

# **Nevada City Police Services Benefit in Outsourcing**

## **Summary**

Members of the City Council of Nevada City requested proposals from the Grass Valley Police Department and the Nevada County Sheriff's Office to provide police services. The Grass Valley Police Department proposal offered a cost savings of \$300,000 annually. The Nevada County Sheriff's Office decided not to respond without a written request from the City Council of Nevada City. The City Council of Nevada City opted not to consider the proposal offered to them by the Grass Valley Police Department.

With no reserves in its general fund, the City of Nevada City is in a weak financial position.

Because of its financial position the City of Nevada City is only able to employ several part-time individuals in key management positions. These positions include the City Manager, the Police Chief, the City Attorney, and the City Engineer. These positions require knowledge and background frequently found only in retired workers with similar experience. Recent changes affecting post-retirement employees in the California Public Employees' Retirement System (CalPERS) may limit the pool of available applicants to fill the key part-time leadership positions.

The Nevada County Grand Jury recommends that the City Council of Nevada City formally request and publicly consider proposals from the Nevada County Sheriff's Office and the Grass Valley Police Department to provide police services.

## **Reasons for Investigation**

The Nevada County Grand Jury (Jury), exercising its oversight responsibilities pursuant to California Penal Code Section 925, reviewed the City of Nevada City's (City) annual budget for fiscal years 2010-11 and 2011-12. The investigation revealed that the City's current budget does not provide for any cash reserves in the General Fund at fiscal year end.

The Jury found that two police officers funded by a grant from the American Recovery and Reinvestment Act were laid off at the end of that funding, reducing the police staff by nearly 20%. This reduction in staff, combined with the need for a part-time Chief of Police, prompted the Jury to investigate whether the City could afford to fund its own police force.

## **Background**

The City covers 2.2 square miles and has a population of approximately 3,000 people. The City supports a full-time police department during a significant downturn in the economy. The City employs a part-time Chief of Police to lead its Police Department. For the past three years the Nevada City Police Department has been augmented by the addition of two officers and a clerk funded by the American Recovery and Reinvestment Act. For the last several years the City has operated on a fiscal budget that has not set aside any reserves in its General Fund.

In the spring of 2011, members of the City Council of Nevada City (Council) requested proposals from the Grass Valley Police Department and the Nevada County Sheriff's Office to provide police services. When the Grass Valley Police Department proposal was presented to the Council, it was reported in the local newspaper, *The Union*, that the Council put it aside without consideration.

## **Procedures Followed**

### The Jury

- interviewed City administrative staff, members of the Council, management of the Nevada County Sheriff's Office and of the Grass Valley Police Department,
- reviewed the City's budget for fiscal years 2010-11 and 2011-12,
- reviewed the City's financial statements ending June 30, 2011.

## **Facts**

- F.A.1.** The Council has a fiduciary responsibility to make sound financial decisions for the City.
- F.A.2.** The City's long term outstanding debt for the fiscal year ending June 30, 2011, was \$5,740,396.
- F.A.3.** The City's General Fund expenditures of \$3.38 million exceeded the General Fund revenues of \$3.11 million, a loss of over \$260,000 for the fiscal year ending June 30, 2011.
- F.A.4.** Total City budget for the fiscal year 2011-12 is \$3.23 million.
- F.A.5.** Total expenditure for the Nevada City Police Department for the fiscal year ending June 30, 2011, was \$1.2 million.
- F.A.6.** The Nevada City Police Department's budget for the fiscal year 2011-12 is \$1.02 million.

- F.A.7.** The City's General Fund has no reserves and the 2011-12 budget does not address that situation.
- F.A.8.** The City has adopted Friday furloughs, in departments other than public safety, as a way to lower costs.
- F.A.9.** The grant from the American Recovery and Reinvestment Act funded two City police officers and one clerk from 2009 through 2011.
- F.A.10.** After the expiration of the above-referenced grant, the two police officers were laid off, reducing the staff by nearly 20%.
- F.A.11.** Several key City employees receive half-time wages. These employees are the City Manager, the Police Chief, the City Attorney, and the City Engineer.
- F.A.12.** At least two of the part-time key City positions are filled with California Public Employees' Retirement System (CalPERS) retirees, including the current police chief.
- F.A.13.** During the fiscal year 2010-11, members of the Council requested and received a proposal from the Grass Valley Police Department to provide police services to the City.
- F.A.14.** During the fiscal year 2010-11, the Council did not consider the proposal from the Grass Valley Police Department to provide police services. The item did not appear on any agenda or minutes of the Council.
- F.A.15.** The Grass Valley Police Department proposal submitted to the Council offered an estimated cost savings of \$300,000 annually.
- F.A.16.** Pursuant to Assembly Bill 1028, effective January 1, 2012, amendments were made to the public employees retirement law (Government Code Sections 21224, 21229, and 21221 (h)) concerning employment of CalPERS retirees.

## **Findings**

- F.I.1** With no reserves in the General Fund, the City is in a weak financial position.
- F.I.2** The Grass Valley Police Department proposal indicated they could have maintained the current or a higher level of police services and realized an annual cost savings in the amount of \$300,000.
- F.I.3** Assembly Bill 1028 may limit the ability of the City to continue to fill key positions with CalPERS retirees.

- F.I.4** Currently the City is attempting to balance its budget, in part, by instituting Friday furloughs, hiring key part-time leaders and failing to put aside funds in the City's General Fund reserve.
- F.I.5** The Council did not meet its fiduciary duty when it failed to consider outsourcing police services.

### **Recommendations**

The City Council of Nevada City should:

- R.1.** investigate outsourcing police services. Possible providers would include the Nevada County Sheriff's Office and/or the Grass Valley Police Department.
- R.2.** publicly review and consider any resulting proposals to determine whether there is an opportunity to provide equal or better police services at lower costs.

### **Responses**

City Council of Nevada City: Due Date: August 29, 2012



# City of Nevada City

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August 13, 2012

The Honorable Thomas M. Anderson  
Presiding Judge of the Nevada County Grand Jury  
201 Church Street  
Nevada City, CA 95959

Re: Response of City Council of Nevada City to Grand Jury Report  
Nevada City Police Services Benefit in Outsourcing

Dear Judge Anderson:

On behalf of the City Council of Nevada City, I am transmitting to your attention our response to Findings and Recommendations in the 2011-12 Grand Jury report entitled Nevada City Police Services Benefit in Outsourcing. We appreciate the time and effort put forth by the Grand Jury to provide its recommendations for cost savings in our police department in these challenging economic times. However, outsourcing all police functions is a complex matter and, as reflected in the response, the city is exploring other opportunities for sharing police services and cost savings at this time.

Yours truly,

Duane Strawser  
Mayor

cc: Nevada County Civil Grand Jury ✓  
Jim Wickham, Police Chief  
David Brennan, City Manager  
Hal DeGraw, City Attorney

*Rec'd  
8/14/2012  
[Signature]*

1 CITY OF NEVADA CITY RESPONSE TO THE FINDINGS AND RECOMMENDATIONS OF THE 2011-12  
2 NEVADA COUNTY GRAND JURY REPORT NEVADA CITY POLICE SERVICES – BENEFIT IN  
3 OUTSOURCING

4 **FINDINGS**

5 **F.I.1** With no reserves in the General Fund, the City is in a weak financial position.

6 The City agrees with this finding.

7 As with numerous cities nationwide, Nevada City has no unobligated general fund reserves and  
8 is constantly reviewing sources of revenue, streamlining its operations without reducing the  
9 level of service. In recent years, the general fund has experienced improvements in financial  
10 position. The City Council has approved placing a three-eighths cent sales tax on the November  
11 ballot to help restore the general fund to an appropriate reserve balance over a five year  
12 period.

13 **F.I.2** The Grass Valley Police Department proposal indicated they could have maintained the  
14 current or a higher level of police services and realized an annual cost savings in the amount of  
15 \$300,000.

16 The City partially agrees with this finding:

17 The Grass Valley proposal was a legitimate, cost effective, use of available resources. The  
18 proposal eliminated supervisory and management positions within NCPD and consolidated  
19 other activities. However, further analysis of the proposal would be necessary to support the  
20 statement that it would maintain the current level of service utilizing GVPD current supervisory  
21 and management personnel.

22 **F.I.3** Assembly Bill 1028 may limit the ability of the City to continue to fill key positions with  
23 CalPERS retirees.

24 The City agrees with this finding.

25 The City agrees that in the best interest of the Police Department, a full-time Police Chief would  
26 better serve the community and department. The salient point is that filling the Police Chief  
27 position on a part time basis is not a desirable organizational structure and the City is working  
28 toward having the financial ability to hire a full time Police Chief.

29 **F.I.4** Currently, the City is attempting to balance the budget, in part, by instituting Friday  
30 furloughs, hiring key part-time leaders and failing to put aside funds in the City's General Fund  
31 reserve.

32 The City agrees with this finding.

33 As with many small cities in the Nation, the City Council has taken immediate steps in ensure  
34 the health, safety and welfare of its residents during the economic downturn. The City has



35 taken the opportunity to hire part-time managers, with a high level of experience and service  
36 levels, to assist Council through these economic conditions.

37 **F.I.5** The Council did not meet its fiduciary duty when it failed to consider outsourcing police  
38 services.

39 The City strongly disagrees with this finding.

40 The City Council took the initiative to look at all options to maintain city financial stability  
41 including considering options for outsourcing police services. This option was not generated by  
42 any Grand Jury Report, community outcry to outsource the police department, but by the City  
43 Council taking its fiduciary duty seriously. There are many other factors to consider besides  
44 saving money when evaluating such a significant restructuring of city services. The  
45 consideration of outsourcing police services has resulted in the Nevada City Police Department  
46 working closer with Grass Valley Police Department. The two cities have been actively  
47 exploring opportunities for sharing resources that would reduce expenditures and enhance  
48 services,

#### 49 **RECOMMENDATIONS**

50 **R.1** Investigate outsourcing police services. Possible providers would include the Nevada County  
51 Sheriff's Office and/or Grass Valley Police Department.

52 The recommendation will not be implemented because it is not warranted or is not reasonable.

53 The recommendation is not warranted for reasons that there is no perceived public support for  
54 it and the fiscal issue is being addressed in other ways on multiple fronts. At the June 5, 2012,  
55 City Council meeting the Police Chief had a public discussion on the Grand Jury report and  
56 received public comments on the direction on whether the City Council wanted further  
57 research on outsourcing police services. The Chief highlighted some of the critical elements that  
58 would need to be analyzed and the significant costs and staff time to address those issues. The  
59 Council reiterated they would prefer the current direction the Department was taking as they  
60 also recognized to reverse and directed staff to work with the City Manager to meet those  
61 objectives. The Nevada City Police Department will continue to explore opportunities for  
62 sharing police services which we believe will serve to improve our ability to provide community  
63 policing.

64 The Nevada City Police Chief is working closely with Grass Valley Police Department in  
65 developing a Joint Operational Agreement (JOA) to cover dispatch, supervision, and share  
66 investigative services, evidence and school resource officers. This type of arrangement  
67 eventually leads to a higher level of service to the communities, elimination of duplicated  
68 services and a cost savings for both communities.

69 We believe the current efforts will achieve the same beneficial results without losing our local  
70 police services operations which is highly desirable in Nevada City.

71 **R.2.** Publicly review and consider any resulting proposals to determine whether there is an  
72 opportunity to provide equal or better police services at lower costs.

73 The recommendation will not be implemented because it is not warranted or is not reasonable.

74 We don't foresee receiving any "resulting proposals" because we will not be soliciting any full  
75 service outsourcing proposals.

76 The City Council is mostly concerned with providing a high quality public safety program and  
77 has directed staff to carry out that objective. The financial status of Nevada City continues to be  
78 of paramount concern and we are moving forward on that challenge.

79 As a small municipality we keep a focus on balancing the local services expected by our  
80 residents and the costs to provide that level of service.

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