

Analysis of Contract Law Enforcement Services Costs and Methodology for Contract Cities

ORANGE COUNTY CONTRACT CITIES,
CALIFORNIA

FINAL REPORT



March 11, 2019

Analysis of Contract Methodology

The Matrix Consulting Group was contracted by the thirteen contract agencies serviced by the Orange County Sheriff's Department (OCSD) to conduct an in-depth analysis of the contract costing model utilized by OCSD to develop the annual contract costs. The results of the detailed and in-depth analysis conducted by the project team are summarized within this report. The following subsections provide an overview of the project scope, the methodology, the analysis conducted, and the overall results of the analysis conducted.

1 PROJECT SCOPE AND BACKGROUND

The Orange County Sheriff's Department (OCSD) provides contracted law enforcement services to thirteen (13) cities within the County. The level of service and the contract cost are provided to the thirteen contracted cities annually. There is the ability for the cities to negotiate certain aspect of the service levels, which can result in cost changes; but, there is no ability to impact or negotiate the calculation of the baseline costs and methodology in use by OCSD. The following table shows the contracted costs by jurisdiction for the last three fiscal years:

Table 1: OCSD Contract Costs by City

City	FY16	FY17	% Increase	FY18	% Increase
Aliso Viejo	\$7,388,855	\$7,904,721	6.98%	\$8,363,251	5.80%
Dana Point	\$10,967,789	\$11,467,397	4.56%	\$12,082,258	5.36%
Laguna Hills	\$7,030,533	\$7,628,880	8.51%	\$7,985,817	4.68%
Laguna Niguel	\$10,850,120	\$11,532,654	6.29%	\$13,523,563	17.26%
Laguna Woods	\$2,483,174	\$2,642,047	6.40%	\$2,603,724	-1.45%
Lake Forest	\$14,413,254	\$14,869,720	3.17%	\$16,134,298	8.50%
Mission Viejo	\$17,792,916	\$18,678,798	4.98%	\$19,046,236	1.97%
Rancho Santa Margarita	\$8,143,090	\$8,730,420	7.21%	\$8,964,670	2.68%
San Clemente	\$12,952,563	\$13,957,890	7.76%	\$14,373,619	2.98%
San Juan Capistrano	\$8,574,888	\$8,972,187	4.63%	\$9,729,656	8.44%
Stanton	\$9,157,102	\$9,860,163	7.68%	\$10,417,166	5.65%
Villa Park	\$1,302,345	\$1,397,367	7.30%	\$1,599,034	14.43%
Yorba Linda	\$9,560,430	\$10,019,094	4.80%	\$10,662,285	6.42%

Table 1 clearly indicates that there have been consistent cost increases for all thirteen contracted jurisdictions. On average, the cities have been experiencing cost increases of approximately 6% per year. While some of these cost increases are due to service level changes – increased or decreased staffing, some of these cost increases are just part of the annual cost increases as part of the contracted costs. Therefore, the thirteen

jurisdictions contracted with the Matrix Consulting Group to conduct an in-depth review of the existing Contracting Costing Model in place and used by OCSD to identify areas for cost reductions or increased cost efficiencies.

The Contracting Costing Model is used by OCSD to generate the initial cost estimates to cities and subsequent updated estimates based upon agreed upon changes to service levels between cities and OCSD during the contract renewal process.

As a basis of comparison to assist agencies in evaluating their costs to provide law enforcement services to their jurisdictions, the project team, compared contract cities costs to those agencies that provide their own in-house police services. The following table shows by City in Orange County, the FY18 Budgeted Police Department costs, the 2017 estimated population, and the Cost per Capita:

City	FY18 Budgeted Police Costs	2017 Est. Population	Police Services Cost / Capita
Aliso Viejo	\$8,287,120	51,671	\$ 160.38
Anaheim	\$143,946,038	352,497	\$ 408.36
Brea	\$21,885,352	42,777	\$ 511.61
Buena Park	\$28,075,860	83,015	\$ 338.20
Costa Mesa	\$46,345,540	113,825	\$ 407.16
Cypress	\$16,768,617	49,064	\$ 341.77
Dana Point	\$12,324,223	33,934	\$ 363.18
Fountain Valley	\$16,870,068	56,313	\$ 299.58
Fullerton	\$45,386,989	140,392	\$ 323.29
Garden Grove	\$55,838,600	174,226	\$ 320.50
Huntington Beach	\$76,289,019	201,874	\$ 377.90
Irvine	\$76,464,486	277,453	\$ 275.59
La Habra	\$18,834,520	62,466	\$ 301.52
La Palma	\$4,835,000	15,722	\$ 307.53
Laguna Beach	\$18,581,200	23,147	\$ 802.75
Laguna Hills	\$8,393,820	31,318	\$ 268.02
Laguna Niguel	\$14,083,119	66,334	\$ 212.31
Laguna Woods	\$2,535,219	16,200	\$ 156.50
Lake Forest	\$17,598,000	84,293	\$ 208.77
Los Alamitos	\$6,198,261	11,603	\$ 534.19
Mission Viejo	\$20,423,879	96,016	\$ 212.71
Newport Beach	\$58,632,989	86,160	\$ 680.51
Orange	\$45,670,463	140,560	\$ 324.92
Placentia	\$19,122,144	52,157	\$ 366.63
Rancho Santa Margarita	\$9,271,242	48,793	\$ 190.01
San Clemente	\$14,829,830	65,267	\$ 227.22
San Juan Capistrano	\$10,211,508	36,064	\$ 283.15
Santa Ana	\$115,871,365	334,136	\$ 346.78

City	FY18 Budgeted Police Costs	2017 Est. Population	Police Services Cost / Capita
Seal Beach	\$9,535,400	24,326	\$ 391.98
Stanton	\$8,057,576	38,528	\$ 209.14
Tustin	\$26,734,040	80,498	\$ 332.11
Villa Park	\$1,614,300	5,895	\$ 273.84
Westminster	\$28,398,585	91,564	\$ 310.15
Yorba Linda	\$12,172,688	68,229	\$ 178.41

In summary, the average cost per capita for the thirteen contracted cities is approximately \$215 per person. In comparison, the average per capital for non-contracted agencies is approximately \$395 per person.

There are a variety of cost factors and assumptions that are used within the model and the purpose of this analysis was to help the contracting jurisdictions gain a better understanding of all of the different cost factors in utilization by OCSD to calculate the annual cost estimates.

2 PROJECT METHODOLOGY

In order to conduct the in-depth review of the County's Contracting Costing model, the project team took a very detailed approach. The following points outline the overall approach utilized to conduct this in-depth analysis:

- **Reviewed County's Contracting Costing Model:** The project team worked with OCSD contracting unit staff to obtain the raw model in use by OCSD to calculate the baseline estimates for the contracted agencies. This model is created in excel and was reviewed tab-by-tab to see the different inputs and assumptions in use by County staff as they are calculating salaries (hourly rates), benefits, overhead calculations, transportation costs, etc.
- **Interviewed Contracted Jurisdiction Staff:** Interviews were conducted with contracted jurisdiction City Managers to identify areas of greatest concerns within the contracting costing model, as well as priorities for each of the jurisdictions.
- **Interviewed OCSD Contracts Staff:** Interviews were conducted with OCSD contract staff to discuss the current model, methodology, as well as any follow-up or specific questions that stemmed from the initial review of the costing model.
- **Collected Additional Data and Costing Model Information:** The Contracting Costing Model had several elements that had been calculated by other County Departments or were based off other mini-costing studies; as such, the project team requested the backup documentation and information for those models to review that information.

- **Reviewed County Resolutions and Contracts:** Through this study any existing County resolutions and contracts were reviewed.
- **Conducted Analysis of Contract Model:** Upon collection of all of the information, the project team conducted an evaluation of each of the different costing elements included in the contract costs. The purpose of this exercise was to document all of the cost factors utilized and the source behind that information.

Utilizing the approaches above enabled a comprehensive evaluation of OCSD’s Contracting Costing Model. It is important to note that all information collected at each step in the process was obtained from OCSD and any interpretations and assumptions regarding the information was also reviewed with OCSD staff to confirm that there was an understanding of the intention behind the inclusion of these costs. All of the steps discussed above were crucial to ensure that our understanding of the contract and its components was comprehensive.

3 CONTRACT METHODOLOGY ANALYSIS

The OCSD Contracts unit annually develops a cost estimate for the contracting agency based upon the Contracting Costing Model. The model has been developed in-house and takes into account a variety of cost factors, which are updated annually by the contracts unit staff within OCSD. It is important to note that not all cost factors in use within the County’s contracting costing model are developed by OCSD, some of the cost factors are dictated by other County departments to OCSD, and the cost is just passed along to the contracting agencies. There are six (6) main sections within the contract in which all of the costs are then further categorized. The following graphic shows by major section the different cost categories that are included:

Table 2: OCSD Contract Components

Contract Section	Contract Cost Category
Salaries and Employee Benefits	Salaries
	Overtime
	Benefits
	POST Pay
Services and Supplies	Services and Supplies
	Data Line
	Direct Services and Supplies
Transportation	Facility Lease
	Transportation per Position
	Enhanced Helicopter Services
Indirect Costs	Vehicle Maintenance, Fuel, etc.
	Departmental Overhead

Contract Section	Contract Cost Category
	Divisional Overhead Training Overhead per Position Field Training Bureau Overhead Countywide Overhead
Other	Extra Help Vacancy Credit Annual Leave Pay Downs and Termination Bilingual Pay Contract Administration E-Citation Integrated Law and Justice Agency of Orange County MDC – Acquisition and Recurring Costs On-Call Pay Patrol Video System – Acquisition and Recurring Costs
Revenue	Revenue – False Alarms Revenue – Training Reimbursement

Table 2 demonstrates that there are a variety of cost factors that are included in the contracting costing model. While the project team did conduct an in-depth evaluation of all of these contract cost categories, the purpose of this document and section is to provide an overview of each of these categories and the costs that are included in those sections. The following subsections provide a condensed analysis of the costs and the assumptions included in the six major contract sections.

3.1 Salaries and Employee Benefits

The salaries and employee benefits section of the contract is where the costs are captured for not only the direct staff that are assigned to each contracted agency, but also the regional and shared staff among the contracted agencies. The salaries and employee benefits comprise the largest portion of the costs associated with the contract, and therefore, significant time and effort was spent analyzing all the different cost factors and assumptions utilized. There are essentially four main components of this calculation – salaries, overtime, benefits, and post pay. The following points will go into more detail about each of those components:

- Salary:** The salary costs included in the contracting model are calculated by taking an hourly rate and multiplying it by the hours worked for full-time employees (typically 2,080 hours). The hourly rate that’s in use in the Contracting Costing Model is a singular hourly rate for each position type, which means that all Deputy Sheriff IIs are charged out or calculated out at the same hourly rate across the agency regardless of the actual salaries paid to the individual Deputy Sheriff IIs. The hourly rate used by OCSD, is typically the top step hourly rate for each

position. Depending upon the position, the salary costs may also include premium pay and motorcycle pay.

- **Overtime:** There are two different types of Overtime costs included in the model – Regional / Shared Staff and overtime for direct staff. The overtime costs for the regional / shared staff is calculated based upon estimated hours of overtime for those positions and time and half rate on the base hourly rate (the same for all positions regardless of actual hourly rate). The overtime charges for the direct staff assigned to each jurisdiction are presented and calculated based upon a lump sum average of the past three years of overtime incurred by that agency. The current model is set up so that there is a “true-up” of overtime costs by OCSD at the end of the fiscal year. If there are unused overtime costs, those are built into the following year’s contract, and if there are additional overtime costs incurred the agencies are billed directly for those overtime charges. However, it is important to note that this actual charging of overtime only applies to direct costs, and does not apply to any verification or checking of overtime costs for the regional / shared services staff.
- **Benefits:** The benefits included are fairly standardized including unemployment, group insurance, health and welfare, workers’ compensation, Medicare, and retirement. Similar to all other local government agencies, costs for retirement are the largest component of benefit costs (approximately 70% of total benefit costs). The retirement costs are calculated by taking a retirement rate contribution percentage and applying it to the salaries, which are based off of the singular hourly rate for each position type. The retirement contribution rate is determined by Orange County Employment Retirement System (OCERS) and is provided to OCSD staff to input into the model. This retirement contribution rate continues to increase exponentially every year and the observation was made through this analysis that close coordination and communication should exist between OCERS, OCSD, and contracted agencies regarding the projected or proposed increases in these costs and possible options for smoothing the costs.
- **POST Pay:** Peace Officer Standardized Training (POST) pay is a fairly typical personnel cost associated with law enforcement agencies. There are three different levels of pay classes depending upon the POST certification. OCSD factors in the POST pay premium depending upon the position and the certification required for that position.

As the points above demonstrate, the primary observation for salary and benefit costs is related to the singular and top step hourly rate utilized by OCSD staff to calculate all personnel costs. The use of the top step hourly rate has a trickle-down effect, because not only does it affect the calculation of salaries, benefits, and overtime, but as further sections will demonstrate, it also impacts the calculations associated with indirect and overhead costs.

3.2 Services and Supplies Costs

The Services and Supplies section of the contract is a misnomer as it includes more than just the cost associated with services and supplies for operating the individual law enforcement services. The services and supplies consists of four main components – Services and Supplies, Data Line, Direct Services and Supplies, and Facility Lease. The following points provide further elaboration on each of these areas:

- **Services and Supplies:** The initial services and supplies line item is calculated on a per position basis and has two sub-categories – liability costs and services supplies. The liability costs are calculated by OCSD based upon estimates and costs calculated by the County’s Risk Management department. These costs are meant to pass on the extra liability associated with law enforcement services incurred by the County. These costs are fairly typical; however, the observation is that they should be called out separately rather than bundled into services and supplies, where the liability costs are not as transparent. The remainder of the services and supplies refers to costs associated with services and supplies billed to each division, purchasing support and overhead, and facility operation overhead.
- **Data Line:** The data line charges are associated with ATandT data lines billed to OCSD and they are already calculated per jurisdiction. OCSD staff simply take the previous fiscal year’s cost billed to OCSD and pass that cost directly onto the contracted agencies.
- **Direct Services and Supplies:** The direct services and supplies line item is one of the few line items in the contract that is determined by the contracted jurisdiction. This budgeted item represents the projected expenditures that will be directly paid for by the contracted agency for any supplies, materials, or services associated with their direct or regional / shared staff.
- **Facility Lease:** The Facility Lease costs represent the annual leasing costs associated with the Saddleback Station. Currently, all contracted jurisdictions (except for San Clemente who has their own substation and the North Cities) are billed Facility lease charges, even if their direct staff do not occupy the Saddleback station. However, both OCSD and contracted jurisdictions indicated that they have the potential to benefit from the use of this facility, and as such it should continue to be allocated based upon its current methodology. It is important to note, that if there are any changes to this assumption, or facility use, this should be an area that may need evaluation in the future.

The costs within the Services and Supplies section are fairly standardized with the exception of liability costs. While liability costs can still be included in this section, if liability

costs were called as a separate line item, contracting agencies could better monitor the liability costs associated with law enforcement activities on a global and granular level.

3.3 Transportation Costs

Transportation costs within the costing model includes one of the few line items that is of significant dollar value that is not personnel costs. The transportation costs within the Contracting Costing Model includes three components – Transportation cost per position (for direct and regional / shared staff), Enhanced Helicopter Services, and Transportation – Vehicle Maintenance, Mileage, Fuel, etc. The following points discuss each of these three cost components:

- **Transportation Cost Per Position:** The cost per position for transportation is only calculated for the regional / shared staff, as their transportation costs are proportionately shared among all of the agencies between which the positions are shared. The methodology utilized to calculate this transportation cost is the same as the lump sum transportation methodology, it is based on a cost per mile depending upon the type of vehicle. For FY17-18 the rate per mile for vehicle varied from a low of \$0.61 per mile for undercover vehicles to a high of \$1.60 for black and white patrol cars¹. For each regional / shared position, OCSD staff estimates the number of miles for their specific class of vehicle, and based upon the percentage allocated to the agency, the percentage of that total transportation cost is calculated.
- **Enhanced Helicopter Services:** OCSD charges all contract jurisdictions a mandatory enhanced helicopter service fee. The enhanced helicopter services differ from basic services in that it includes missing children / adults, suicidal persons, burglary and robbery alarms, domestic violence, etc. Currently, OCSD calculates this mandatory service charge based upon the number of Deputy Sheriff IIs assigned to each agency multiplied by the helicopter hourly rate. **The in-depth analysis of the contracts revealed that OCSD does track the number of flight hours for each contracted agency, and that perhaps the number of flight hours would be a more relatable metric for determining charges to the contracted agencies.** Additionally, the helicopter hourly rate also includes personnel costs for the Deputy Sheriff IIs who man the helicopters and those hourly rates are the same top step rate rather than the actual rate of the positions manning or flying the helicopters.
- **Transportation – Vehicle Maintenance, Fuel, Mileage, etc.:** All contracted agencies get charged a lump sum amount from OCSD as it relates to their transportation costs. As discussed in the Transportation Cost Per Position, this transportation rate is determined by taking the fully burdened rate per mile and multiplying it by the total miles driven for the class of vehicle by that contracted

¹ There are other vehicle classes in OCSD that have higher per mile rates, but those vehicle classes such as M1, M3, and M6s are not associated with any contracted jurisdictions.

jurisdiction. The fully burdened rate per mile in use by OCSD is calculated and provided by the County's Public Works Department (OCPW) and includes the cost associated with depreciation, maintenance, and fuel. The maintenance charges also include Countywide overhead charges. The observations in this area were related to the fact that typically depreciation and overhead charges are not variable charges and as such are not dependent upon the number of miles driven or not driven. Therefore, there might be potential cost savings in this area as a result of exploring recalculation of the rate per mile, to ensure that all costs are being appropriately captured. Another alternative to rate per mile is to have a fixed transportation cost per agency depending upon the actual cost incurred by each contracted jurisdiction by OCPW. The third alternative is to consider contracting out for Fleet maintenance, which would require policy implementation and discussion with OCSD and OCPW to ensure that all County-related guidelines are met, and charges are being appropriately distributed to the contracted jurisdictions.

The points indicate that Transportation was a section of the contract in which there were several observations related to potential cost savings. These observations primarily relate to OCSD working with OCPW to recalculate the transportation rates per mile, something that not only impacts OCSD costs passed onto contracted jurisdiction, but also OCSD costs for its own county-related operations.

3.4 Indirect Costs

For all services provided there are direct costs associated (salaries, benefits, overtime, services, supplies, transportation) and indirect costs such as training, countywide support, divisional overhead, and departmental overhead. To truly capture the full cost of any service both direct and indirect cost components must be captured. OCSD captures all indirect costs associated with the provision of its law enforcement services. These indirect costs are categorized into five components – Departmental Overhead, Divisional Overhead, Training Overhead, Field Training Bureau, and Countywide Overhead. The following points discuss each of these components and any observations regarding their calculations in further detail:

- **Departmental Overhead:** The Departmental overhead is calculated on a per position basis and is developed by taking the costs associated with those services that primarily provide support to the entire sheriff's department. The overhead calculation consists of the Financial Unit, Supply Detail Unit, Professional Standards Unit, Administration Unit, portions of the Assistant Sheriff, Area Commander, Secretary III, and a portion of Community Programs and Services Unit. For each of these areas, the total administrative cost is generated by estimating the annual percentage of time spent on the activities and the total number of employees that are supported by those activities (sworn and non-sworn employees) to come up with the cost per position. The observation for this area of calculation is that Government Code Section 51350 states that any administrative

costs that would be or are incurred by the operations of the County Department, regardless of whether services are provided to contract jurisdictions, should not be passed onto the contract agencies. OCSD does credit out the administration unit utilizing this code, but it does not provide credit to any other services. Additionally, the costs for this area are also calculated based upon the utilization of a singular hourly rate at the top step of the position and not based on the actual cost of the employees within the position.

- **Divisional Overhead:** Unlike the Departmental overhead which is a standardized charge per position regardless of the jurisdiction, the Divisional overhead is much more specific and varies based upon the region and the type of position. Certain positions receive greater overhead such as Investigators whereas others receive minimal overhead such as non-sworn professional staff. Divisional overhead represents about 8% of total contract costs. Divisional overhead is calculated based upon bullet proof vests, emergency communications bureau, captain overhead, patrol overhead, investigations overhead, and department commanders overhead. All of these calculations other than the bullet proof vests are based upon assumptions regarding level of effort provided by each of the staff involved in those units and areas of service. The observation exists that the Emergency Communications Bureau could be charged out as a flat rate to the contracted jurisdictions rather than being based on the number of personnel assigned to the contracted agency. Additionally, the level of effort should be reviewed by OCSD to ensure that they are capturing the appropriate amount of support of divisional staff to the contract agencies, as sometimes support can vary due to organizational shifts or shifts in priorities. Similar to the Departmental overhead, the Divisional overhead is also calculated based upon a singular hourly rate for each of the positions at the top step, rather than the actual hourly rate.
- **Training Overhead:** The Training Overhead cost is also calculated on a per position basis and captures the cost associated with POST training as well as training new police recruits. This training cost takes into account the POST certification costs, the number of hours of POST training received by OCSD employees, the cost of running the recruitment academy, and recruiting process. Unlike all of the other overhead charges, the training overhead is calculated based upon a seven year average cost, rather than the prior year actual cost. The rationalization for utilizing an average is to smooth out the years that had low turnout or high turnout; however, the observation exists that the smoothing could exist with a three or five year average. However, the same observation regarding use of top step hourly rates also applies to the training overhead calculation.
- **Field Training Bureau (FTB):** The Field Training Bureau was a new addition in 2012 and differs from the Police Academy in that it exists primarily to provide standardized training to deputies newly assigned to the Uniform Patrol Division. The purpose of the program was to develop greater consistency across contracted

jurisdictions as they utilize Deputy Sheriff IIs. The calculation for FTB is on a per Deputy Sheriff II basis and is presented as a lump sum amount in the contract based upon the number of direct Deputy Sheriff IIs assigned to the contracted jurisdiction. The rate is calculated by taking into account the top step hourly rates for the staff that run the FTB, costs for the ILJAOC, and the Countywide overhead costs. The observation is made that the ILJAOC is also charged as a separate line item; therefore OCSD should ensure that one charge is associated with the Field Training Bureau participation and training whereas the other charge is the default membership. Additionally, the Countywide overhead charges are represented as a percentage; and that percentage should be reviewed and updated by the County Auditor-Controller's office and provided to OCSD annually to ensure it corresponds to the latest Countywide Overhead Cost Allocation Plan.

- **Countywide Overhead:** The final indirect cost component is Countywide Overhead. The Countywide Overhead calculation is the only calculation in the entire Contracting Costing Model that is a percentage rather than a per position cost. The percentage is then applied to the total salaries, but it is not presented as a per position cost. The Countywide Overhead is based on the Countywide Cost Allocation Plan (CWCAP). The County Auditor-Controller's office is responsible for updating this document annually and submitting it to the State Auditor-Controller's office for approval, as well as providing OCSD with indirect cost rates to apply to the salaries. For greater consistency, the observation was made that for streamlining the costing model, OCSD may want to work with Auditor-Controller to request cost per position rather than percentage value, and may want to confirm that the percentages or per position cost ties to the submitted Countywide plan.

Overall, the in-depth analysis of the indirect costs section reveals observations associated with the use of hourly rates, levels of effort calculations, and the use of an indirect cost percentage in lieu of cost per position. While the latter two could result in some cost savings for the contracted agencies, the greatest potential exists with the use of actual hourly rates instead of the top step hourly rates for the support personnel.

3.5 Other Costs

For costs that did not fit into any of the previous four categories, the Contracts unit has developed an all-encompassing "Other" costs section. In this section these costs are itemized line item by line item. The other costs section includes the following costs:

- **Extra Help:** OCSD allows jurisdiction to ask for temporary or extra help which is calculated as a lump sum amount based upon the type of position for which the extra help is required and the number of projected hours of extra help. Similar to all other personnel related calculations, the Extra Help calculation is based upon a singular hourly rate.

- **Vacancy Credits:** If jurisdictions are unable to fill vacant but assigned positions to their jurisdiction, or there are partial vacancies throughout the year, OCSD gives a credit for those vacancies. Similar to the overtime costs, currently, the vacancy credits are based on prior year averages, and any credits are actually “trued-up” at the end of the fiscal year. This means that if the jurisdiction was over-credited for vacancy credits the credit would be reduced by the appropriate amount the following fiscal year; and vice versa, if there was insufficient credit given, the credit amount would increase the following fiscal year.
- **Pay-related adjustments:** In this section of the contract, OCSD also provides the estimated costs associated with several pay adjustments such as bilingual pay, annual leave and separation pay downs, holiday pay – comp and straight time, and on-call pay. The bilingual pay is similar to a premium pay category and could be folded into salary costs like premium pay for consistency purposes; the other observation is to ensure that bilingual pay is only being calculated for those employees who meet the eligibility per MOU agreements as well as that the pay calculated is off the actual and not the top step hourly rate. For the annual leave and separation pay down, holiday pay amounts, and the on-call pay the hourly rate utilized for calculation is also the top step hourly rate, rather than the actual hourly rate of the employees involved in the transaction. Unlike the overtime and vacancy credits these expenses are not “trued-up” to reflect the prior year actual values.
- **Equipment Acquisition and Recurring Costs:** The E-Citation, Mobile Data Center (MDC) and Patrol Video System (PVS) acquisition and recurring costs are also noted in this section. The acquisition costs are only included if there is the need for systems to be acquired because new positions have been assigned to the city; however, the recurring costs are an annual cost based upon the number of positions that require the use of the specific equipment. Currently, the recurring costs are calculated to take into account replacement of the equipment, annual maintenance costs, as well as personnel costs for doing the maintenance and managing the maintenance process. The cost is calculated on a per position / per device or equipment basis; however, the observation is that the number of devices and / or positions should be reviewed annually to ensure that all costs are being spread over the correct number of equipment.
- **Contract Administration:** OCSD has a specific contracts administration unit, whose primary function is to review, develop, and update the annual estimates for the contract agencies, as well as make any mid-year adjustments. As these costs are directly incurred due to the contracted services being provided, a portion of these costs are allocated to each contracted agency. Currently, the contract administration costs are calculated by taking the percentage of time the contracts staff spend on these contracted jurisdictions annually and distributing them to the contract cities based upon the budgeted costs for those contract cities. The only observation in this year is for OCSD to review the contract administration

percentages to ensure that they are still reflective of the time spent by the unit staff on this effort annually.

- **Integrated Law and Justice Agency of Orange County (ILJAOC):** OCSD is a member of the ILJAOC agreement that exists between the cities and the County of Orange related to criminal justice procedures and sharing of information. As a member, OCSD is charged for its participation, and it passes those costs along to the contract agencies, who by default become members of ILJAOC, due to contracting with the county for law enforcement services.

The costs included in the “other” costs section of the contract, are minimal in nature, except for the Vacancy Credits. However, the vacancy credits are charged or updated based upon actual usage, which means that its already operating at the most cost efficient level for that type of service. The only considerations for changes in this area, are in relation to ensuring that hourly rates utilized for bilingual pay, on-call pay, and holiday and comp time pay are based on actual pay rates rather than top step pay rates, which may result in inflating or deflating the cost being incurred by OCSD for those specific services.

3.6 Revenue

The revenue costs included in the contract are related to reimbursements and credits provided to the contracted jurisdictions. These costs are primarily related to two categories – False Alarms and Training Reimbursements. Both revenue categories are updated annually based upon the prior years’ actual revenue reimbursement, ensuring that each contracted jurisdiction receives the appropriate share of reimbursement based upon prior activity. The in-depth analysis of this section did not reveal any potential for increasing the reimbursements or revenue as that is based on internal jurisdictional activity and not dictated by the County.

4 SUMMARY OF ANALYSIS AND RECOMMENDATIONS

The in-depth analysis conducted by the project team of OCSD’s Contracting Costing Model identified numerous observations and suggestions for streamlining the existing model or making it more transparent. Some of these observations may also result in some cost calculation updates and changes, which could result in some cost savings; but, in terms of overall dollar value or percentage of contract costs, the impact could be minimal. Ultimately, the project team worked to identify areas with the greatest potential for cost savings. The following table provides the recommendation and the fiscal impact associated with the recommendation.

Table 3: Summary of Contract Model Recommendations

#	Recommendations Summary
1	<p>OCSD should consider utilizing actual hourly rates for personnel cost instead of a standardized rate, to ensure that each city is paying for the actual costs for all employees assigned. This change would have a trickle-down impact as it would not only impact the salaries, but benefits and overhead calculations as those are calculated as a percentage of the employees' salaries.</p> <p>Fiscal Impact: Varies depending upon the pay scale of the individuals assigned to the jurisdiction, as well as the support services staff included in the regional / shared services and overhead calculations. Some sampling of information revealed that most contracted jurisdictions have personnel assigned that are at or near the top step already, so the potential savings could be minimal.</p>
2	<p>Potential changes to the current calculation and methodology for Transportation services provided by OCPW / Fleet services could result in overall savings. These changes include the following:</p> <ul style="list-style-type: none"> - Updating the Countywide Cost Allocation Plan information. - Lowering / recalculating the mileage rates for the vehicles. - Explore policy impacts and cost benefit analysis of contracting out maintenance of OCSD vehicles. <p>Fiscal Impact: Varies depending upon the types of revisions or recalculation made to the Fleet services methodology.</p>

In conclusion, the analysis conducted by the project team revealed that generally the allocation methodology in place by OCSD was relatable to the contract agencies. However, there is the potential for improvements in the methodology which could result in cost savings for the contracted jurisdictions, depending upon the changes agreed upon between OCSD and the contracted jurisdictions. The level of cost savings would vary by jurisdiction.

Overall, the use of a contracted law enforcement service is cost effective for the thirteen contract cities, as on average it costs the contracted agencies about \$215 per capita to provide these services compared to the in-house law enforcement agencies within Orange County where it cost approximately \$395-\$400 per capita. The purpose of this study was to review the existing Contracting Costing model to identify areas for cost efficiencies and streamlining that benefit both the contracting jurisdictions, while ensuring cost recovery for OCSD. The use of actual hourly rates for personnel as well as actual billed costs by OCPW or revised methodology will enable OCSD to capture its costs more accurately and pass it onto the contracted jurisdictions.