



COUNTY ADMINISTRATOR  
220 NORTH MAIN STREET, P.O. BOX 8645  
ANN ARBOR, MICHIGAN 48107-8645  
(734) 222-6850  
FAX (734) 222-6715

TO: Felicia Brabec, Chair  
Ways & Means Committee

THROUGH: Verna J. McDaniel  
County Administrator

FROM: Jerry L. Clayton  
Sheriff

DATE: April 2, 2014

SUBJECT: Recommended Police Services 2016 – 2017 Price/Cost Metrics

**BOARD ACTION REQUESTED:**

It is requested the Board of Commissioners accept the recommendation from the Police Services Steering Committee (PSSC) and adopt the Police Services 2016 – 17 cost/price metrics. The recommended price is in alignment with the adopted 2014 – 2017 budget.

**BACKGROUND:**

The Sheriff's Office and the county have provided contract police services to local jurisdictions for well over three decades. The contracting methodology has changed and evolved during this time frame, resulting in the current architecture that is based in part on the Northwestern University Police Allocation Study, completed and presented to the Board of Commissioners in late 1999. A contracting entity would pay the county a set contract price per PSU and would receive a deputy as well as all necessary support to maintain that deputy on the road. Many operational issues were raised prior to and following implementation of the methodology that impacted the total costs of providing police services. There has been much analysis and review of these issues over the past decade by all parties involved that have led to adjustments in the methodology and cost calculations by the Board of Commissioners.

In 2008 the county implemented a significant revision to the methodology moving away from the PSU methodology and to an incremental cost model. A thorough review of all associated costs was completed and costs were categorized into the following categories: direct, indirect, overhead, county-wide general fund services and mandated services. Direct costs included those costs that were directly related to providing police services to contract communities with a typical 1:1 relationship with the number of deputies. Indirect costs included those necessary for sustaining the police service

operation that directly benefit the contract communities but you cannot “see” the benefits in the field. Overhead were those costs that support the Sheriff’s Police Services operations as a whole and are generally fixed, only changing if there were significant changes in the number of contracts. County-wide services are those service level agreements made by the Board of Commissioners through general fund allocations that are not dependent on the number of contracting entities. Mandated services included the other functions within the Office of the Sheriff. In this methodology, local jurisdictions would contract with the county on a per deputy basis, with the contract price including all direct costs and some indirect costs. The Board of Commissioners has adopted an annual price escalation from 2008 through 2011.

With the price being set, the issue remained as to the appropriate calculation of “Total Cost per Deputy”, which would then provide the amount the county pays above and beyond the contract price. Under the leadership of then-newly elected Sheriff Clayton, the Police Services Steering Committee formed the Financial Sub-Committee in early 2009 with the specific charge of reviewing the current financial methodology and base assumptions used in police service contracts. The Sheriff, the Sub-Committee, and County Administration have been significant partners throughout this process. The Sub-Committee chose not to focus on issues related to current county policy and did not alter the fundamental assumptions made in the original 2008 cost model. In the beginning the focus of the sub-committee was on understanding items within direct and indirect costs. The calculations were updated with the most current data available, including updated cost estimates for salaries, fringes and fleet. Changes in deployment were also reviewed. The Sub-Committee then moved into a review of the Overhead category, attempting to develop a new cost distribution between the county and contracting entities based on what overhead is truly fixed and what is related to contract policing.

The PSSC Financial Sub-Committee introduced three total cost scenarios to the full PSSC in October 2010. In all three scenarios, it was proposed that a portion of the overhead shifted from previously being outside the contracting entity cost categories to now being included as part of the total cost calculation. These scenarios were very similar to each other with only slightly different assumptions within the Overhead category. There was much discussion by the PSSC but general consensus that this was a reasonable approach to quantifying the Total Cost per Deputy.

On November 3, 2010 the PSSC adopted Scenario 3 to recommend it to the Board of Commissioners. This scenario was determined by the PSSC to be most closely in alignment with the county’s true fixed costs. It retained 100% of the Sheriff and Undersheriff in the county Overhead category as these positions would be retained regardless of the number of deputy contracts. Scenario 3 established the total 2011 cost for Direct & Indirect services including supervision at \$168,584 with an additional \$7,524 per deputy in Overhead. The 2011 contract price is \$150,594 for a current variance between cost and price of \$25,514 per contract deputy. These costs do not include the county’s general fund commitment for County-wide or Mandated Services. Due to this new calculation of total cost, it was also recommended that the county reinstate the Police Services Unit (PSU) terminology as every deputy under contract includes all necessary support within the cost.

On December 1, 2010 the Board of Commissioners by Resolution accepted the recommendation from the Police Services Steering Committee (PSSC) and adopted "Scenario 3 as the agreed upon calculation for the total cost of a Police Service Unit". This was a significant breakthrough in the discussions over the past several years and could not have been accomplished without the leadership by Sheriff Clayton and his Executive Team, and the cooperation and active participation of County Administration, the County Budget Office, and the Sheriff's Office contracting partners.

It was recognized at the time the new cost methodology was adopted that in these times of economic uncertainty for the county and the townships there would be great value in being able to provide predictability around price to aid in budget planning for all parties involved. It was also recognized that it would be necessary to find the balance between cost and price to develop a "win-win" for the county and contracting entities, and more importantly the community at large. Therefore the PSSC charged the PSSC Financial Sub-Committee with determining what would be a fair and equitable price for the contracting entities to pay for police services to the county.

In 2011 the Board of Commissioners adopted the cost/price metrics through 2015. This enabled our contracting partners to plan ahead with setting their own budgets, often on differing fiscal years from the county and allow ample time to calculate any necessary changes to millages.

#### **DISCUSSION:**

Substantial progress has been made towards resolving Police Service cost and price issues that have created dissension and plagued the county for years. The agreement on the cost methodology by the Board, the County and the PSSC has made it possible to establish long term contracts with our contracting partners. This allows better budget planning for the County and the contracting jurisdictions given that we are not all on the same fiscal year, also allows for ample time to plan any changes to millages.

In June of 2013, four cost scenarios were presented to the PSSC demonstrating potential changes in the cost using generalized assumptions. The POAM and COAM union contracts are up for negotiations in 2014 and 2015 respectively. While the cost methodology was not updated with any specific negotiations details, they were simply to provide a range of projected costs. The cost metric presented is currently utilizing salary and fringe projections provided by County Finance. No assumptions were made for salaries or fringes change in this cost metric in anticipation of any union negotiations.

The County Administrator presented the 2014 – 2017 budget to the Board Ways and Means committee on October 2, 2013. The recommended budget included revenue based on the 2014 PSU price of \$153,621 and the 2015 PSU price of \$155,157, set by the Board on June 1, 2011. The budget also included the assumption of a continued 1% Police Services revenue increase for 2016 and 2017. The Board of Commissioners adopted the 2014-17 Budget without making any changes to the Police Services revenue. The PSSC voted to align the price increase with this revenue assumption, setting the 2016 PSU price at \$156,709 and the 2017 PSU price at \$158,276. There will

also be an addition to the 2016 and 2017 prices for in-car printer replacement once total cost of ownership is determined.

**IMPACT ON HUMAN RESOURCES:**

None.

**IMPACT ON THE BUDGET:**

The Board of Commissioners adopted the price of a Police Services Unit (PSU) for 2016 and 2017 as part of the 2014 - 2017 budget planning process. The price for 2016 is set at \$156,709 and 2017 set at \$158,276. The proposed action will establish contract price through 2017, providing ample time to the contract local jurisdictions to plan for the cost of contracting for police services with the Washtenaw County Sheriff. The price represents a 1% increase from the previous year, this is also in alignment with the price increases that has taken place since 2013.

The increases in price for 79 PSU will result in an increase in revenue by \$122,608 in 2016 and \$123,793 in 2017. This increase was included in the budget adopted by the Board for 2014 - 2017.

The cost projections are estimates of costs in the future. The salaries align with current POAM and COAM union contracts. No assumptions were made for salaries or fringes change in this cost metric in anticipation of any union negotiations.

**IMPACT ON OTHER COUNTY DEPARTMENTS:**

The price analysis was completed in partnership with many local jurisdictions and will impact and benefit them as well as the entire community for years to come through the provision of quality cost-effective police services.

**CONFORMITY TO COUNTY POLICIES:**

This request conforms to Washtenaw County policies.

**ATTACHMENTS/APPENDICES:**

Police Services 2016 – 17 Cost/Price Metrics

A RESOLUTION ACCEPTING THE RECOMMENDATION FROM THE POLICE SERVICES STEERING COMMITTEE (PSSC) AND ADOPTING THE POLICE SERVICES 2016-17 COST/PRICE METRICS AS THE AGREED CALCULATION FOR THE TOTAL PRICE OF A POLICE SERVICE UNIT (PSU) WASHTENAW COUNTY BOARD OF COMMISSIONERS

April 16, 2014

WHEREAS, The Sheriff's Office and the county have provided contract police services to local jurisdictions for well over three decades and the current contracting architecture and methodology is in part based on the Northwestern University- Traffic Institute Police Allocation study incorporating the Police Services Unit (PSU) methodology by which a contract included a deputy and all necessary support; and

WHEREAS, there has been much analysis and review of issues associated with the cost and contract price metrics and methodology over the past decade; and

WHEREAS, in Summer 2013 the Police Services Steering Committee (PSSC) under the leadership of Sheriff Clayton established a Financial Sub-Committee with a charge of reviewing potential cost scenarios facing the police services contracts in light of the County budget process; and

WHEREAS, the Financial Sub-Committee reviewed all costs within the direct, indirect and overhead categories and brought different scenarios to the full PSSC to better understand the financial challenges facing the County; and

WHEREAS, on November 20, 2013 the Board of Commissioners adopted the 2014-17 budget, which included an assumption of 1% growth in Police Services revenue; and

WHEREAS, on February 19, 2014 the Police Services Steering Committee (PSSC) voted to align the price recommendation with the assumptions in the budget adopted by the BOC, setting the price for 2016 at \$156,709 and 2017 at \$158,276 per PSU; and

WHEREAS, the PSSC also voted to add an amount to the 2016 and 2017 prices per PSU for in-car printer replacement, once the total cost of ownership is calculated; and

WHEREAS, this will extend the Police Services contract by another two years, allowing contracting jurisdictions to better plan their budget and make any necessary changes to millages; and

WHEREAS, in these times of economic uncertainty, the Sheriff's Office, the county and the townships, recognized there would be additional value in being able to provide predictability around price to aid in budget planning for all parties involved; and

WHEREAS, this matter has been reviewed by Corporation Counsel, the Finance Department, the County Administrator's Office, and the Ways and Means Committee;

NOW BE IT FURTHER RESOLVED, that the Washtenaw County Board of Commissioners hereby accepts the recommendation from the Police Services Steering Committee and adopts the Police Services 2016-17 Cost/Price Metrics as the agreed upon calculation for the total price of a police service unit as attached hereto and made a part hereof