

Date of Hearing: June 15, 2016

ASSEMBLY COMMITTEE ON LOCAL GOVERNMENT

Susan Talamantes Eggman, Chair

SB 1360 (Bates) – As Amended March 31, 2016

SENATE VOTE: 36-0

SUBJECT: Local government: municipal service agreements: law enforcement services.

SUMMARY: Creates parity for counties and cities that provide law enforcement services to cities by requiring a city that contracts with another city for law enforcement services to charge all costs incurred in providing those services. Specifically, **this bill:**

- 1) Requires a city that provides law enforcement services through its appropriate departments, boards, commissions, officers, or employees to another city pursuant to a contract or any other agreement authorized by statutes governing municipal service agreements to charge that city all the costs that are incurred in providing those law enforcement services, except for any costs that the city providing the services reasonably determines are general overhead costs.
- 2) Defines “general overhead costs” to mean those costs that a city would incur regardless of whether or not it provided law enforcement services pursuant to a contract or agreement to the other city.
- 3) Requires any determination of general overhead costs made by a city providing law enforcement services to be subject to judicial review as to the reasonableness of that determination.
- 4) Applies to contracts or agreements entered into, or renewed, on and after January 1, 2017.

EXISTING LAW:

- 1) Allows local agencies to contract with other local agencies to provide municipal services or functions, and requires such agreements to be for "valuable consideration."
- 2) Requires a county that provides services to any city pursuant to a contract to charge the city all those costs that are incurred in providing the services.
- 3) Prohibits a county from charging a city contracting for services, either as a direct or an indirect overhead charge, any portion of those costs that are general overhead costs of operation of the county government.
- 4) Defines "general overhead costs" as those costs that a county would incur regardless of whether or not it provided services under contract to a city.
- 5) Requires any determination of general overhead costs to be subject to court review as to the reasonableness of such determination.

FISCAL EFFECT: None

COMMENTS:

- 1) **Bill Summary.** This bill aims to create parity for counties and cities that provide law enforcement services to cities. It requires a city that provides law enforcement services to another city to charge that city all the costs that are incurred in providing those law enforcement services, except for costs that the city providing the services reasonably determines are general overhead costs. General overhead costs are defined as "those costs that a city would incur regardless of whether or not it provided law enforcement services pursuant to a contract or agreement to the other city." This determination is subject to judicial review.

This bill applies to contracts or agreements entered into, or renewed, on and after January 1, 2017. This bill is sponsored by the Association of Orange County Deputy Sheriffs.

- 2) **Author's Statement.** According to the author, "Different rules apply to cities and counties when bidding for police service contracts. Counties must charge all costs 'which are incurred in providing the services so contracted or authorized,' while cities need only charge 'valuable consideration.' Because counties and cities are playing by two separate sets of rules, counties are severely disadvantaged when bidding head-to-head with cities for police service contracts.

"Residents of cities who bid police services below cost are also burdened by the disparate treatment of cities and counties. When a city gives a low bid to undercut a county's bid, it is that city's taxpayers who get saddled with the extra costs. Essentially, the bidding city's residents will be forced to make up the difference between the cost of the services provided and the amount of the bid. SB 1360 represents a commonsense approach toward ensuring that both counties and cities are able to competitively bid law enforcement contracts and ensures that all of the services provided will be paid for by the city receiving services, rather than the taxpayers of another municipality."

- 3) **Background.** Current law allows local agencies – including counties and cities – to contract with each other for municipal services and functions. Statutes governing this authority require these agreements to be for "valuable consideration," but do not further specify what this "valuable consideration" must include. However, current law specifies that, when counties provide services to cities, they must charge all costs incurred in providing those services (with the exception of any costs that can be attributed to services provided to all portions of the county).

This bill's sponsor, the Association of Orange County Deputy Sheriffs, explains that these conflicting statutes allow cities to pick and choose what they will charge and not charge for and, therefore, to bid contracts at far lower prices than counties.

This bill is modeled after statutes that govern what counties must charge when providing services to cities, although it is limited to law enforcement services only (as opposed to any and all services a city might provide to another city).

- 4) **Arguments in Support.** The Association of Orange County Deputy Sheriffs, sponsor of this bill, writes, "(W)e strongly support SB 1360, which would create parity between counties and cities who bid for municipal police services contracts...(Current law) creates a lack of

parity that advantages cities over counties when both are bidding head-to-head for police service contracts. SB 1360 would remedy this problem by simply requiring cities to charge all those costs incurred in providing the law enforcement services contract."

5) **Arguments in Opposition.** None on file.

REGISTERED SUPPORT / OPPOSITION:

Support

Association of Orange County Deputy Sheriffs [SPONSOR]

Opposition

None on file

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