

# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Dennis Hawkins, CMC  
City Clerk

**SUBJECT:** SEE BELOW

**DATE:** 11-21-11

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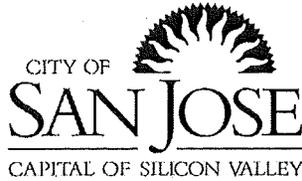
**SUBJECT: AIRPORT LAW ENFORCEMENT SERVICES: OUTSOURCING  
UPDATE, PROPOSED STAFFING PLAN, AND BUDGET UPDATE**

## RECOMMENDATION

As recommended by the Public Safety, Finance and Strategic Support Committee on November 17, 2011, approve the following actions and outlined in the attached memo previously submitted to the Public Safety, Finance and Strategic Support Committee:

- (a) Continue Airport Law Enforcement Services to be provided by the San José Police Department and discontinue negotiations with the Santa Clara County Sheriff's Office regarding potential outsourcing;
- (b) Approve a revised San José Police Department – Airport Division staffing model that modifies staffing levels to 11 sworn positions (1.0 Police Lieutenant, 6.0 Police Sergeants, and 4.0 Police Officers) and relies upon overtime staffing equivalent to 16 sworn positions effective February 1, 2012;
- (c) Approve Appropriation Ordinance and Funding Sources Resolution amendments to reflect a full year of San José Police Department services at the Airport using the revised police staffing model starting February 1, 2012, as follows:
  - (1) Airport Maintenance and Operation Fund:
    - (a) Decrease Airport Non-Personal/Equipment appropriation by \$1,817,000;
    - (b) Decrease Contingency Reserve by \$445,515; and
    - (c) Increase Transfer: Fire/Police Services by \$2,262,515.
  - (2) General Fund:
    - (a) Increase the transfer from the Airport Maintenance and Operation Fund by \$2,262,515;
    - (b) Increase the Police Department's Personal Services appropriation by \$2,093,093; and
    - (c) Increase the Police Department's Non-Personal/Equipment appropriation by \$38,352.
- (d) Direct staff to develop budget solutions for 2012-2013 with the goal of keeping the Airport cost per enplanement at competitive level of no more than \$12, including authorization to reinstate negotiations with the Santa Clara County Sheriff's Office with no further competitive procurement process required.

CEQA: Not a Project, File No. PP10-066(e), Services involving no physical change to the environment. (Airport/Police/City Manager's Office)



# Memorandum

**TO: PUBLIC SAFETY, FINANCE,  
AND STRATEGIC SUPPORT  
COMMITTEE**

**FROM:** William F. Sherry, A.A.E.  
Christopher Moore  
Jennifer A. Maguire

**SUBJECT:** Airport Law Enforcement  
Services: Outsourcing Update,  
Proposed Staffing Plan, and  
Budget Update

**DATE:** November 7, 2011

Approved

Date

11/10/11

**COUNCIL DISTRICT:** Citywide

## RECOMMENDATION

That the Public Safety, Finance, and Strategic Support Committee recommend City Council approval of the following actions:

1. Continue Airport law enforcement services to be provided by the San José Police Department and discontinue negotiations with the Santa Clara County Sheriff's Office regarding potential outsourcing.
2. Approve a revised San Jose Police Department – Airport Division staffing model that modifies staffing levels to 11 sworn positions (1.0 Police Lieutenant, 6.0 Police Sergeants, and 4.0 Police Officers) and relies upon overtime staffing equivalent to 16 sworn positions effective February 1, 2012.
3. Approve Appropriation Ordinance and Funding Sources Resolution amendments to reflect a full year of San Jose Police Department services at the Airport using the revised police staffing model starting February 1, 2012, as follows:
  - a. **Airport Maintenance and Operation Fund**
    - i. Decrease Airport Non-Personal/Equipment appropriation by \$1,817,000;
    - ii. Decrease Contingency Reserve by \$445,515; and
    - iii. Increase Transfer: Fire/Police Services by \$2,262,515.

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**b. General Fund**

- i. Increase the transfer from the Airport Maintenance and Operation Fund by \$2,262,515;
  - ii. Increase the Police Department's Personal Services appropriation by \$2,093,093; and
  - iii. Increase the Police Department's Non-Personal/Equipment appropriation by \$38,352.
4. Direct staff to develop budget solutions for 2012-2013 with the goal of keeping the Airport cost per enplanement at competitive level of no more than \$12, including authorization to reinstate negotiations with the Santa Clara County Sheriff's Office with no further competitive procurement process required.

**OUTCOME**

The outcome of these recommendations would be the continued use of the San José Police Department to provide law enforcement services at Mineta San José International Airport (SJC). The Airport would continue to be able to meet the Council-approved goal of keeping the Airport cost per enplanement at a competitive level of no more than \$12.

**BACKGROUND**

City Council approved direction to the Administration in May 2010 to take the necessary steps to continue to keep costs to airlines at a competitive level so that the Airport can successfully recruit and retain air service. Airport staff identified the highest priority and most practical items to keep costs to airlines low as reflected in SJC's Cost per Enplanement (CPE). CPE represents the total costs of Airport operations that are allocated to airlines and are charged to them in landing fees, rents or other specific charges, divided by the total number of passengers boarding planes each year. An information memo regarding the current status<sup>1</sup> of these actions taken over the past two years to reduce CPE was sent to the City Council on October 4. The current CPE in the 2011-2012 Adopted Budget is \$11.67, which is under the target level of \$12 as directed by the City Council.

Among the major items identified in spring 2010 for evaluation that had the greatest potential for cost reductions was outsourcing Airport public safety services. Earlier this year staff sought proposals for both Airport law enforcement and Airport Rescue and Fire Fighting (ARFF) services, completed evaluations, and selected two organizations with whom to begin negotiations in order to bring final recommendations and business case analyses to the City Council.

<sup>1</sup> <http://www.piersystem.com/external/content/document/1914/1209851/1/10-04-11%20Airport.PDF>

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Staff started negotiations with Wackenhut Services, Inc., for ARFF services. However, with the adoption of the City Budget in June and the City's acceptance of a federal SAFER grant for funding fire fighters, San José Fire Department now is continuing to provide ARFF services until June 2013. This will be at a reduced cost to SJC, comparable to what was proposed by Wackenhut. Negotiations with Wackenhut were terminated, but the possibility of outsourcing ARFF services could be reconsidered in early 2013 in anticipation of the expiration of the SAFER grant.

Although staff also started negotiations with the Santa Clara County Sheriff's Office for outsourcing Airport law enforcement services, the 2011-2012 Adopted Budget deferred implementation of law enforcement outsourcing until February 2012. This deferral provided more time to resolve policing level-of-service issues and to identify other steps that could reduce SJPD costs to the Airport. The 2011-2012 Adopted Budget also includes a revised Airport Police Service Delivery Model and costing structure that reduced Airport police to minimum staffing levels and reduced annual costs by \$5.3 million, or \$1.25 in CPE savings.

This summer, the City Auditor reviewed Airport law enforcement levels of service and costs associated with the proposals from both SJPD and the Sheriff's Office with a report released in October.<sup>2</sup> Although the Auditor's report did not make recommendations regarding outsourcing, levels of service, or costs of service, it did recommend that the Airport and SJPD develop appropriate measurements of specific law enforcement service levels and activities to provide better evaluation tools for the Airport, SJPD, and the City Council to use in the future.

### ANALYSIS

Since June the Airport has been working with the San José Police Department and the City Manager's Office to identify additional steps that could:

- Ensure appropriate safety and security levels for the Airport and the community;
- Meet the Airport's cost per enplanement competitive goals; and
- Retain SJPD to continue to provide Airport law enforcement services at least through 2012-2013.

As a result of these discussions, the Administration has developed an operational and financial framework that would accomplish these goals. This framework includes the following points:

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<sup>2</sup> <http://www.sanjoseca.gov/auditor/AuditReports/1108/1108.pdf>

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### *Law enforcement staffing*

1. SJPD will continue to provide law enforcement services at SJC. Ideally, this continuation would be stabilized through at least June 2013. However, due to the uncertainty of retirement plan contribution costs, pending arbitration over compensation rates, and other factors, the duration of this continuation will be revisited as needed.
2. Negotiations with the Sheriff's Office would be discontinued. City Council authorization to reinstate negotiations as needed, with no further competitive procurement process required, would facilitate the identification and implementation of potential cost savings if needed. Any such negotiations would be based on the proposal already submitted by the Sheriff's Office, but would recognize the potential for some changes in service requirements and other circumstances.
3. Adjust SJPD staffing levels at the Airport based on recent operational experience. SJPD staffing was decreased to 23 positions starting in July this year (22 sworn officers and one non-sworn support position) and those positions were only authorized through January 31, 2012. Staffing would be authorized at 27 positions (through permanent and overtime staffing) in order to provide greater flexibility for SJPD management and police coverage. The proposed adjustment will result in a total of 11 full-time sworn positions (one police lieutenant, six police sergeants, and four canine police officers) assigned to the SJPD - Airport Division as permanent staff, with the additional staffing equivalent to 16 police officers provided through officer overtime.
4. The revised level of police staffing equivalents will increase Airport law enforcement costs for the current budget year. Although the use of overtime instead of additional officers will reduce the Airport's costs for police services by reducing total cost of compensation related to retirement and benefits, going from 23 positions to the equivalent of 27 positions on an annualized basis will require a revision to the current-year budgets of both the Airport and SJPD.
5. The reduction to 11 sworn positions assigned to the Airport will require SJPD to eliminate 11 officer positions. This is a lower number compared to what would occur if outsourcing were to be approved. Because of anticipated vacancies in the SJPD due to likely retirements over the next several months, revised Airport police staffing levels will not take effect until February 2012 to minimize the potential layoffs of current employees.

### *Airport law enforcement operations*

6. The Airport and SJPD will develop an operational agreement to enhance communication, coordination, and operational efficiencies. This agreement will incorporate certain features contained in the Airport's law enforcement Request for Proposals such as more flexible shift schedules, operational communications, emergency response, and clarification of specific

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roles and responsibilities for Airport operations and police personnel. This administrative agreement will be completed by early 2012.

***Management of Airport's cost per enplanement***

7. Although this revised staffing approach is focused on SJPD continuing to provide law enforcement at the Airport through June 2013, SJC also must continue to maintain its long-term competitive CPE targets well beyond that date until its overall financial situation has stabilized.

If SJPD remains at the Airport beyond mid-2013, then it will be essential that the Administration continue to develop possible budget and administrative solutions that will help keep the Airport's CPE at the City Council-directed level of \$12. Similarly, in the short-term, the Administration also must take steps to maintain the CPE at competitive levels for 2012-13 if law enforcement costs become higher than projected in the coming fiscal year.

Among the measures for cost containment that will be evaluated include but are not limited to the following:

- Review both Airport and law enforcement staffing costs in conjunction with the implementation of any Fiscal Reform Plan cost savings items that may be approved beginning in 2012-2013.
- Continue to implement cost saving actions identified in the Airport Competiveness Strategy.
- Further review Airport and SJPD-AD staffing, overtime, and non-personal/equipment expenditures for potential cost savings.
- Identify any additional revenue generating measures.
- Further reduce staffing overhead charges on Airport police services and cap potential future increases in the cost of Airport law enforcement services provided by SJPD to match the formula for outsourcing proposed by the Sheriff's Office. Specifically, this approach could consist of the following elements:
  - Reduce overhead charges on Airport police services. The current Citywide overhead rate on Airport services is approximately 25 percent, which is reduced from the previous overhead charge of approximately 45 percent for Airport public safety services. Based on new proposed SJPD staffing levels at SJC, a full suspension of overhead charges would further reduce Airport costs by approximately \$320,000 per year.

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- Cap current and future costs of Airport law enforcement services provided by SJPD to match the rate proposed by the Sheriff's Office. The difference between the costs of SJPD and the Sheriff's Office proposal at the same staffing level is approximately \$135,000 for the balance of this fiscal year. Future annual personnel increases would be limited to either the Consumer Price Index or five percent, whichever is lower.
- Accrue an Airport Fund obligation to repay the General Fund for costs resulting from the reduction or waiver of overhead charges and the difference between actual SJPD costs and the cap at the levels proposed by the Sheriff's Office. This obligation would be repaid when the Airport's finances have stabilized and has the resources available to make payments without impairing SJC's cost-competitive position for airlines. It is currently estimated that repayment of such an obligation could begin when the Airport exceeds 12.2 million total annual passengers, a level last reached in 2001. Current activity is 8.3 million passengers per year. This threshold is consistent with the triggers already established for beginning Phase II of the Terminal Area Improvement Program and the completion of the Airport Public Arts program.
- Identify and evaluate additional measures to keep the Airport CPE for airlines at a competitive level as directed by City Council.

### ***Next Steps***

If Council approves this framework, then San José Police Department will continue to provide Airport law enforcement services, and staff will defer negotiations with the Santa Clara County Sheriff's Office. The possibility of outsourcing with the Sheriff's Office will be reevaluated as needed based on subsequent events, but no later than early 2013 so that staff can report to the City Council in spring 2013 for potential implementation on July 1, 2013.

Staff also will develop budget and administrative solutions that will enable the Airport to continue to keep its airline CPE at the \$12 level. These solutions will be proposed as part of 2012-2013 budget process, as appropriate.

### **POLICY ALTERNATIVES**

**Alternative:** No action. Staff will complete negotiations with the Sheriff's Office to implement the transition of Airport law enforcement services from SJPD to the Sheriff to be effective by February 1, 2012.

**Pros:** Provides stable and lower long-term costs for Airport law enforcement compared to SJPD at comparable staffing levels.

**Cons:** It would be difficult to complete negotiations, obtain City Council approval of a contract, and complete an effective transition by February. Although the transition could

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occur later, there would be proportionately lower savings. SJPD would face redeployment or layoff of additional staff. SJPD's experience and expertise in providing law enforcement services at the Airport would be lost.

**Reason for not recommending:** SJC, SJPD, and the City Manager's Office have achieved a solution that will keep SJPD officers at the Airport in a cost effective way.

### PUBLIC OUTREACH

This issue has been placed on the agendas for public review and discussion by the Public Safety, Finance, and Strategic Support Committee on November 17 and the Ad Hoc Committee on Airport Competitiveness on November 21. Actions taken at these meetings will be noted in the memo that will go forward to the City Council for consideration currently scheduled for the meeting on November 29.

- Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

This item will be posted on the City's website when agendaized for Council and committees.

### COST SUMMARY/IMPLICATIONS

This action provides for the transfer of funds to the General Fund to support cost increases associated with the continuation of Airport law enforcement services to be provided by the San José Police Department to June 30, 2012. The transfer of Airport funds are available from a reduction in non-personal/equipment funds set aside for the anticipated outsourcing of law enforcement services starting February 1, 2012 and one-time contingency reserve funding.

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**BUDGET REFERENCE**

The table below identifies the fund and appropriation proposed to fund the actions recommended as part of this memorandum.

<u>Fund #</u>	<u>Appn #</u>	<u>Appropriation Name</u>	<u>Total Appropriation</u>	<u>Amount</u>	<u>2011-2012 Adopted Budget Page</u>	<u>Last Budget Action (Date, Ord. No.)</u>
523	0802	Airport Non-Personal/Equipment	\$37,581,440	(\$1,817,000)	XI - 3	6/21/11 Ord. No. 28928
523	8905	Airport Contingency Reserve	\$3,469,854	(\$445,515)	XI - 3	10/18/11 Ord. No. 28979
001	0501	Police Personal Services	\$276,297,809	\$2,093,093	VIII - 305	10/18/11 Ord. No. 28979
001	0502	Police Non-Personal/Equipment	\$22,038,073	\$38,352	VIII - 305	10/18/11 Ord. No. 28979

**CEQA**

Not a project, File No. PP10-066(e), Services involving no physical changes to the environment.

**COORDINATION**

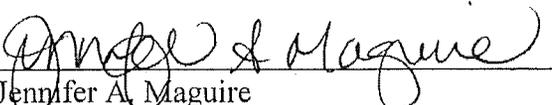
This item has been coordinated with the City Auditor's Office and the City Attorney's Office.

/s/

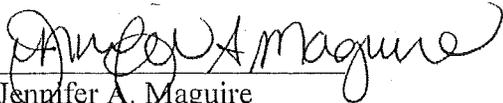
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William F. Sherry, A.A.E.  
Director of Aviation

/s/

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Christopher Moore  
Chief, San José Police Department

  
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Jennifer A. Maguire  
Budget Director, Office of the City Manager

I hereby certify that there will be available for appropriation in the General Fund in the Fiscal Year 2011-2012 moneys in excess of those heretofore appropriated therefrom, said excess being at least \$2,262,515.

  
\_\_\_\_\_  
Jennifer A. Maguire  
Budget Director, Office of the City Manager

For questions, please contact William F. Sherry, A.A.E., Director of Aviation, at (408) 392-3611.

Cc: Ad Hoc Committee on Airport Competitiveness