

WITH SAM OLIVITO, EXECUTIVE DIRECTOR, CALIFORNIA CONTRACT CITIES ASSOCIATION



Sam Olivito has been Executive Director of the California Contract Cities Association since 1985. The CCCA represents the interests of 75 “contract cities”, cities which contract for many and most local government services in California. Olivito provides management and administrative expertise in governmental relations, public affairs, public relations, financial planning and allocation of fiscal resources. He has comprehensive experience in analyzing legislation, fiscal appropriations and their effects on the public and private sectors. The CCCA has been a political force since its inception in 1957 providing a unified voice for all contract cities. Frontier Centre interviewed Sam Olivito at a local government conference in Victoria, B.C. on March 29th, 2001.

Frontier Centre: What is the California Contract Cities Association?

Sam Olivito: The association is a product of thirteen cities that started out in 1957. We were formed to help the cities get an equitable contracting system so no one was unfairly treated when they contracted for services with the county. We are state-wide, we do information programs, we have annual seminars, we discuss issues that are affecting local government, fiscal reform, things of those nature.

FC: How big is the association?

SO: We are 72 cities strong, statewide. We are in about 22 counties.

FC: What is the largest and the smallest city in terms of population?

SO: The largest city in population is 143,000 the smallest in population is 26.

FC: In the early 90s there was a presentation by the city manager of Dana Point . It had about 35,000 population but it operated with a staff of 20. How many employees does the city with 143,000 have?

SO: The city I described with a 143,000 people is Santa Clarita, one of the later incorporations. They have a staff of somewhere around a 100 or 125 or so.

FC: Their role is to design and manage contracts?

SO: Not all of them, some are in specific services that are provided by the city, like Parks and Recreation or economic development. The city administrative staff is probably maybe ten or so and those are the people that would manage the contracts – street sweeping, public works, the public safety contracts, and fire district.

FC: So they are managing contracts with services that might be provided by another city but they are buying from a neighboring city or from a private contractor?

SO: They might be from the County or private contractor. But there is city-to-city contracting that does go on.

FC: Is there a ballpark figure for savings if you compared a traditional full-service city doing a lot of things in-house with the contract cities? What typical savings would there be - 10%, 15%, 20%?

SO: In my example yesterday at the presentation – I live in the city of Downey with about 102,000 population and the city of Norwalk with is contiguous is about the same size in population and in land area. The public safety or the Police Department in Downey costs about \$22 million a year. This is about five years old now, roughly. And in Norwalk for the same type of service it is about one-half or \$10 – 11 million. So there is a savings of about 50%.

FC: Do traditional full-service cities see contract cities as a threat or an opportunity to spread the costs?

SO: I don't think they see us as a threat any more because there are too many other things for them to worry about besides contracting. Originally, when we came on board in 1957 as an association

immediately a year later there was an independent city association that came on board and they fought us vociferously. The City of Los Angeles fired off three law suits – we won each of the law suits because they felt we were double-dipping in the property taxes, we were getting a better deal from the County by contracting for the services. But I don't think they see us as a threat. There are too many other important issues they have to worry about besides us “taking over the world”.

FC: Like what, for example?

SO: Well, I think fiscal reform, regionalism - the very same thing we are talking about here in Canada or amalgamation. Many things the legislature in California are dreaming up to try and figure out how they can get more control over local government and they are taking away property taxes and that kind of thing.

FC: So local governments are generally resisting the amalgamation ambitions of the state legislature?

SO: Yes, that's correct. They are talking away the dollar resources which makes it very difficult.

FC: What's the most complicated service that's contracted for? It's easy to contract for street sweeping and things that you can measure but services like public safety?

SO: I think that is probably the most complicated one – public safety. The issue there is how the costs are derived in relationship to providing those kinds of services. We had an argument with the County for years over the overhead costs. We, in effect, had to go to a full-blown study and get a Grand Jury determination as it relates to what the costs were that a County could charge. Now the law says they can only charge what that service costs – the direct cost.

FC: So, who does the measuring of overheads? This is a very murky area.

SO: Well, it is done by the Sheriff's Department or the County itself but it's through discussions now that we are having with them so that we know what is being charged.

FC: So you have the methodology at your association?

SO: There is a cost model that we look at each year whenever they come out with the new rates.

FC: What is the relationship between organized labour and the CCA? Is unionized labour very strong in local government in California?

SO: It is. As you know our Governor was elected by the unions. The California Teacher's Association – one of the largest unions in the State – has switched somewhat from the previous administration and two years have proven that he has a relationship with labour and education. I don't believe that unions see us as a threat but the philosophy is there where they believe there is a loss of jobs. We can show that that doesn't always happen. If we are going from in-house to out-house contracting we can move those jobs over to the contractor in most cases. There is still the threat philosophically that they believe and they will say that to the politicians in order to make

their case for unionism but I think in the long term where you can negotiate these things without problems.

FC: What are the top two advantages of this model?

SO: I think cost savings, number 1 and then the ability to have at your fingertips the resources that a smaller or medium-sized city couldn't possibly afford to have. A good example is the technology in the police arena that a smaller city or smaller police department would have to call on some other agency to provide. And I believe that is, in a catastrophe, a very important thing for a community. Their ability to draw on the expertise that the County can have because it is a larger agency.

FC: The top two disadvantages?

SO: It is difficult to answer that in a short sentence. I think the disadvantage would be loss of control to some degree. You have to be very cautious with a contract, understanding the contract and a specific discipline may be something that community residents don't really understand and they come back to the city and say "it's your fault" when actually it is the contractors fault. So you lose some control.

FC: So, it is important to design the contract properly then?

SO: Absolutely! From the beginning – it needs to be fair and equitable for the contractor and the contractee.

FC: Does your association provide templates and so on for this?

SO: Yes, our involvement again as I mentioned right at the beginning – the whole purpose of our existence was to make sure that all of our cities were treated equitably and, in doing so, we must look at the contract that they have and make sure that they are applied evenly across the board.

FC: So you have an expertise and you can see a contract and say "this is not a good contract" or "this is a good contract"?

SO: I don't know if it is an expertise – let me say, my expertise isn't in that particular area but politically there is an understanding of the kinds of things that need to be done to solve the problems between the two parties.

FC: Canada has had a curious fixation with municipal amalgamation although the results have not worked well in places like Winnipeg or Toronto. Is there any sentiment to merge and create bigger cities in southern California?

SO: Again, as I mentioned, the State government is looking at fiscal reform and they are also looking at regionalization. They did that several years ago when Willy Brown was the Speaker of the Assembly and I am sure you know Willy Brown who is now the mayor of San Francisco. Now he is sitting on the other side of the coin in a municipality and he is now saying that regionalism is not the way to go. We don't believe it is the way to go either but there are some talks going on now. They have talked about charter cities they have talked about a number of things.

FC: How would you see a large city switching it to a more responsive contract city model?

SO: I think it is going to take the whole community to sit down and look at what your experience has been over the past which amalgamation and take a look at some other alternatives or options – privatization, contracting or a mix of all three but I don't think amalgamation can be mixed with anything.

FC: Would you keep the city big or would you take it and divide it up into, say four or five? In the original Winnipeg region there were twelve cities.

SO: It is my experience that local control is the most important part of it – each city has an individual identity or community has an individual identity and that has to be determined by those people who live in that particular area. If they choose to have twelve, four or three – that's up to them. I say it works better when they make their own individual choices. So if twelve is the answer that makes sense for the residents to get the service to delivered to them – then that is the way they ought to go.

FC: Have any full-service cities, you call them independent cities, converted themselves into contract cities?

SO: There have been some cities, yes. As a matter of fact, just recently the city of Compton went from their own police department to the County Sheriff's Department and it is happening continually. When I say continually, there are occasions where various departments within certain cities are thinking about contracting out those services. In the case of Compton, the Sheriff went in and I don't believe there was a loss of any of the officers – maybe very few – because they were spread throughout the entire County network.

FC: Again, one of the arguments for amalgamation is that you know we can spread these costs over an area – but here's an example of a small city that is still taking advantage of area economies of scale -- it still has police services but it is simply arranging to get them from a different or neighboring city. There is no need to merge that smaller city into the bigger one – it is still getting services.

SO: That's right. I don't think they need to do that – I think they can maintain their own identity and have the services provided by another agency.

FC: Some people would say that this must be an administrative nightmare. Is that the case?

SO: No I don't think so I think it makes it easier because you are not fraught with all of the bargaining that you have to do in the other model. I don't think it is a very big issue at all.

FC: If it doesn't work out you always have the option of trying something different?

SO: Of course, of course.

FC: What revenue sources do contract cities have?

SO: Well, originally the contract cities in the County of Los Angeles – 33 cities who before Proposition #13 were no and low property tax cities. In 1978 Proposition #13 changed all that. The state government is now in control of the property taxes and they are limited to 1% of market value. The revenue source for our contract cities is more sales tax – sales tax is the biggest part of our budget as opposed to property taxes. Our cities have probably a maximum of 7 cents now – we had to go to the legislature to get that.

FC: So, you can actually have different tax rates in different little cities. How can you manage that?

SO: No, it used to be that way but now it is a uniform 1% property tax.

FC: So, the State collects it and then allocates it back per capita?

SO: The County is the agency of the State which collects the property taxes.

FC: By head count?

SO: That's right it's based on the property.

FC: How much typical proportion of budget if you divided it between sales tax revenue and property tax revenue. What's the breakdown, roughly?

SO: In a contract city the property tax would be much less than sales tax. The majority of it would be sales tax.

FC: And not permits and fees and things like that?

SO: Yes, they come into play.

FC: So you have user fees?

SO: Oh yes.

FC: For what?

SO: Development – property developments, economic development—the purpose of a lot of the development that went on was to be able to capture more sales tax and capture more people to come in.

FC: One problem we have in Canada is the over involvement of political or elected officials in day-to-day operations. Are there any rules that separate the elected official from operations?

SO: I don't think there are any rules. It is a Mayor, City Manager form of government and so the electorate elects the City Council and the City Council elects the Mayor in most cases. Not all the mayors are elected by any electorate. There is always a struggle between the elected officials and the professionals and the issue arises over who runs the city. The City Manager has to take the direction and the policy that is set from the elected officials and he must be given the responsibility of providing hiring, firing and doing all those kinds of things with the city.

FC: So the elected official would not be involved, for example, in labour negotiations or whatever or setting up the contracts, i.e., let's award the contract to my brother's company?

SO: No, they don't do that but you know sometimes it is very difficult to keep elected officials out of the process where they get a collective bargaining group and they may be beholden to them because of them electing them to office. But that is only one vote and there are five people on a Council depending on the size of the city it goes from seven to fifteen.

FC: So there are labour candidates then that get their support from labour even in contract cities?

SO: Most of it is non-partisan, of course. The elections are non-partisan but there are Democrats and Republicans and there are people who are labour and liberals as well.

FC: Do you have any views on electronic government or e-government? They talk about procurement being done on-line and it would seem the contract model where you are actually buying outputs would be well suited to this. Do you see a time when this might go on the Internet and contract cities are buying their stuff from competing suppliers on-line?

SO: We are already doing that in some cases and, as you know, the Internet has provided an opportunity for the citizens to become closer to government. They have an opportunity to find out what their taxes are and see meeting agendas. You can go on line and actually get a permit – you can get a business permit, you can do the planning process.

FC: That is happening in contract cities?

SO: Yes, in some of our contract cities but not to any great extent. As a matter of fact, in our conference in May we are going to have a company talk about e-government and we will have Commissioners and elected officials in that session.

FC: What is like the largest contract that we would see? And, also the smallest contract?

SO: Well, I think the largest contract would be the law enforcement contract and that probably would be about \$12 to \$13 million dollars in the new city of Compton that just came on board for an annual contract.

FC: Do you actually specify how many officers will be on the street and so on?

SO: It's like a cafeteria plan – they buy the car and the car comes with one officer and then they can go from there are buy additional special assignment deputies, narcotics and things of that nature. So, it is like a cafeteria – you can pick and choose.

FC: So the administration is being covered by the other cities?

SO: So when you say the other cities, I don't understand what you mean.

FC: Well, for example, in Winnipeg at one time about 40% of the staff was behind a desk – as opposed to being on the street.

SO: I see what you mean – no, that isn't the case because you really don't have to administer that. There are 21 different stations and those stations may have six or seven cities that they do service for – so one captain plus whatever the staff is for all those six or seven cities.

FC: To sum up, why is small, localized city government better than large bureaucratized city government?

SO: The best form of government is that which is closest to the people and I think if it is smaller that it is closer. You go to the market and you bump into a Councilman or a Mayor and you can tell him what the problems are with the garbage not being picked up – you know, that kind of thing. And you can get things taken care of very rapidly. I think bureaucracy builds itself and continues to feed off itself and it is harder to get the services to be people that they should have. I think the closer you are to the problem the easier it is to find a solution for it.

For more on the California Contract Cities Association visit –

<http://www.contractcities.org/>

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