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TO: Rolland Sizemore, Jr., Chair  
Ways & Means Committee

FROM: Jerry L. Clayton  
Sheriff

THROUGH: Verna J. McDaniel  
County Administrator

DATE: June 1, 2011

SUBJECT: Recommended Police Services 2012-2015 Cost/Price Metrics

**BOARD ACTION REQUESTED:**

It is requested that the Board of Commissioners accept the recommendation from the Police Services Steering Committee (PSSC) and adopt the Police Services 2012-15 Cost/Price Metrics as the agreed upon calculation for the Total Price of a Police Service Unit (PSU).

**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 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.

#### **DISCUSSION:**

The PSSC charge to the Financial Sub-Committee included not only determining a fair and equitable price to be paid by the contracting entities to the county, but also the appropriate length of new contracts, the process for adding or reducing PSUs, and the process and metrics related to changes in contract costs. The PSSC Financial Sub-Committee determined that the first step should be addressing the future PSU price metrics and developed a timeline to bring the recommendation to the full PSSC and then to the BOC. As took place with developing a recommendation around PSU cost methodology, the Sheriff's Office, County Administration, the County Budget Office and the contracting jurisdictions all participated in the process. Both the county and the contracting partners discussed in depth the budget challenges that each faced and the value that each contributes to over-all public safety in Washtenaw County.

The approach taken by the Sheriff's Office and the PSSC Financial Sub-Committee was that of "shared sacrifice" in arriving at a four year price projection metrics that would provide predictability, fairness, and maximize public safety services to the residents of Washtenaw County. The Board of Commissioners as part of its budget process prioritization had decided that public safety was the number one priority in the county. Factors considered by the PSSC Financial Sub-Committee and subsequently by the full PSSC included this priority, the contributions to public safety of the townships both in tax dollars and through contracting for deputies, the ability of townships to pay for deputies, the contributions that the county is currently making to public safety through county-wide deputies, the Detective Bureau, and the difference between cost and price through 2011, Sheriff Clayton's administration's commitment past and future to

controlling expenditures and maximizing revenue, and the recognition that understanding future costs associated with providing police services and the price to be charged for contracting services more strongly positions the county to find economies of scale through new or enhanced community policing collaborations (which is an ongoing focus of the Sheriff) On Wednesday, April 27, 2011 the full PSSC voted to approve the Police Services 2012-15 Cost/Price Metrics as recommended by the PSSC Financial Sub-Committee as its recommendation to go to the Board of Commissioners for their approval.

The Police Services 2012-15 Cost/Price Metrics includes maintaining the 2011 price of \$150,594 per PSU through 2012, with increases in 2013 to \$152,100, 2014 to \$153,621 and in 2015 to \$155,157. These increases are accompanied by a Sheriff's Office commitment to shared sacrifice and partnership with the county and townships to keep costs down so that despite anticipated cost increases the over-all budget contribution of the county to Police Services does not increase at the same rate. A portion of increased costs will be absorbed within the Sheriff's Office over-all budget and reductions and not be passed on to the contracting jurisdictions.

Substantial progress has been made towards resolving Police Service cost and price issues that have created dissension and plagued the county for years. This will be especially important as the county embarks on its 2012/13 budget development and attempts to make the best long-term decisions for this community and the organization. However, the work of the Sheriff, County Administration and the PSSC is not complete. Additional questions remain as part of the PSSC charge to the PSSC Financial Sub-Committee as to the appropriate length of the new contracts, the process for adding or reducing PSUs, and the process and metrics related to changes in contract costs. The Sheriff's Office, the County Budget Office and County Administration anticipate addressing these issues going forth which will also contribute to greater predictability and benefit the county and its residents.

**IMPACT ON HUMAN RESOURCES:**

None.

**IMPACT ON THE BUDGET:**

The Board of Commissioners adopted the price of a Police Services Unit (PSU) for 2011 as part of the 2010/11 budget planning process. The price for 2011 is set at \$150,594. The proposed action will establish contract price through 2015, providing ample time to the contract local jurisdictions to plan for the cost of contracting for police services with the Washtenaw County Sheriff. In 2012 the price will remain at 2011 level of \$150,594 per PSU, with yearly 1% increase for subsequent year through 2015. 2013 price will be \$152,100, 2014 price will be \$153,621 and 2015 price will be \$155,157.

The 2013 increase in price for 74 PSU will result in an increase in revenue by \$111,444. This would go to contribute toward the \$2 million revenue generation target the County Administrator has put forth as part of balancing the budget deficit for 2012/13.

The cost projections are estimates of costs in the future. The salaries align with current POAM and COAM union contracts. Fringes are estimated with a 9.5% yearly increase. Fleet is estimated to have a 3.5% increase in 2012 due to changing of patrol vehicles from Crown Victoria's then with a 1% decrease in 2013 to reflect potential savings from a more efficient vehicle. The projections are also assuming holding operational costs level through 2015.

**IMPACT ON OTHER COUNTY DEPARTMENTS OR OUTSIDE AGENCIES:**

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 is done in conformity with county policies.

**ATTACHMENT:**

Police	Services	2012-15	Cost/Price	Metrics
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A RESOLUTION ACCEPTING THE RECOMMENDATION FROM THE POLICE SERVICES STEERING COMMITTEE (PSSC) AND ADOPTING THE POLICE SERVICES 2012-15 COST/PRICE METRICS AS THE AGREED CALCULATION FOR THE TOTAL PRICE OF A POLICE SERVICE UNIT (PSU)

WASHTENAW COUNTY BOARD OF COMMISSIONERS

July 6, 2011

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 March 2009 the Police Services Steering Committee (PSSC) under the leadership of Sheriff Clayton established a Financial Sub-Committee with a charge of reviewing the current financial methodology and base assumptions used in the police services contracts; and

WHEREAS, the Financial Sub-Committee reviewed all costs within the direct, indirect and overhead categories and brought three scenarios to the full PSSC; and

WHEREAS, after much review and discussion on November 3, 2010 the PSSC adopted Scenario 3 as the recommended cost calculation which defined the 2011 cost per deputy at \$168,584 with an additional \$7,524 per deputy in Overhead with a 2011 established contract price of \$150,594; and

WHEREAS, these costs did not include the county's general fund contribution to County-wide Services and Mandated Services within the Sheriff's Office; and

WHEREAS, the PSSC also recommended shifting back to the PSU cost terminology as the total cost includes the deputy and all necessary support; and

WHEREAS, 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; and

WHEREAS, this was a breakthrough in discussions between the County, Sheriff and contracting entities that could not have been achieved without the cooperation and active participation of the Sheriff's Office, County Administration, Budget Office, and the contracting jurisdictions; 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, the Sheriff's Office the county and the contracting entities wished 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; and

WHEREAS, the PSSC charged the Financial Sub-Committee, both with members from the Sheriff's Office, the County and the contracting entities, with determining what would be a fair and equitable price to be charged the contracting entities by the county; and.

WHEREAS, the Financial Sub-Committee took a "shared sacrifice" approach to developing four year price projection metrics that would provide predictability, fairness, and maximize public safety services to the residents of Washtenaw County; and

WHEREAS, the Board of Commissioners is deeply committed to the public safety of all the residents of the county and as part of its budget process prioritization decided that public safety should be the number one priority in the county; and

WHEREAS, both the county and the contracting partners discussed in depth the budget challenges that each faced and the value that each contributes to over-all public safety in Washtenaw County; and

WHEREAS, the Sheriff's Office, County Administration, and the contracting entities are all deeply committed to controlling costs in order to keep the price to the contracting entities affordable without unduly burdening limited county financial resources; and

WHEREAS, the Sheriff's Office as part of its commitment to "shared sacrifice" and the safety of the residents of Washtenaw County will not pass on all anticipated price increases as reflected in the attached Price Metrics document, but absorb a portion of those costs within its budget; and

WHEREAS, the Washtenaw Board of Commissioners will adopt the price of a PSU for 2012 at \$150,594 level with 2011 price, with yearly 1% increase for subsequent year through 2015. 2013 price will be \$152,100, 2014 price will be \$153,621 and 2015 price will be \$155,157; and

WHEREAS, the Sheriff's Office, County Administration and the PSSC will further focus on the process and metrics related to the PSSC charge: the appropriate length of new contracts, adding or reducing PSUs, and changes in contract costs,; 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 2012-15 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.