



STRAPPED CITIES THAT HIRED THE SHERIFF...IS IT WORKING?

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SUMMARY

Five cities in San Mateo County (County) contract with the San Mateo County Sheriff's Office (SO) for police services. Two of those cities, Portola Valley and Woodside have successfully contracted with the SO for police services for many years. This report focuses on the relatively new police services contracts the cities of Half Moon Bay, Millbrae, and San Carlos have with the SO.

The San Mateo County Civil Grand Jury's (Grand Jury) investigation revealed general satisfaction by the three cities with their contracts for police services with the SO. The investigation revealed that monetary savings have been significant in each city without any reduction in services. The cost savings have allowed these cities to re-institute some discretionary programs such as the Drug Abuse Resistance Education (DARE) program, traffic control officers, and school resource officers. The cities report an increase in the professionalism of their police services without changes in response times or police incidence frequency.

The Grand Jury recommends that the cities currently contracting with the SO for police services continue these arrangements after the current agreements expire. The Grand Jury further recommends that each city discuss amendments to their contracts to include language addressing the allocation of the funds held by the SO in the trust fund accounts maintained on their behalf.

BACKGROUND

Because the contracts with Half Moon Bay, Millbrae, and San Carlos are relatively new and deal with such an essential service, the Grand Jury sought to determine whether this change in the means of providing police service in all three cities has achieved the desired monetary savings while still providing those municipalities with essential police services. The Grand Jury also wanted to determine how the increase in responsibilities has affected the SO, and, by extension, the citizens of the County.

METHODOLOGY

The Grand Jury reviewed the individual contracts and the quarterly reports from the SO to the city councils of each city which include financial information and statistics for the SO's activity in their cities. The Grand Jury also interviewed representatives from the SO, including several officers who transitioned their employment from the three cities to the SO. City representatives from Half Moon Bay, Millbrae, and San Carlos were also interviewed.

DISCUSSION

Rationale for Contracting with the SO

Each city had a similar rationale for contracting with the SO – to save money.

- **Half Moon Bay**

In 2009, the City Council of Half Moon Bay recognized that the city's financial resources were less than the city's financial commitments due to rising costs and dwindling revenues. Attempts were made to correct this disparity by, among other things, reducing the size of the already small police department. The possibilities of contracting with the SO or combining the Half Moon Bay Police Department with the Pacifica Police Department were investigated. Proposals were requested from both entities. In 2011, the City Council opted to contract with the SO as it offered a more sustainable solution at a greater savings.

- **Millbrae**

Resolution C71853 passed by the Millbrae City Council and which finalized the contract between the City of Millbrae and the SO states that "in 2011 the City of Millbrae determined it could no longer provide police services at desired levels within the City's adopted and projected budgets."

A senior council member said:

We were looking for economies on all our services. We had big expenses in public safety, namely the police department and fire department. We talked to neighboring cities about sharing the duties. We could have maintained the services, but there would have been no savings. We talked to the county about this move and found we could save money. We realized \$500,000 in savings. The public is very happy. I hear this at meetings I attend. Complaints have dropped substantially.

The Millbrae City Council indicated contracting with the SO has helped the City deal with its finances realistically, while maintaining a viable, effective law enforcement presence in the City. The City has reduced administrative tasks associated with supporting an internal police department, which has reduced the work associated with budget preparation and monitoring, recruitment and training, payroll administration, purchasing, benefits and worker's compensation, labor relations, discipline and grievance administration. The City has reduced its liability and the costs associated with the CalPERS retirement plan. Scheduling and operational efficiencies have been gained, and the policing contract has provided for greater career enhancement opportunities for personnel.

- **San Carlos**

When asked by the Grand Jury for the reasoning behind choosing to contract with the Sheriff's Office, a knowledgeable San Carlos official stated in response to a Grand Jury survey:

As a result of more than a decade of unsustainable public safety cost increases combined with lower public safety levels for the community, San Carlos chose to implement a regional consolidation approach for providing police services to the community. By contracting with the SO, San Carlos was able to maintain minimum staffing levels for patrols, provide the same quick response times, and has been able to restore many of the key community programs that the San Carlos Police Department had provided in better economic times.

Cost Savings

The investigation revealed that monetary savings have been significant in each city without any reduction in services. (See subsection "SO Contracts" below.) These cost savings have allowed the cities to re-institute some discretionary programs such as the DARE program, traffic control officers, and school resource officers. The cities report an increase in the professionalism of their police services without changes in response times or crime frequency.

SO Contracts

The contracts utilized by all three cities are basically the same. They have a common theme of saving each city thousands of dollars by having the SO perform virtually all policing duties. These savings are gained by having the SO assume responsibility for office expenses, including accounting and personnel, along with pension and medical obligations. The contracts provide for police services at staffing levels determined by the individual city councils, which are commensurate with the cities previous staffing levels. Additional services not set forth in the base contract can be added by the cities to fit their needs by amending the contract. There is a right of termination by either party. Contract costs are adjusted with an anticipated three percent maximum annual increase. The cities retain revenues generated through violations of city ordinances, license fees, inspections, vehicle impounding, and the sale of accident and crime reports. The cities are responsible for the fee collection process. All local ordinances are adhered to. The cities provide office space for the SO at the cities' cost.

The contracts allow for the cities to obtain additional services from the SO for special programs, depending on their individual needs and budget. For example, San Carlos wanted to reduce the number of traffic accidents around schools. A \$100,000 contingency fund was created to enable the placement of officers on duty during morning school hours for two weeks. Parents who failed to follow the driving laws were cited thereby establishing a standard for driving near schools in San Carlos. The additional personnel hours were accounted for at the end of the fiscal year.

The SO provides support services such as property and evidence management, training, technical services (including 911), records retention, fiscal services such as payroll, and human resource services. The SO sets the standards for performance and conduct and determines where specific

personnel will be deployed. An effort is made, however, to assign patrol personnel to areas familiar to them.

Because of individual needs peculiar to each city, however, the contracts differ in some requirements and costs. The contract amounts differ reflecting the number of personnel required based on each city's population, as noted below.

- **Half Moon Bay**

Annual contract = Approx. \$2.3 million¹
Annual savings = Approx. \$500,000
6 Deputies
1 Community Service Officer (CSO)
1 Records Officer
1.55 shared with unincorporated areas²

- **Millbrae**

Annual contract = Approx. \$5 million
Annual savings = Approx. \$532,000
1 Lieutenant
1 Detective
4 Sergeants
8.66 Deputies
2 CSOs
1 Records Officer
1 Office Assistant

- **San Carlos**

Annual contract = Approx. \$7 million
Annual savings = Approx. \$2 million
1 Captain
5 Sergeants
14 Deputies
4 CSOs
12 Patrol Officers
1 Detective
1 Motor Patrolman
1 Admin/1 Office

¹ Contracts with outside vendors for parking citations, specified additional patrolmen for Pumpkin Festival, Night of Lights, Rock the Block and July 4th special events, split expenses for office space, and share one patrolman with other Coastside unincorporated areas.

² Deputies = 0.66, Detective Deputy Sheriff = 0.11, Sheriff's Sergeant = 0.45, Lieutenant = 0.33.

While Millbrae reports no amendments to the original contract signed in March 2012, both Half Moon Bay with a contract signed in June 2011, and San Carlos with a contract signed in September 2010, report several amendments to their contracts.

Amendments to the Half Moon Bay contract consist of changes to the payment terms, rates and assignment/selection of personnel, and the rates for special event overtime passing directly to the sponsoring organization and not the city. Three changes in the San Carlos contract effectuated a reduction of \$5,500 to the city to maintain a contract with the RIMS Law Enforcement Records System until the County converted to such a system, added language to clarify the fee collection and allocation processes, and added provisions related to retirement and the unfunded actuarial liabilities of the employee pension plan.

All interviewed parties agree they have received positive feedback from their current and former personnel and from the public at large. Several town hall meetings were conducted during the consideration phase and after the transition to gauge acceptance by the public. During the first year of each contract in each city, the SO reached out to the public via postcards sent to randomly selected citizens who had interacted with the SO, soliciting feedback on their experiences with the SO. The SO personnel interviewed indicated the responses from this effort were very positive. Recently, Millbrae city officials indicate a 17% drop in crime and a 37-second decrease in response time since contracting with the SO.³

Transitioned individuals interviewed from the three cities indicated they are pleased to have additional promotional opportunities and access to advanced training. During the transition, no full time employee lost his job and no significant problems were reported.

A review of the quarterly financial reports required from the SO that are provided to the individual city councils, and a review of the trust accounts for each city, indicate that the SO is currently operating within or under the contract amounts.

Trust Fund Accounts

The Grand Jury discovered a trust fund account in the SO's budget for each city. At the end of the fiscal year in June, 2012, the trust fund accounts were as follows:

- Half Moon Bay = \$15,667
- Millbrae = \$26,702
- San Carlos = \$56,533

Although not expressly required by contract, and not referred to as such in any financial report, the SO maintains a trust fund for each city pursuant to Government Code 51350.⁴ At the end of

³

http://archives.smdailyjournal.com/article_preview.php?id=1772694&title=Mayor:%20Community%20at%20core%20of%20Millbrae%C3%A2%E2%84%BD%E2%84%BDs%20success (June 15, 2013).

⁴ California Laws: Government Code – TITLE 5. LOCAL AGENCIES – DIVISION 1. CITIES AND COUNTIES – ARTICLE 3. County Contract Services (51350). A county which provides services through its appropriate departments, boards, commissions, officers or employees, to any city pursuant to contract or as authorized by law,

each fiscal year, funds that exceed expenditures within the contracted cities are transferred into a trust fund in order to remain compliant with this code section. As explained below, the accumulated balances in the trust funds fall into three categories: areas of excess funding, funds received for County internal charges, and earmarks.

- **Areas of Excess Funding**

These funds may be held in trust to cover future overages in order to ensure no negative financial impact to the SO or may be returned to the Cities as a rebate. Discussions regarding the disposition of these funds have begun between the SO and the City of San Carlos, but have not yet begun with the other cities.

Salaries/Retirement/Taxes

Contracted positions are budgeted assuming employees are at the top step, plus all possible incentives. If employees fall anywhere within the salary range other than the top step, the city will realize savings. Savings are also realized when an employee does not receive the maximum Peace Officers Standards and Training incentive or receive experience pay. In year one of the San Carlos and Half Moon Bay contracts, positions were budgeted with an anticipated increase in January. The Deputy Sheriff's Association chose to forgo the increase, which resulted in additional savings in this area. The rates were reduced in year two.

Medical/Dental/Vision

Employees have multiple options when it comes to choosing health benefits and the cost is based on the insurance provider selected and the number of family members covered. If an employee chooses not have the maximum benefits, the SO realizes a savings as it budgets at an amount that assumes the maximum possible coverage. If the cost of insurance increases, it is unlikely that savings will continue in this area.

- **Internal Service Charges**

The County budgets internal service charges such as Information Services and Public Works based on previous year's information including staffing levels. Because some of the SO's contracts began after the County budget was prepared,

shall charge the city all those costs which are incurred in providing the services so contacted or authorized. A county shall not charge a city contracting for a particular service, either as a direct or indirect overhead charge, any portion of those costs which are attributable to services made available to all portions of the county, as determined by resolution of the board of supervisors, or which are general overhead costs of operations of the county government. General overhead costs, for the purpose of this section, are those costs which a county would incur regardless of whether or not it provided a service under contract to a city. Any determination of general overhead costs shall be subject to court review as to the reasonableness of such determination. This section does not apply to a contract or agreement in effect on December 31, 1983, made by a county.

the associated charges were not budgeted and thus were not charged to the SO. These funds may be paid to the appropriate County department, saved to pay for charges after termination of the contract, or reimbursed to the SO if costs were incurred but not charged appropriately. This issue has not been discussed among the affected departments.

- **Trust Fund Earmarks**

Support Service Charges

Contract cities pay for support service charges including records, fiscal, property, technical services, and training and personnel. The SO is accumulating funds from the contract cities in order to fund new positions to assist in these support functions.

Vehicle Replacement

There are funds in the Half Moon Bay and San Carlos Trust Fund that should be transferred to the County Department of Public Works to reimburse it for the cost of replacing city-owned vehicles.

Start-Up

Payments made by the contract cities for leave payout of the transferred employees are held in the trust fund.

Effect on SO

Review of the financial reports from each of the cities and the SO indicate that the SO does not realize a profit from the contracts with these three cities. SO personnel report no negative impact of these contracts upon their operations.

FINDINGS

- F1. The SO is providing the police services for which the cities of Half Moon Bay, Millbrae, and San Carlos contracted within the cost perimeters of the contracts.
- F2. Public response to the transition from individual police departments to the SO is positive.
- F3. No increase in the number of police involved incidences has been reported by the cities due to the transition of policing services to the SO and one city, Millbrae, reports a decrease of 17 per cent in crime.
- F4. The transition from individual police departments to the SO was incident free with former city personnel generally pleased with the change.

- F5. The police service contracts between the SO and each of the cities of Half Moon Bay, Millbrae, and San Carlos serve as good models to other cities in the County which operate their own police departments and which are facing budgetary restraints.
- F6. The trust funds for each city comprised of unallocated funds should be disclosed in financial reports and described in the policing service contracts.

RECOMMENDATIONS

The Grand Jury recommends that the cities of *Half Moon Bay, Millbrae, and San Carlos* do the following:

- R1. Continue contracting police services with the SO.
- R2. Discuss amendments to their contracts to include language addressing the allocation of the funds held by the SO in the trust fund accounts maintained on their behalf.
- R3. Obtain a current accounting of those trust fund accounts.

REQUEST FOR RESPONSES

Pursuant to Penal Code Section 933.05, the Grand Jury requests the following to respond to the foregoing Findings and Recommendations, referring in each instance to the number thereof:

- City of Half Moon Bay
- City of Millbrae
- City of San Carlos

The governing bodies indicated above should be aware that the comment or response of the governing body must be conducted subject to the notice, agenda and open meeting requirements of the Brown Act.

Reports issued by the Civil Grand Jury do not identify individuals interviewed. Penal Code Section 929 requires that reports of the Grand Jury not contain the name of any person or facts leading to the identity of any person who provides information to the Civil Grand Jury.
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City of Half Moon Bay



501 Main Street
Half Moon Bay, CA 94019
650-726-8271

September 17, 2013

Hon. Richard C. Livermore
Judge of the Superior Court
Hall of Justice
400 County Center, 2nd Floor
Redwood City, CA 94063-1655

SUBJECT: Grand Jury Report: "Cash Strapped Cities that Hired the Sheriff...Is it Working?"

Dear Judge Livermore:

At its meeting of September 17, 2013, the City Council of the City of Half Moon Bay approved the following responses to the findings and recommendations in the Grand Jury Report "Cash Strapped Cities that Hired the Sheriff...Is it Working?":

FINDINGS:

F1. The SO is providing the police services for which the cities of Half Moon Bay, Millbrae and San Carlos contracted within the cost perimeters of the contracts.

The City of Half Moon Bay agrees with finding F1.

F2. Public response to the transition from individual police departments to the SO is positive.

The City of Half Moon Bay agrees with finding F2.

F3. No increase in the number of police involved incidences has been reported by the cities due to the transition of policing services to the SO and one city, Millbrae, reports a decrease of 17 per cent in crime.

The City of Half Moon Bay agrees with F3.

F4. The transition from individual police departments to the SO was incident free with former city personnel generally pleased with the change.

The City of Half Moon Bay agrees with F4.

F5. The police service contracts between the SO and each of the cities of Half Moon Bay, Millbrae, and San Carlos serve as good models to other cities in the County which operate their own police departments and which are facing budgetary restraints.

The City of Half Moon Bay agrees with F5.

F6. The trust funds for each city comprised of unallocated funds should be disclosed in financial reports and described in the policing service contracts.

The City of Half Moon Bay disagrees with F6. The fee arrangement is clearly defined in the contract and therefore does not warrant further description to be added to the contract. The contract provides for a set fee based upon the cost of annual approved service. Any difference in actual costs to the County is not part of the financial arrangement in the contract and does not require description in the contract, nor the County reports (except as required by law).

RECOMMENDATIONS:

R1. Continue contract police services with the SO.

Recommendation has been implemented. The contract remains in force.

R2. Discuss amendments to their contracts to include language addressing the allocation of the funds held by the SO in the trust fund accounts maintained on their behalf.

Recommendation will not be implemented as the City disagrees with the recommendation. The fee arrangement in the contract clearly defines that the fee is based upon the cost of annual approved services and therefore a contract amendment is unwarranted. The City contractually pays the agreed upon amount for the agreed upon services. Any difference is the County's responsibility.

R3. Obtain a current account of those trust fund accounts.

Recommendation will not be implemented as the City disagrees with the recommendation based on response to R2.

Sincerely,



Laura Snideman
City Manager

cc: Mayor and Council