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TO: Stephen Solowczuk, Chair  
Board Working Session

FROM: Robert E. Guenzel  
County Administrator

DATE: July 7, 2005

SUBJECT: Report from Plante & Moran on Police Services

On April 21<sup>st</sup>, I presented a recommendation to fund the Public Safety & Justice initiative through a reduction in the general fund contribution for Police Services. Since this time, we have had many conversations with the Board and within the community. It became clear that more analysis and consideration was needed to determine the best approach on how to implement such a funding reduction. To assist with this analysis, I asked Plante & Moran to accomplish the following:

1. Gather more input from the local units on what they consider the most critical functions of our Police Services unit and what services they are willing to pay for;
2. Further research Oakland County's incremental cost model for contracting county road patrol services;
3. Provide a breakdown of Washtenaw County police services costs.

Attached is a report from Plante & Moran outlining all findings to date towards these objectives. Plante & Moran will discuss these findings with the Board at the Working Session meeting.

June 28, 2005

Mr. Robert Guenzel  
Administrator  
Washtenaw County  
220 N. Main  
P.O. Box 8645  
Ann Arbor, Michigan 48107-8645

Dear Mr. Guenzel:

Re: PSU Incremental Cost Model Project Findings

We have completed our data collection and analysis surrounding the County's PSU cost formula and have prepared this report to present our findings. Our examination focused on collecting relevant information from local contract and non-contract communities, gathering more detailed information from Oakland County about its incremental cost model and summarizing the issues surrounding establishment of an incremental cost model for Washtenaw County police service contract rates. We have provided a more detailed cost breakdown of the PSU cost formula in this report, categorizing costs into the following five main categories to indicate their relevance to police service contracts:

- Direct
- Direct (Allocated)
- Indirect (Allocated)
- Overhead (Allocated)
- Mutual Aid and Other Overhead

The intent of the information presented in this report is to allow the Board of Commissioners to review and evaluate the costs and related information in considering policy decisions surrounding the establishment of an acceptable incremental cost model for police service contract rates.

We wish to thank all the personnel and stakeholders who participated in the project. We received outstanding support from the Sheriff's Office and County Finance to collect and compile the relevant cost information. We found everyone to be candid, thoughtful and concerned for the best interests of Washtenaw County and local surrounding communities.

We sincerely appreciate the opportunity to assist you and the Sheriff's Office on this very important matter. Should you have any questions or require additional information,

please do not hesitate to contact me at (248) 223-3330 or Adam Rujan at (248) 223-3328.

Very truly yours,

**PLANTE & MORAN, PLLC**

Christine Andrysiak

## I. Focus Group Results

Plante and Moran invited representatives from all local Washtenaw County communities to provide input into the PSU incremental cost model formulation process. Six focus group sessions were held with invitees from both contracting and non-contracting communities. A specific cost model was not identified as part of these sessions, but rather input was gathered from local community representatives regarding essential/non-essential services, and costs communities were willing(able)/not willing(able) to pay for as part of police services contract reimbursement. As part of these sessions and as a follow up to these sessions, a survey instrument was used to gather feedback on the key issues of offered services and associated costs. Following are our general findings of the focus group sessions for the County to consider in developing an amenable incremental cost model.

- ◆ The top three services provided by the Sheriff's Office, as indicated by the majority of contract community focus group participants include the following:
  - Contracted Road Patrol
  - Central Dispatch
  - Detective Bureau
- ◆ The majority of contract communities are satisfied with the performance of the Sheriff's Office, wish to continue contracting for police services and are willing to pay a "fair" price for services provided. Individual perspectives on a "fair" price varied by community, but some consistencies arose as presented in the following items.
- ◆ There is general agreement among both contracting and non-contracting communities that the jail is an essential Sheriff's Office service, however the rural communities feel that road patrol is the core service they benefit from within all of County government. Several rural communities feel that paying for indirect and overhead police service division costs is a form of double taxation.
- ◆ It should be noted that non-contracting communities view Detective Bureau services and other county-wide services, such as drug enforcement (LAWNET) and Auto Theft Enforcement (WAATT) as more important to them than road patrol.
- ◆ When presented with the difficult choice of identifying non-essential police services, the majority of contract communities feel that the services provided by the Special Assignment Deputies are not of crucial importance to their communities, including:
  - Auto Theft Task Force (WAATT)
  - DARE/Prevention Services
  - Drug Enforcement (LAWNET)
  - Canine
- ◆ When asked what costs local contract communities are most willing (able) to pay for, the following items were identified:
  - Dispatch
  - Direct Deputy costs, especially salaries, fleet, liability insurance, and "reasonable" overtime
  - Detective Bureau
  - Supervision

- ◆ When asked what costs local contract communities are most unwilling (unable) to pay for, the following items were identified:
  - Administration, almost unanimously
  - Cost Allocation Plan, almost unanimously
  - Indirect and overhead costs
  - Other Services and Charges, as defined in the PSU formula
  
- ◆ Many rural communities indicated concern with their ability to pay increased costs for police services, given the difficult economic times and the size of their local tax base. Some rural communities are not willing to pay more than they are currently charged for contract police services.
  
- ◆ Some communities identified the need for additional revenues at the County-level, and indicated a willingness to work on a new millage proposal to satisfy the needs of both the jail and contract road patrol services
  
- ◆ There is a desire by some to collaborate with all Washtenaw County stakeholders (County Commissioners, Local Elected Officials, Sheriff's Office representatives, etc.) on this issue to discuss prospective county-wide solutions as a whole
  
- ◆ There is some interest in contracting specifically for deputies, supervision and detectives, with the ability to more proactively manage contract deputy assignments within each local community. Increased accountability of deputies to local contract communities (i.e. contract customers) was expressed.
  
- ◆ There exists the desire to create more flexible contract police service arrangements with the Sheriff's Office, such that support can be provided on potentially a seasonal, shift, or even hourly basis
  
- ◆ Local community representatives consistently indicated trust issues with the County in relation to this particular issue

## II. Oakland County Comparison

As part of this project, Plante and Moran, with the assistance of retired Oakland County Undersheriff Tom Quisenberry, gathered additional detail from Oakland County pertaining to its contract police model. Some of our key findings are as follows:

- ◆ Oakland County has evolved into a “direct cost” contract policing model over the years. They struggled with similar issues Washtenaw County is now struggling with about 12 to 15 years ago when they began to change from a general fund road patrol service provider to a contract road patrol service provider. The conversion process took place over a several year period, with many modifications along the way. The model as seen today is the result of many years of evolution.
- ◆ The Oakland County Board of Commissioners and Sheriff’s Department have committed to a policy of “direct cost” reimbursement for the local contracting communities. Several technical services (described below) are offered by the County Sheriff’s Department that are funded through the general fund and are provided to all county-wide jurisdictions. For many of these services, the Sheriff’s Department estimates that 50% of the services provided are for non-contracting local communities. The general fund functions are evaluated each year as part of the budget process, competing with all other County programs for funding.
- ◆ Oakland County contracts with local communities for the provision of police services under a direct cost model, charged out by individual position. They have a contract base that ranges from 6 contract positions to 58 contract positions, which is significantly larger scale than Washtenaw County’s contract base. Currently Washtenaw County has police service contracts ranging from 1 deputy to 44 deputies, with the majority of contracts under 4 deputies. For smaller police service contracts, Oakland County encourages communities to share resource costs for purchasing the necessary supervision and detective services, if desired. The positions Oakland County charges for are the following:
  - Captain (no fill)
  - Lieutenant (no fill)
  - Patrol Sergeant (no fill)
  - Detective Sergeant (no fill)
  - Deputy II (with fill-in)
  - Deputy II (no fill)
  - Deputy II (no fill/no vehicle)
  - Patrol Investigator (no fill)
  - Deputy I (no fill)
- ◆ Oakland County provides requirements and guidance surrounding span of control and supervision for their contract policing staff. Their general rules of thumb are as follows:
  - Once you contract for at least 6 deputies (2 per shift), you need to hire at least a Sergeant
  - When you reach 12 to 15 deputies (3 or 4 per shift), you generally need to add two more Sergeants (one for afternoons and one for midnights) and one Lieutenant to cover all three Sergeants

- For Patrol Investigations, both the local community and Sheriff's Department work together to identify when an investigator should be added. Usually when a contract has 9 deputies and a Sergeant, a Patrol Investigator is added.
- ◆ Oakland County provides for the option of fill-in and no fill deputy contracts to assist local communities with managing their police resources. The fill-in option is generally used by smaller communities that do not have the economies of scale to afford deputy time off on a regular basis. The fill-in costs are known up front, based upon Sheriff's Department actual experience, providing for 40 hours of service each week and is a fixed cost to the contracting community. No fill contracts are generally reached after a community contracts for at least 9 deputies, providing the flexibility to do without deputy coverage on some shifts based upon historical call volumes and professional decisions made by sub-station commanders. Shift commanders generally are responsible for managing his/her resources effectively for the local community. Any lost time that needs replacement or any overtime worked by the deputy is billed back to the local unit of government on a monthly basis. For long term absence issues, a contract deputy is replaced after two weeks (10 working days) if the deputy is ill or injured. These costs are covered by short term and long term disability insurance that is built into the contract cost, which is effective after 7 calendar days (5 working days).
- ◆ The back-fill requirements for Oakland County are slightly different than those for Washtenaw County. One large difference relates to COMP time for Washtenaw County Sheriff's deputies. Oakland County indicated prior difficulty in managing the back-fill requirements of COMP time, which is something they eliminated several years ago in their department. COMP time contributes to the current level of overtime costs in the Sheriff's Office. Additionally, Oakland County may have a larger pool of resources to draw from in back-filling positions, resulting in lower overtime costs for their Department. If Washtenaw County desired to further reduce the overtime costs of the Sheriff's Office, it could choose to increase the pool of six fill-in deputies to further cover the back-fill requirements of the 90 person contract deputy police force. Finally, there may be a difference in the disability insurance coverage and handling between Oakland and Washtenaw Counties, resulting in different definitions of a fill vs. no fill contract.
- ◆ The services provided to local communities via the Patrol Investigator contract position versus the Technical Services Division of the Sheriff's Department is somewhat overlapping. Patrol Investigators handle investigations for each local community and may handle everything from start to finish on their investigations. The County describes the services it provides as more specialized services that local jurisdictions may not have the ability to perform on their own, including Fire Investigation, Auto Theft (grant-funded), Forensic Lab, Fugitive Apprehension, Computer Crimes, Narcotics, Special Investigations, and Warrants (for 17 Oakland County Courts). The technical service teams operate within all areas of the county and are available on request from any local unit of government.
- ◆ The Oakland County model of charging per deputy seems like a reasonable method for charging local contract police service communities. This is the method we are striving to replicate in the preliminary cost model presented later on in this report.

- ◆ We have presented the Deputy fill-in option in our more detailed cost breakdown of the PSU formula. We have built the model to include the supervision and detective service costs as separate, direct (allocated) line items as a means to recover their direct cost charges. As an option, the County may wish to consider contracting specifically for supervision and detectives just as Oakland County does. Based upon information gathered to date, we believe this may require some changes to current Sheriff's Office contract patrol operations and union contract agreements in order to implement. There seems to be interest in doing something like this from the local contract community perspective, especially if it results in more direct influence on the desired activities/services of contract police service resources.

### III. Issues Summary

Following is a summary of the relevant issues we foresee in finalizing an incremental cost model for the local contract communities.

<b>Issue</b>	<b>Discussion</b>
<ul style="list-style-type: none"><li>The local contract communities desire a true “direct cost” incremental cost model for reimbursement of deputy charges, similar to Oakland County.</li></ul>	<ul style="list-style-type: none"><li>The Oakland County Board of Commissioners and Sheriff’s Department have made an ongoing policy decision to finance many county-wide services through the general fund. In order to gain the needed revenue for the jail proposal, Washtenaw County is likely going to have to make policy decisions regarding core, county-funded services.</li></ul>
<ul style="list-style-type: none"><li>The local communities wish to be “heard” by the County regarding the contract police services issue. They would like involvement in the final decision of the County and are willing to work with the County to come to a joint resolution.</li></ul>	<ul style="list-style-type: none"><li>The opinions vary significantly between contract communities on how to resolve this issue. Perspectives differ between contract and non-contract communities, urban vs. rural communities, cost reduction vs. another millage proposal, etc. Coming to resolution that will satisfy all parties may be challenging.</li></ul>
<ul style="list-style-type: none"><li>There may be some difficulty in moving directly to the Oakland model due to scale issues and current operational policies/constraints within the Sheriff’s Office.</li></ul>	<ul style="list-style-type: none"><li>The majority of Washtenaw County police service contracts are for less than 4 deputies. This presents a challenge when deriving individual Sergeant and Detective costs because many communities would have to share costs. Also, some central oversight and management is probably prudent with the smaller contracts to maintain some economies of scale in contract police operations. Union contracts may also have to be renegotiated to accommodate the Oakland model.</li></ul>

Our preliminary cost model simply presents a more detailed cost breakdown of the PSU formula. Policy decisions will have to be made regarding funding levels and core services to be offered by the Sheriff's Office. Some of the key funding policy decisions identified through the course of our analysis may include the following:

- ◆ Policy surrounding how overtime costs will be handled (through fill vs. no-fill contracts?)
- ◆ Determination of what, if any, core services will be funded by the county, such as detective bureau and special assignment deputy functions
- ◆ Policy surrounding the provision of Dispatch services, which encompasses more than local contract police services support through primary PSAP designation
- ◆ Determination of how administration costs will be handled
- ◆ Determination of how Cost Allocation Plan costs will be handled
- ◆ Policy surrounding mutual aid costs, which equates to about one percent of the Road Patrol workload
- ◆ Policy surrounding prevention services costs, which are essentially the costs of one youth caseworker and 1/3 of a sergeant
- ◆ Determination of how non-contract related employee costs will be handled

#### IV. Preliminary Cost Model

In developing an incremental cost model for the Washtenaw County PSU (i.e. deputy) rate, Plante and Moran defined a more specific breakdown of PSU costs, and categorized them as follows:

- ◆ Direct - these costs can be tied directly to a contract deputy and are definitely attributable to local police service contracts.
- ◆ Direct (Allocated) - these costs are also providing direct benefit to the local police service contract communities, however they cannot be tracked specifically to a staff member of the Sheriff's Office (e.g. the Detective Bureau supports the local contract communities, as well as county-wide communities). We have identified appropriate cost drivers in conjunction with the Undersheriff, to allocate the proper costs to the police service contracts.
- ◆ Indirect (Allocated) - these costs are indirectly related to the local police service contracts (i.e. support the deputies on the road) and again an appropriate cost driver is selected to allocated the appropriate portion of these costs to the police service contracts.
- ◆ Overhead (Allocated) - these costs are necessary to run the local police service contracts, in addition to the Sheriff's Department as a whole, and as such are allocated to the contracts according to an appropriate cost driver.
- ◆ Mutual Aid and Other Overhead - these costs are not really tied to supporting the local police service contracts, however they are costs included in the Police Services Division budget (5020) and therefore are in the PSU formula. In many cases they are the portion of unallocated costs from several of the cost categories above.

What these cost categorizations do is provide a progression of costs from those most directly related to police service contracts to those most unrelated to police service contracts. This should provide all project stakeholders with clear understanding of the costs in the revised incremental cost model (once selected) and should also provide a sound basis for some of the policy decisions to be made in regard to future, incremental police service contract rates. We don't recommend a particular incremental cost model, but we present the information in a more detailed and objective format for the Board of Commissioners to review in making final police service contract rate decisions. Please refer to the Attachment for the more detailed cost information, presented in summary format. There exists a more detailed version of the cost breakdown, which is available upon request.

Following are some of the key assumptions discussed with the Sheriff's Department and used in preparing the attached cost schedule.

- ◆ The cost categories of patrol supervision, liability insurance, and contract deputy related legal expenses are allocated by patrol hours (contract vs. non-contract jurisdictions) as a reasonable method for distributing the costs. Data for the years of 2002 through 2004 were provided by the Sheriff's Department, resulting in an allocation breakout of 99% contract vs. 1% non-contract patrol hours.

- ◆ Central Dispatch costs were allocated on the basis of the distribution of 2004 and 2005 incoming call volumes in the categories of Sheriff's Office runs, Michigan State Police runs, Northfield Township runs, and transferred calls. The call volumes were weighted for average call length of a transferred vs. handled call to estimate call center workload. Data showed 67% of the calls were related to local police service contracts vs. 33% related to other dispatch matters. The costs shown in the attachment are net of E9-1-1 Surcharge revenues.
- ◆ Detective Bureau and Support Services costs were allocated based upon the hours reported working on cases during 2002 through 2004 for contract vs. non-contract jurisdictions. The breakout indicated that 95% of the hours were related to contract jurisdictions and 5% were related to non-contract jurisdictions.
- ◆ Several cost categories, including general supplies, other services and charges, capital outlay, the cost allocation plan and administration were allocated based upon the number of employees to most accurately reflect the distribution of costs. Percentages vary based upon the number of related employees associated with the cost category being allocated.
- ◆ Several employees (or portions thereof) in the Police Services Division budget (5020) were identified as not related to police service contracts, which are identified in the attachment as overhead costs. Categories include Prevention Services, Special Assignment Deputies and Non-contract related employees. A more detailed schedule of positions and costs can be provided upon request.