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Economy & Efficiency Commission Presentation

Editorial Note: Although every effort has been made to insure the accuracy of the material in this presentation, the scope of the material covered and the discussions undertaken lends itself to the possibility of minor transcription misinterpretations.

**PRESENTATION BY
Mr. Sam Olivito
Executive Director**

California Contract Cities Association

**Topic: Contract Cities Always Reinventing Government
April 8, 1999**

Chairman Abel introduced Mr. Sam Olivito, Executive Director of the California Contract Cities Association (CCCA). *Mr. Olivito* began by stating that the CCCA is much younger than the contracting form of government. In 1954 Lakewood plan was the result of the growth in municipal service delivery within the County. The City of Lakewood was the first to fully contract with the County for all of its municipal services delivery. This solution was created because it was difficult for the City to hire its own staff for police force, fire, et cetera. From 1954 to 1957, there were about 13 incorporations. These 13 cities decided to form an association, which ultimately became the CCCA. As growth continued, there were more incorporations, and now all of the cities contract with the County for some services. (He distributed a brochure which explains in greater detail how the CCCA operates.) These cities are creative and flexible in how they function and with the various services that are provided.

As time went on, there were a lot of independent cities that felt very strongly that the city members of the CCCA were using more of the County's general fund tax dollars. Ultimately, the Grand Jury became involved and the CCCA was sued by the City of Los Angeles. The CCCA prevailed in each of the instances.

The County began increasing the cost of the contracts and there was an interest in trying to establish a standard from which to operate. From 1978 to 1983, the Proposition 13 struggle resulted in a legislative resolution to the way the CCCA costed-out Sheriff's services. The Gonsalves Act was passed, which established what the Sheriff could charge for services. This resolution included taking out the overhead charges for the larger responsibilities that the Department has in the County. It focused on the actual costs to pay for those services provided to contract cities.

The efficiencies in contracting are numerous. Several years ago the County began contracting for a number of services resulting in savings of millions of dollars. CCCA has had to become a more legislatively intense and effective organization. Local elected officials now deal with State legislation. While the CCCA does not try to take the place of the League of Cities, it is a larger group which handles all of the issues directly related to cities. CCCA tries to focus on contracting and those issues which are important to that philosophy.

CCCA has continued working with the County in a cooperative fashion. CAO David Janssen has made several changes that have been helpful in managing liability trust fund issues.

Mr. Olivito elaborated that the Liability Trust Fund functions as a contract with the Sheriff's Department. This includes a surcharge of 6 percent. That is over and above the actual cost of the provided services. The funds resulting from this surcharge went into a fund that was, over time, managed by several County departments. The accountability of the accounting procedures was in most cases lacking. In 1985 (when Mr. Olivito was hired) CCCA asked the CAO for another accounting and received an income/expense statement. The CCCA still didn't know how a liability would be paid. Since that time, the changes that have been made to these procedures have been very dramatic. For the 40 cities which contract for Sheriff's services, the CCCA established a joint powers authority, similar to the Southern California Joint Powers Authority established 20 years ago. The CCCA just had the second meeting of the oversight committee which is made up of elected officials and city managers within the 3 Sheriff patrol regions. The Joint Powers Insurance Authority will serve as the monitor of the dollars being spent, saving the cities money in the long run.

Chairman Abel asked about contracting between and/or amongst cities (such as Whittier and Santa Fe Springs). *Mr. Olivito* responded that contracting between cities is not new. It was dramatic for the Sheriff's Department to find that the City of Santa Fe Springs preferred to contract with the City of Whittier for police services. Such arrangements occur often, i.e. - the sharing of vehicle services, but the uniqueness of law enforcement requires that contracting jurisdictions be contiguous. It seems to work well for Santa Fe Springs and Whittier, and both cities seem to be happy with the service. The issue is still open as to the cost-effectiveness of the arrangement. It is difficult to determine whether or not it will work from cost and liability perspectives.

Whittier belongs to the Independent Cities Association, which has a liability formula to cover the City's liabilities with some self-retention. There are numerous other cities that are banding together under the auspices of a Council of Governments (COG). A number of contracting issues are being undertaken in the economic development area.

Chairman Abel asked how the independent cities are faring under the current (State/local finance) structure and how Mr. Olivito explains a city (like Hawaiian Gardens) which depends on a third of its revenue from discretionary contributions from private sources. *Mr. Olivito* responded that when Proposition 13 was passed, the CCCA cities had a very low tax rate, if any at all. Two pieces of legislation, AB 8 and SB 154, set CCCA aside and forbade participation in any sort of property tax. Any new city that was incorporated was allowed a portion of the property taxes, up to 14 to 17 percent, depending on what could be negotiated. The problem for the City of Hawaiian Gardens is that it had to become more reliant on vehicle license fees, development fees, permit fees, sales tax, et cetera, to exist. Hawaiian Gardens still wanted to have local control so they did what they could. The Cities of Commerce, Gardena, and Bell Gardens turned to casinos for tax revenues, even though such revenue is neither charitable, nor discretionary.

Chairman Abel asked how healthy is it for some of the CCCA members to be dependent on the voluntary charitable contributions to support one-third of the budget. *Mr. Olivito* responded that the answer is obvious it is not healthy. But the other side of the issue is that they are restricted (unless by a vote of the people) on the actions which they can take. The residents in these communities want services without concern for funding sources.

Commissioner Buerk asked where the CCCA stands with regard to changing sales-tax incentives (i.e., retail shopping construction) in the legislature. *Mr. Olivito* responded that some individual cities within CCCA are considering more cooperative sharing. Some communities have worked with developers and neighboring communities to resolve issues of retail locations. Sharing of road construction agreements have been undertaken for some communities (i.e. Norwalk and Cerritos). There was an effort between the cities of Palmdale and Lancaster to place on the ballot an initiative for the sharing of sales-tax revenues from commercial development. That effort was not successful, but the sharing of sales-tax issue is still under consideration.

Commissioner Sylva commented on her own role with the EEC Unincorporated Areas Task Force. One of

the goals of the Task Force is to support the current efforts to combine the LA County and the LA City crime lab. She asked if Mr. Olivito could recommend any other projects which the Task Force could undertake that would be helpful to the contracting of services. *Mr. Olivito* responded that there is a current effort in the County to look at those services. The CAO is looking at those kind of services, but the current status is unclear. He repeated that CCCA would certainly be willing to participate with the EEC in any endeavor which required aid and assistance.

Commissioner Padilla asked if Mr. Olivito thinks CCCA members would welcome an analysis by any commission or department that would highlight the contract costs that CCCA member cities are paying to the County, and the types of services received by the County. *Mr. Olivito* responded that if an analysis is to be undertaken, the CCCA would be pleased to assist in that effort. CCCA's constant concern is to make sure that CCCA is getting the most beneficial arrangement with the County, recognizing that there is legislation which says that the County may only charge the actual cost incurred in providing the service. CCCA has often looked at costs compared with services and wondered if a rise in cost corresponds with an equivalent increase in service.

Commissioner Jimenez mentioned the Clean Water Act as being another major issue for contract cities. He asked Mr. Olivito whether the structural issues of sewer and storm water will be looked at on a more cooperative basis--or on a basis that will be considered by individual cities as permittees. *Mr. Olivito* responded that he thinks that the County is the permittee for all of the cities in the County. He agreed that there is interest in trying to solve those problems. He explained that several years ago, there was a commission that considered charter communities, but CCCA was not enthralled with a regional governance approach. CCCA would still like to have the authority that goes along with making those decisions.

Chairman Abel thanked Mr. Olivito for his presentation.

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Kenneth Hahn Hall of Administration, Room 163, 500 West Temple St.,
Los Angeles, CA 90012
Phone (213) 974-1491 FAX (213) 620-1437 [EMail eecomm@co.la.ca.us](mailto:EMail_eecomm@co.la.ca.us)
WEB eec.co.la.ca.us