of the Study?

A: *The potential change would be to establish a City Police Department where the police officers are City employees. Many components of the police services function would likely continue to be contracted out, such as dispatch, forensics, information systems and fleet maintenance; and there are several that might be better handled in house, such as records, evidence and property storage. This combination of City and contracted services is what we are calling a "hybrid" model.*

The Study has found that, due to what are essentially staffing overhead costs charged by the County, the City could save money by bringing the staffing component "in-house." While a portion of these savings would need to be used to offset some increased costs associated with supporting the in-house/hybrid operations, a portion could be used to better maintain and eventually improve police services. Most importantly, a key determination of the Study is that the ability to add police officers over time is greatly improved under the City hybrid model.

Q: Would the Sheriff's Office deputies currently serving in Oakley be given an opportunity to work with the City should the City break away from the County contract?

A: Absolutely. We believe that many of these deputies currently serving, as well as many of those that have previously served in Oakley, will want to become part of the in-house Police Department. The goal is to provide a compensation and benefits package that will attract and retain these quality officers.

Q: What would the compensation and benefits package be if the City hired its own police officers?

A: To help prepare a draft package, the City hired an experienced set of consultants that surveyed other cities and also met with some of the existing staff in focus group settings. The cost estimates that have been prepared include competitive salaries and benefits, including common and appropriate public safety related pay differentials. Some adjustments to the overall package are still likely and the package wouldn't be finalized until the required meet and confer activities take place with staff and final agreements with other service providers are reached.

Q: Would the hire of self-sponsored recruits save the City money (the City would not have to pay for the training, as the recruit would already have paid for academy costs)?

A: Over time, these types of hires are possible and this approach could yield some cost-savings. It is the expectation; however, that the initial hires of police officers will be already-sworn and experienced police officers of varying ages.

Q: Will lateral officers be offered a 2.7@57 CALPERS retirement plan only, or can they grandfather from a 3@50 plan?

A: State law will not allow us to offer anything higher than the PERS 2.7 @ 57 retirement plan. We did evaluate a 401k type plan, but it appears that approach would be less attractive than even this lower PERS plan. Focus groups held with the existing offers indicated a strong preference of the PERS plan versus a 401k-type plan, even if it cost them more and guaranteed less. The fact that it was guaranteed was more important.

Q: How will dispatch/radio communications be handled if the City separated from the County contract?

A: The Study did not contemplate that the City would bring dispatch services in-house, but that we would continue contracting for those services with the County or another public agency. The County contracts with a number of other police agencies and there are several cities who offer contract dispatch services to other agencies to gain economies of scale (for example, the City of Antioch currently provides dispatch services to the City of Brentwood under an interagency contract). The County provides dispatch services to a number of agencies, as there are significant economies of scale in "regionalizing" these services.

Q: Are dispatch services included in the per officer cost in the current contract with the County?

A: No, these services are billed separately and are not wrapped up in to the per officer cost.

Q: What options exist for dispatch/communications services?

A: As mentioned above, there are a number of other police agencies that provide dispatch services and the City could contract with them or continue with the County. In fact, several agencies have expressed interest in contracting with us, should we want to pursue this further, and we remain interested in considering a contract to continue dispatch/communications services with the County. As far as how these options have been reflected in Staff's analysis, while costs have been estimated, no final agreements have been reached and won't be pursued unless the City Council directs Staff to proceed with the City-hybrid model.

Q: Would the Oakley Police Department share a dispatch radio channel with other cities?

A: We would contract dispatch services and as a member of the East Bay Regional Communications System, have a dedicated radio capacity within the System -- even in a contract with another public agency. The exact channel and with whom it might be shared would depend on the contract.

Q: Will the contracted services such as evidence, records, and maintenance be staffed full time by the same people?

A: With regard to records, property and evidence, our current model has the City hiring in-house civilian staff for these tasks, though we do have a couple other agencies that are willing to contract those services - the County may even be willing to continue this role.

Q: What changes would residents see if the City went with the hybrid model?

A: The residents would not really notice any change at all and the goal would be that the transition be as seamless as possible. Over time, we believe the City will be able to hire the additional officers needed to maintain or improve the police services provided to Oakley residents.

Q: What will happen to Bethel Island? Aren't they served by the Sheriff's Office?

A: Bethel Island is not part of the City of Oakley and would not be affected by any decision made by the City Council on this matter.

Q: What would be the consequences of not changing the way police services are delivered?

A: The fear is that with the rising costs under the current County contract model, the City would not be able to afford the additional police officers that will be needed to maintain or improve the services level in Oakley.

Q: Will the transition happen all at once or be phased?

A: If the City separated from the County contract, a formal notice would have to be sent to the County and the agreement stipulates a 12 month notice, though the County has indicated that a shorter time period is possible. The 12 months may very well be what is needed for the transition that would involve putting in place various contracts and recruiting and hiring personal. You could use the term "phases" to describe the various steps the City will need to take within the 12-month period to ensure a smooth transition, but ultimately the transition would occur on a single to be determined date.

Q: How will the City ensure a smooth transition of technology and communications services?

A: *As described above, the City would use the 12-month transition period to ensure the City is ready for the transition. The City already purchases, maintains and replaces the radios and computers used by the Department. New software or equipment to accommodate changes in contractors or services being brought in-house would be purchased, installed, and tested prior to the switchover date, and staff would be trained in their use, in advance of the switch over. The contract for dispatch services would be finalized early on in the transition period though would not be effective until the switch over.*

Q: Will the savings be earmarked for increasing police staff or will it go into the General Fund?

A: *The savings would go into the General Fund, and decisions on how to use the savings would be the City Council's through the public budget deliberations. We have already identified where some near term needs are for additional police staffing and we believe those would be the highest priorities. The savings could also be used for other priorities over time. While public safety is arguably the highest priority of City services, there are no promises currently being made to earmark these savings to any one type of expenditure or priority. For example, each year, when determining budget priorities, rather than using these savings solely for additional police staff, the City Council could allocate additional funds towards additional roadway maintenance, additional security cameras, radar signs, message trailers, neighborhood traffic calming measures, non-sworn police services officers, additional emphasis on neighborhood watch and similar programs, an expanded volunteer program, Community Emergency Response Team (CERT) training, or emergency preparedness efforts, all of which enhance public safety, but are generally performed by civilian staff or other City departments.*

Q: With roughly 30 different areas of service examined by City staff, are budgets and contracted vs. in-house costs for each area examined available for review?

A: *Estimates have been made for each of the identified areas, however, final agreements have not been reached and won't be unless direction is provided to move forward with the separation. The largest budget item is the staffing cost and those costs have been estimated but not finalized due to the required meet and confer negotiation process with the employees. Within a couple of months, a formal budget should be ready for the City Council's review and consideration during a public meeting.*

Q: Does the City have adequate office space to handle increases in staffing?

A: *Yes, there is expansion space within City Hall for the Police Department.*

Q: What would the staffing levels be under the City hybrid model?

A: *While adjustments could be made to specific titles and functions, the proposed organizational chart adds one additional police officer overall and one additional Police Services Assistant. The Department structure also includes two Lieutenant positions that currently do not exist in the County structure, and some non-sworn staff to help with administration and records. The proposed organizational chart can be viewed on the City's website at www.oakleyinfo.com There are impacts to other City departments (primarily Human Resources, Finance and Legal) with the City hybrid model and those estimated costs have been included in the analysis.*

Q: What about the 4850 workers compensation injury costs that are incurred if police officers are hurt while in the line of duty and cannot return to work in a timely manner?

A: We have accommodated in our cost estimates for the 4850 Workers Compensation injuries. The proposal is to set up a self-retention fund that would have funds available in the unfortunate situation of a longer-term injury.

Q: What are the estimated cost savings if the City left the County contract?

A: *Current and conservative estimates are that the City would save about \$600,000 per year under the City hybrid model. Initial transition costs are estimated to be about \$600,000, so it would be just one year to recover these one-time transition costs. Thereafter, the City Council could determine to utilize these savings to hire additional officers and/or provide other important community services.*

Q: Would any additional taxes or fees be charged if the City left the County contract?

A: *As stated above, the City hybrid model is expected to cost significantly less than the County model, so no additional taxes or fees are proposed. In fact, making the transition could very well avoid the need for additional taxes to pay for the additional police officers that will be needed over time. (Many cities have asked voters to increase sales tax or add a parcel tax for police services. This has not been contemplated and one reason for a transition would be to help avoid the need for additional taxes). There are police assessments currently charged to new development, and they have increased over the years, as they are indexed to the changes in County costs; future increases to those assessments are expected to be much smaller under the City hybrid model.*

Q: What about helicopter and other police-related services that the County currently provides to Oakley?

A: *They would all continue, without change. The Air Command Unit (helicopter) and Marine Patrol are two examples of services the County provides at no direct cost to all law enforcement agencies in the County (all residents in the County pay taxes to the County to help cover these costs). There are other mutual aid services that are provided at no-cost, and of course, other regional programs and services that the City currently participates in for a fee, all of which would continue, without change.*

Q: Why consider the transition now and is time of the essence?

A: *The Study has been ongoing now for over a year and there has not been any rush; however, the estimated cost savings are significant enough that further delays would only cost the City more money and potentially delay the time within which the City can add officers to match the City's growth. If the decision were made to leave the County contract, it is estimated that the transition time would be 12-14 months.*