



Agenda Item C.3
DISCUSSION/ACTION ITEM
Meeting Date: May 6, 2008

TO: Mayor and Councilmembers

FROM: Daniel Singer, City Manager
Michelle Greene, Administrative Services Director

SUBJECT: City Attorney Services Options

RECOMMENDATION:

- A. Review an analysis of in-house versus contract City Attorney services; and ,
- B. Provide direction to staff on the Council's preferred alternative.

BACKGROUND:

On October 15, 2007, the City Council directed staff to initiate a multi-phased recruitment effort for both in-house and contract City Attorney services. As a result of the City's recruitment efforts, a total of eight proposals by well-regarded public-sector law firms throughout California were received. In addition, a total of eight employment applications were received from individuals interested in a potential in-house City Attorney position.

On February 5, 2008, the City Council created an ad-hoc sub-committee to review the applications and proposals submitted and to discuss the assessment and selection process. Councilmembers Blois and Onnen were appointed to serve in this advisory role. The subcommittee met on February 21st to discuss the evaluation process and determined that they wanted to first assess the candidates for the in-house City Attorney position while simultaneously conducting an analysis of the potential costs associated with this position as compared to contract City Attorney costs. Staff was directed to begin this cost analysis and to move forward with the interview process. The subcommittee met again on February 29th to identify candidates that they wanted to interview and to review staff's cost analysis.

On March 18, 2008, a presentation was delivered to the Council at their regular meeting which contained a cost analysis of in-house vs. outsourced legal services. At that time, Council asked staff to provide further information and data related to the analysis. This information was provided to the Council in memo format on April 17, 2008. A copy of that packet is included in Attachment 1 to this report.

On March 20th and 24th, 2008 initial interviews with the selected in-house candidates were conducted by the sub-committee appointees, the City Manager, and Administrative Services Director. Second interviews before the entire City Council were conducted on April 11th. Representatives from the City's management team also met informally with the candidates on that day as well.

The interview process provided both Council and staff with insight into the experience, skills and abilities of the candidates for the in-house City Attorney position. The process also provided the opportunity for further assessment of the functional and financial viability of an internal Legal Services department. The candidates shared their views on a variety of issues related to the in-house attorney function, such as how an internal department could be staffed and structured, how current and future litigation could be handled, as well as various operational and cost efficiencies. Overall, the multi-phased interview process was insightful and provided both Council and staff with valuable information.

DISCUSSION:

At this point in time, staff asks that Council provide direction on its preferences for in-house versus contract legal services. To assist the Council in making this determination, Management Analyst, Jaime Valdez, has prepared a presentation (Attachment 2) which summarizes the cost analysis requested by the subcommittee.

The presentation includes an internal cost analysis of an in-house legal services department, including projected departmental expenses. It also provides a comparison of the costs associated with the City's historic legal experience, including litigation, general and special services, to an in-house attorney model. The presentation also includes a list of pros and cons for both the in-house legal services and contract services options.

After review of this analysis, Council is asked to provide the staff with direction on their preference of in-house or contract legal services. Depending on the outcome of Council's discussion, staff is prepared to either complete the recruitment process or work together with the subcommittee members on an assessment of the proposals received for contract legal services.

GOLETA STRATEGIC PLAN:

A comprehensive analysis of legal services is consistent with the goal in the Goleta Strategic Plan entitled "**Build, Retain and Support Highly Qualified Staff**," and more specifically the objective "Legal Review and Representation." Providing staff and the subcommittee direction on the preferred source of legal services is a further step in completing this objective.

ALTERNATIVES:

The City Council could choose to defer providing direction to the staff on their preference of in-house legal services versus contract legal services. Doing so could impact the recruitment process as candidates may take positions elsewhere and become unavailable. Similarly, the firms who submitted proposals for contract legal services may no longer be able to take on addition clients or may need to revise their bids to reflect higher costs of service.

FISCAL IMPACTS:

Funds for the recruitment and solicitation process for legal services have been incorporated into the City's current budget. As the attached analyses indicate, changes in legal representation can take a number of different forms and could result in cost savings or cost increases in the legal services budget.

Submitted By:

Submitted By:

Michelle Greene
Administrative Services Director

Daniel Singer
City Manager

ATTACHMENTS:

1. Copy of Memorandum to the City Council dated April 17, 2008.
2. Copy of the Presentation Entitled "In-House Counsel Option Update - Legal Services Analysis for the City of Goleta."

ATTACHMENT 1

**Copy of Memorandum to the City Council dated
April 17, 2008.**



MEMORANDUM

DATE: April 17, 2008

TO: Mayor and Councilmembers
Daniel Singer, City Manager

FROM: Michelle Greene, Administrative Services Director
Jaime Valdez, Management Analyst

SUBJECT: Additional information regarding City Attorney services

Attached please find the additional data requested by Council during the March 18, 2008 discussion regarding future City Attorney services. The analysis was prepared by Jaime Valdez, Management Analyst, and contains the following:

1. An internal analysis of potential compensation scenarios and projected departmental expenses.
2. Salary and benefit data from agencies in Santa Barbara, Ventura and San Luis Obispo counties, as well as several northern California cities.
3. Litigation cost projections.
4. A comparison of estimated in-house legal services costs vs. contract legal services costs.

On May 6, 2008 staff will return to Council with a presentation and further discussion on the attached data. In the meantime, if you have any questions about the data included herein, you may contact Dan Singer or me and we will be happy to assist you.

In-House Counsel Option

Legal Services Analysis for the City of Goleta

Analysis performed by:
Jaime Valdez
Management Analyst
RDA & Neighborhood Services Department
Vytautas Adomaitis, Director

April 2008

Outline

- **SECTION 1: Internal Analysis**
 - Potential Compensation Scenarios
 - Projected Departmental Expenses
- **SECTION 2: External Considerations**
 - San Luis Obispo County
 - Santa Barbara County
 - Ventura County
 - City of Milpitas Report
- **SECTION 3: Conclusion**
 - Litigation Cost Projections
 - Estimated Total In-House Cost
 - Additional Scenarios

Section 1: Internal Analysis

- **Annual Compensation Scenarios**
 - City Attorney
 - Deputy City Attorney
 - Legal Secretary
- **Direct Legal Expenses**
 - BAR Fees, Westlaw, etc.
- **Department Expenses**
 - Travel, Conferences, etc.

Annual Compensation (1.0 City Attorney)

| | | | | | | |
|----------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Annual Salary (CA) | \$ 134,200 | \$ 139,200 | \$ 144,200 | \$ 149,200 | \$ 154,200 | \$ 159,200 |
| Retirement | \$ 23,700 | \$ 24,600 | \$ 25,500 | \$ 26,400 | \$ 27,300 | \$ 28,100 |
| Medicare | \$ 1,950 | \$ 2,020 | \$ 2,090 | \$ 2,160 | \$ 2,240 | \$ 2,310 |
| Deferred Comp | \$ 8,000 | \$ 8,000 | \$ 8,000 | \$ 8,000 | \$ 8,000 | \$ 8,000 |
| Life Insurance (1) | \$ 362 | \$ 376 | \$ 389 | \$ 403 | \$ 416 | \$ 430 |
| Life Insurance (2) | \$ 360 | \$ 380 | \$ 390 | \$ 400 | \$ 420 | \$ 430 |
| LTD (1) | \$ 540 | \$ 540 | \$ 540 | \$ 540 | \$ 540 | \$ 540 |
| LTD (2) | \$ 540 | \$ 540 | \$ 540 | \$ 540 | \$ 540 | \$ 540 |
| Flex Benefit | \$ 10,500 | \$ 10,500 | \$ 10,500 | \$ 10,500 | \$ 10,500 | \$ 10,500 |
| Auto Allowance | \$ 7,200 | \$ 7,200 | \$ 7,200 | \$ 7,200 | \$ 7,200 | \$ 7,200 |
| Phone Allowance | \$ 1,200 | \$ 1,200 | \$ 1,200 | \$ 1,200 | \$ 1,200 | \$ 1,200 |
| Total Benefits (TB) | \$ 54,352 | \$ 55,356 | \$ 56,349 | \$ 57,343 | \$ 58,356 | \$ 59,250 |
| TOTAL COSTS (TC) | \$ 188,552 | \$ 194,556 | \$ 200,549 | \$ 206,543 | \$ 212,556 | \$ 218,450 |
| Benefits as % of TC | 28.8% | 28.5% | 28.1% | 27.8% | 27.5% | 27.1% |

| | | | | | |
|----------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Annual Salary (CA) | \$ 164,200 | \$ 169,200 | \$ 174,200 | \$ 179,200 | \$ 184,200 |
| Retirement | \$ 29,000 | \$ 29,900 | \$ 30,800 | \$ 31,700 | \$32,600 |
| Medicare | \$ 2,380 | \$ 2,450 | \$ 2,530 | \$ 2,600 | \$2,670 |
| Deferred Comp | \$ 8,000 | \$ 8,000 | \$ 8,000 | \$ 8,000 | \$ 8,000 |
| Life Insurance (1) | \$ 443 | \$ 457 | \$ 470 | \$ 484 | \$497 |
| Life Insurance (2) | \$ 440 | \$ 460 | \$ 470 | \$ 480 | \$500 |
| LTD (1) | \$ 540 | \$ 540 | \$ 540 | \$ 540 | \$ 540 |
| LTD (2) | \$ 540 | \$ 540 | \$ 540 | \$ 540 | \$ 540 |
| Flex Benefit | \$ 10,500 | \$ 10,500 | \$ 10,500 | \$ 10,500 | \$ 10,500 |
| Auto Allowance | \$ 7,200 | \$ 7,200 | \$ 7,200 | \$ 7,200 | \$ 7,200 |
| Phone Allowance | \$ 1,200 | \$ 1,200 | \$ 1,200 | \$ 1,200 | \$ 1,200 |
| Total Benefits (TB) | \$ 60,243 | \$ 61,247 | \$ 62,250 | \$ 63,244 | \$ 64,247 |
| TOTAL COSTS (TC) | \$ 224,443 | \$ 230,447 | \$ 236,450 | \$ 242,444 | \$ 248,447 |
| Benefits as % of TC | 26.8% | 26.6% | 26.3% | 26.1% | 25.9% |

Annual Compensation (0.5 Legal Secretary)

| Annual Salary (0.5 Legal Sec) | \$ 25,000 | \$ 30,000 | \$ 35,000 | \$ 40,000 | \$ 45,000 | \$ 50,000 |
|-------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Retirement | \$ 4,420 | \$ 5,300 | \$ 6,190 | \$ 7,070 | \$ 7,960 | \$ 8,840 |
| Medicare | \$ 360 | \$ 440 | \$ 510 | \$ 580 | \$ 650 | \$ 730 |
| Life Insurance (1) | \$ 68 | \$ 81 | \$ 95 | \$ 108 | \$ 122 | \$ 135 |
| Life Insurance (2) | \$ 68 | \$ 81 | \$ 95 | \$ 110 | \$ 120 | \$ 140 |
| LTD (1) | \$ 101 | \$ 122 | \$ 142 | \$ 162 | \$ 182 | \$ 203 |
| LTD (2) | \$ 100 | \$ 120 | \$ 140 | \$ 160 | \$ 180 | \$ 200 |
| Flex Benefit | \$ 5,250 | \$ 5,250 | \$ 5,250 | \$ 5,250 | \$ 5,250 | \$ 5,250 |
| Total Benefits (TB) | \$ 10,367 | \$ 11,394 | \$ 12,422 | \$ 13,440 | \$ 14,464 | \$ 15,498 |
| TOTAL COSTS (TC) | \$ 35,367 | \$ 41,394 | \$ 47,422 | \$ 53,440 | \$ 59,464 | \$ 65,498 |
| Benefits as % of TC | 29.3% | 27.5% | 26.2% | 25.1% | 24.3% | 23.7% |

Direct Legal Expenses (1.0 City Attorney)

| | | | | <u>Initial Year</u> | <u>Ongoing</u> | <u>New or Existing Cost</u> |
|--|----|----------------|-------------------|---------------------|------------------|-----------------------------|
| CA BAR FEE | | | | | | |
| Active Member (Annual Fee) | \$ | 400 | | \$ 400 | \$ 400 | new |
| OFFICE RECONFIGURATION | | | | | | |
| Estimated costs to convert Old Planning Area | \$ | 6,000 | | \$ 6,000 | \$ - | new one-time |
| LOC Muni Law Handbook | | | | | | |
| California Municipal Law Handbook | \$ | 200 | | \$ 200 | \$ 200 | existing |
| MCLE | | | | | | |
| Type | | Credits | Price/unit | | | |
| Online | | 1 | \$35 | | | |
| Inperson | | 1 | \$35 to \$40 | | | |
| Requires 25 hrs every 3 yrs or 8.33 credits/yr | | | | | | |
| Annual | | 8.33 | \$ 292 | | | |
| | | | at \$35 | | | |
| Annual | | 8.33 | \$ 333 | | | |
| | | | at \$45 | \$ 300 | \$ 300 | new |
| WESTLAW Updates to Hardbooks | | | | | | |
| Code updates (Range of \$1900-\$2300) | | | Annual | | | |
| | | | \$2,190 | \$ 2,190 | \$ 2,190 | existing |
| WESTLAW On-Line | | | | | | |
| Users | | Svc/mo | Annual | | | |
| 2 CA, 2 non-attorney | \$ | 1,153 | \$ 13,836 | | | |
| 1 CA, 1 non-attorney | \$ | 933 | \$ 11,196 | \$ 11,196 | \$ 11,196 | new |
| DIRECT LEGAL COSTS | | | | \$ 20,286 | \$ 14,286 | mostly new |

Total Department Expenses (1.0 City Attorney)

| | | | | <u>Initial Year</u> | <u>Ongoing</u> | <u>New or Existing Cost</u> |
|---|--------------|--------------|--------------|---------------------|----------------|-----------------------------|
| DIRECT LEGAL COSTS | | | | \$ 20,286 | \$ 14,286 | mostly new |
| DEPT EXPENSES | | | | | | |
| Based on City Clerk Division Model | | | | | | |
| | FY 07 | FY 08 | FY 09 | | | |
| Memberships & Dues (included above) | \$ - | \$ - | \$ - | | | |
| Conferences, Mtgs, Travel | \$ - | \$ 6,000 | \$ 6,000 | | | |
| Training | \$ - | \$ 1,000 | \$ 1,000 | | | |
| Mileage | \$ - | \$ 600 | \$ 600 | | | |
| Special Supplies | \$ - | \$ 1,200 | \$ 1,200 | | | |
| Printing & Copying (based on CM Dept) | \$ - | \$ 2,000 | \$ 2,000 | | | |
| Postage & Mailing (based on CM Dept) | \$ - | \$ 1,000 | \$ 1,000 | | | |
| Books & Subscriptions | \$ - | \$ 300 | \$ 300 | | | |
| Professional Services/Litigation (TBD) | \$ - | \$ - | \$ - | | | |
| | \$ - | \$ 12,100 | \$ 12,100 | \$ 12,100 | \$ 12,100 | new |
| ANNUAL TOTAL (DIRECT LEGAL, DEPT EXPENSES) | | | | \$ 32,386 | \$ 26,386 | mostly new |
| Liebert Cassidy Consortium Training (Admin Svcs) | | | | \$ 3,024 | \$ 3,024 | existing |
| Covers Annual CLE Training for CA | | | | \$ (300) | \$ (300) | use as credit |
| California Municipal Law Handbook | | | | \$ (200) | \$ (200) | use as credit |
| Code updates (Range of \$1900-\$2300) | | | | \$ (2,190) | \$ (2,190) | use as credit |
| NET TOTAL ANNUAL COST | | | | \$ 29,696 | \$ 23,696 | mostly new |

Section 2: External Considerations

- **City Attorney Composition**
 - San Luis Obispo County
 - Santa Barbara County
 - Ventura County
- **City of Milpitas Report**
 - Salary Ranges
 - Analogous Composition Scenarios

San Luis Obispo County

| City | Population | Composition |
|---------------------------------------|---------------|---|
| Arroyo Grande | 16,759 | Contract (includes outside service), Carmel & Naccasha |
| Atascadero | 27,778 | Contract (includes outside service), Kronick, Moskovitz, Tiedemann & Girard |
| Grover Beach | 13,085 | Contract (includes outside service) Koczanowicz & Donaldson |
| Morro Bay (FULL SVC) | 10,436 | In-house (includes outside service), Rob Schultz TOTAL Staff (1.75): 1 CA and 0.75 Secretary CA: Salary \$158,000 plus \$47,000 Benefits |
| Paso Robles | 29,514 | Contract (includes outside service), McDonough Holland & Allen |
| Pismo Beach | 8,545 | Contract (includes outside service) Hanley and Fleishman, LLP |
| San Luis Obispo (FULL SVC) | 44,239 | In-house (includes outside service) Jonathon Lowell TOTAL Staff (3): 1 CA, 1 Asst CA, 1 Legal Asst/Paralegal Lead CA: Salary range of \$133,510 to \$166,816 |

Santa Barbara County

| City | Population | Composition |
|-------------------------------------|---------------|--|
| Buellton | 4,663 | In-house (includes outside service) part-time semi-retired TOTAL Staff: 1 City Attorney |
| Carpinteria | 14,123 | Contract (includes outside service), Brownstein Hyatt Farber |
| Goleta | 30,169 | Contract (includes outside service), BWS |
| Guadalupe | 6,397 | Contract (includes outside service) Hanley and Fleishman, LLP |
| Lompoc (FULL SVC) | 42,015 | In-house (includes outside service) Sharon Stuart TOTAL Staff (3): 1 CA, 1 Asst CA, 1 Paralegal Lead CA: Fixed contract set-up \$140,700 salary |
| Santa Barbara (FULL SVC) | 89,456 | In-house (includes outside service) Stephen Wiley TOTAL Staff (11): 1 CA, 5 Asst CA, 5 Clerical (Authorized for 13 FTE) Lead CA: Fixed contract set-up \$219,318 |
| Santa María (FULL SVC) | 90,333 | In-house (includes outside service) Gilbert Trujillo TOTAL Staff (10): 1 CA, 1 Sr. Dpty CA, 1 Dpty CA, 1 Lgl Sec 1 Code Comp Sup, 4 CC Officer, 1 CC Tech, 1 PT Clerk Lead CA: Salary range of \$150,208 to \$182,579 |
| Solvang | 5,495 | Contract (includes outside service) Hanley and Fleishman, LLP |

Ventura County

| City | Population | Composition |
|--|----------------|--|
| Camarillo | 65,601 | Contract (includes outside service), BWS |
| Fillmore | 15,247 | Contract (includes outside service) MWGJS |
| Moorpark | 36,150 | Contract (includes outside service), BWS |
| Ojai | 8,133 | Contract (includes outside service) MWGJS |
| Oxnard (FULL SVC) | 192,997 | In-house (includes outside service) Gary Gillig TOTAL Staff (9): 1 CA, 2 Asst CA, 1 Dep CA, 1 Law Office Mgr, 2 Paralgls, 2 Lgl Secs Lead CA: Fixed contract set-up \$210,845 |
| Port Hueneme | 22,347 | Contract (includes outside service), Jenkins & Hogin |
| San Buenaventura (FULL SVC) | 107,490 | In-house (includes outside service) Ariel Pierre Calonne TOTAL Staff (7): 1 CA, 1 Chief Asst CA, 1 Sr Asst CA, 2 Asst CA, 1 Lgl Sec, 1 Paragl Lead CA: Salary Range \$146,081 to \$195,750 |
| Santa Paula | 29,182 | Contract (includes outside service), Jenkins & Hogin |
| Simi Valley (FULL SVC) | 124,524 | In-house (includes outside service) David Hirsch TOTAL Staff (7): 1 CA, 1 Sr Asst CA, 1 Asst CA, 1 Dep CA, 1 Lgl Sec, 2 Clerks (1 PT & 1 FT) Lead CA: Fixed contract set-up \$186,955 |
| Thousand Oaks (FULL SVC) | 127,739 | In-house (includes outside service) Amy Albano TOTAL Staff (6): 1 CA, 3 Asst CA, 1 Lgl Office Asst, 1 Lgl Sec Lead CA: Salary Range \$153,878 to \$230,818 (\$73.98/hr to \$110.97/hr @ 2080 hours) |

City of Milpitas Report I

| CITY | City Attorney (CA) | Assistant CA | Paralegal | Secretary |
|---------------|--------------------|--------------|-----------|-----------|
| Cupertino | \$179,640 | \$97,776 | | \$70,176 |
| Palo Alto | \$186,160 | \$142,771 | \$68,578 | \$86,133 |
| Mountain View | \$183,725 | \$120,373 | | \$64,927 |
| Redwood City | \$162,228 | \$96,576 | \$57,761 | \$51,864 |
| San Mateo | \$159,390 | \$122,886 | | \$60,008 |
| Santa Clara | \$174,960 | \$148,860 | | \$82,512 |
| Sunnyvale | \$178,000 | \$141,259 | \$78,170 | \$70,264 |
| Fremont | \$215,941 | \$168,477 | \$71,999 | \$72,342 |
| | | | | |
| Average | \$180,006 | \$129,872 | \$69,127 | \$69,778 |
| Median | \$178,820 | \$132,073 | \$70,289 | \$70,220 |

Source: City of Milpitas, CA City Attorney Services Memorandum 5 March 27, 2007

City of Milpitas Report II

| Sample from March 2007 Report (CUST) | City Attorney (1.0) | Secretary (0.5) | TOTAL (1.5) |
|--|-------------------------|------------------------|-------------------------|
| Full-Salary | \$184,299 | \$42,096 | \$226,395 |
| PERS | \$27,018 | \$6,172 | \$33,190 |
| PERS | \$26 | \$13 | \$39 |
| Group Insurance | \$12,610 | \$6,305 | \$18,915 |
| Medicare | \$2,672 | \$611 | \$3,283 |
| Worker's Comp | \$921 | \$211 | \$1,132 |
| Deferred Comp | \$900 | \$450 | \$1,350 |
| <i>SALARY & BENEFIT TOTAL</i> | <i>\$228,446</i> | <i>\$55,857</i> | <i>\$284,303</i> |

| Sample from March 2007 Report (CUST) | City Attorney (1.0) | Secretary (1.0) | TOTAL (2.0) |
|--|-------------------------|-------------------------|-------------------------|
| Full-Salary | \$184,299 | \$84,192 | \$268,491 |
| PERS | \$27,018 | \$12,343 | \$39,361 |
| PERS | \$26 | \$26 | \$52 |
| Group Insurance | \$12,610 | \$12,610 | \$25,220 |
| Medicare | \$2,672 | \$1,221 | \$3,893 |
| Worker's Comp | \$921 | \$421 | \$1,342 |
| Deferred Comp | \$900 | \$900 | \$1,800 |
| <i>SALARY & BENEFIT TOTAL</i> | <i>\$228,446</i> | <i>\$111,713</i> | <i>\$340,159</i> |

Source: City of Milpitas, CA City Attorney Services Memorandum 5 March 27, 2007

City of Milpitas Report III

| Sample from March 2007 Report (CUST) | City Attorney (1.0) | Asst CA (0.5) | Secretary (1.0) | TOTAL (2.5) |
|--|-------------------------|------------------------|-------------------------|-------------------------|
| Full-Salary | \$184,299 | \$68,628 | \$84,192 | \$337,119 |
| PERS | \$27,018 | \$10,061 | \$12,343 | \$49,422 |
| PERS | \$26 | \$13 | \$26 | \$65 |
| Group Insurance | \$12,610 | \$6,305 | \$12,610 | \$31,525 |
| Medicare | \$2,672 | \$995 | \$1,221 | \$4,888 |
| Worker's Comp | \$921 | \$343 | \$421 | \$1,685 |
| Deferred Comp | \$900 | \$450 | \$900 | \$2,250 |
| <i>SALARY & BENEFIT TOTAL</i> | <i>\$228,446</i> | <i>\$86,795</i> | <i>\$111,713</i> | <i>\$426,954</i> |

| Sample from March 2007 Report (ORIG) | City Attorney (1.0) | Asst CA (1.0) | Secretary (1.0) | TOTAL (3.0) |
|--|-------------------------|-------------------------|-------------------------|-------------------------|
| Full-Salary | \$184,299 | \$137,256 | \$84,192 | \$405,747 |
| PERS | \$27,018 | \$20,122 | \$12,343 | \$59,483 |
| PERS | \$26 | \$26 | \$26 | \$78 |
| Group Insurance | \$12,610 | \$12,610 | \$12,610 | \$37,830 |
| Medicare | \$2,672 | \$1,990 | \$1,221 | \$5,883 |
| Worker's Comp | \$921 | \$686 | \$421 | \$2,028 |
| Deferred Comp | \$900 | \$900 | \$900 | \$2,700 |
| <i>SALARY & BENEFIT TOTAL</i> | <i>\$228,446</i> | <i>\$173,590</i> | <i>\$111,713</i> | <i>\$513,749</i> |

Source: City of Milpitas, CA City Attorney Services Memorandum 5 March 27, 2007

Section 3: Conclusion

- **Total Legal Services Average FY 05-08**
 - Litigation
 - Non-Litigation
- **Estimated In-House City Attorney Comparison**
 - 1.5 FTE Scenario
- **Additional Scenarios**
 - 2.0 FTE Scenario
 - 2.5 FTE Scenario

Total Legal Services (Fees + Expenses)

| | FY 2005-2006 | FY 2006-2007 | Projected for FY 2007-2008* | Average for FYs 2005-2008* |
|---|---------------------|---------------------|------------------------------------|-----------------------------------|
| Litigation (Total) | \$184,919.03 | \$395,861.14 | \$377,516.74 | \$319,432.30 |
| Other (Total) | \$443,854.47 | \$273,513.88 | \$385,735.74 | \$367,701.36 |
| TOTAL (Fees & Direct Expenses) | \$628,773.50 | \$669,375.02 | \$763,252.48 | <i>\$687,133.67</i> |

*FY 07-08 runs July 07 through December of 2008 (6 months), or .50 years. (\$ x 100/50)

Annual In-house City Attorney Estimated Costs with Limited Outside Counsel

| 1.5 FTE Scenario | 1 st Year | Ongoing |
|---|-------------------------------|-------------------------------|
| Estimated In-House Counsel 1 City Attorney, 0.5 Legal Secretary (Salaries & Benefits) | \$247,971 | \$247,971 |
| In-House Expenditures (Dept Costs) | \$29,696 | \$23,696 |
| Estimated Outside Counsel | \$255,546* | \$255,546* |
| ESTIMATED COMBINED COSTS | \$533,213 (A) | \$527,213 (A) |
| FY 05-08 AVG LEGAL COSTS | \$687,134 (B) | \$687,134 (B) |
| <i>POTENTIAL ANNUAL SAVINGS</i> | <i>\$153,921 (B-A)</i> | <i>\$159,921 (B-A)</i> |

*Assumes 20% of the litigation duties will be done in-house, and 80% of the litigation duties will be contracted out. FY 05-08 litigation services (including fees and direct expenses) total \$958,297 projected through June of 2008. \$958,297 divided by 3 years gives us a per year amount of \$319,432.

Annual Compensation (0.5 Deputy City Attorney)

| Annual Salary (0.5 Deputy CA) | \$ 47,000 | \$ 52,000 | \$ 57,000 | \$ 62,000 | \$ 67,000 | \$ 72,000 |
|-------------------------------|------------------|------------------|------------------|------------------|------------------|-------------------|
| Retirement | \$ 8,310 | \$ 9,190 | \$ 10,100 | \$ 11,000 | \$ 11,800 | \$ 12,700 |
| Medicare | \$ 682 | \$ 754 | \$ 827 | \$ 899 | \$ 972 | \$ 1,040 |
| Deferred Comp | \$ 4,000 | \$ 4,000 | \$ 4,000 | \$ 4,000 | \$ 4,000 | \$ 4,000 |
| Life Insurance (1) | \$ 127 | \$ 140 | \$ 154 | \$ 167 | \$ 181 | \$ 194 |
| Life Insurance (2) | \$ 130 | \$ 140 | \$ 150 | \$ 170 | \$ 180 | \$ 190 |
| LTD (1) | \$ 190 | \$ 211 | \$ 231 | \$ 251 | \$ 271 | \$ 292 |
| LTD (2) | \$ 190 | \$ 210 | \$ 230 | \$ 250 | \$ 270 | \$ 290 |
| Flex Benefit | \$ 5,250 | \$ 5,250 | \$ 5,250 | \$ 5,250 | \$ 5,250 | \$ 5,250 |
| Auto Allowance | \$ 3,600 | \$ 3,600 | \$ 3,600 | \$ 3,600 | \$ 3,600 | \$ 3,600 |
| Phone Allowance | \$ 480 | \$ 480 | \$ 480 | \$ 480 | \$ 480 | \$ 480 |
| Total Benefits (TB) | \$ 22,959 | \$ 23,975 | \$ 25,022 | \$ 26,067 | \$ 27,004 | \$ 28,036 |
| TOTAL COSTS (TC) | \$ 69,959 | \$ 75,975 | \$ 82,022 | \$ 88,067 | \$ 94,004 | \$ 100,036 |
| Benefits as % of TC | 32.8% | 31.6% | 30.5% | 29.6% | 28.7% | 28.0% |

| Annual Salary (0.5 Deputy CA) | \$ 77,000 | \$ 82,000 | \$ 87,000 | \$ 92,000 | \$ 97,000 |
|-------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Retirement | \$ 13,600 | \$ 14,500 | \$ 15,400 | \$ 16,300 | \$ 17,200 |
| Medicare | \$ 1,120 | \$ 1,190 | \$ 1,260 | \$ 1,330 | \$ 1,410 |
| Deferred Comp | \$ 4,000 | \$ 4,000 | \$ 4,000 | \$ 4,000 | \$ 4,000 |
| Life Insurance (1) | \$ 208 | \$ 221 | \$ 235 | \$ 248 | \$ 262 |
| Life Insurance (2) | \$ 210 | \$ 220 | \$ 230 | \$ 250 | \$ 260 |
| LTD (1) | \$ 312 | \$ 332 | \$ 352 | \$ 373 | \$ 393 |
| LTD (2) | \$ 310 | \$ 330 | \$ 350 | \$ 370 | \$ 390 |
| Flex Benefit | \$ 5,250 | \$ 5,250 | \$ 5,250 | \$ 5,250 | \$ 5,250 |
| Auto Allowance | \$ 3,600 | \$ 3,600 | \$ 3,600 | \$ 3,600 | \$ 3,600 |
| Phone Allowance | \$ 480 | \$ 480 | \$ 480 | \$ 480 | \$ 480 |
| Total Benefits (TB) | \$ 29,090 | \$ 30,123 | \$ 31,157 | \$ 32,201 | \$ 33,245 |
| TOTAL COSTS (TC) | \$ 106,090 | \$ 112,123 | \$ 118,157 | \$ 124,201 | \$ 130,245 |
| Benefits as % of TC | 27.4% | 26.9% | 26.4% | 25.9% | 25.5% |

Annual Compensation (1.0 Legal Secretary)

| Annual Salary (1.0 Legal Sec) | \$ 50,000 | \$ 55,000 | \$ 60,000 | \$ 65,000 | \$ 70,000 | \$ 75,000 |
|-------------------------------|------------------|------------------|------------------|------------------|------------------|-------------------|
| Retirement | \$ 8,840 | \$ 9,720 | \$ 10,600 | \$ 11,500 | \$ 12,400 | \$ 13,300 |
| Medicare | \$ 730 | \$ 800 | \$ 870 | \$ 940 | \$ 1,000 | \$ 1,100 |
| Life Insurance (1) | \$ 135 | \$ 149 | \$ 162 | \$ 176 | \$ 189 | \$ 203 |
| Life Insurance (2) | \$ 140 | \$ 150 | \$ 160 | \$ 180 | \$ 190 | \$ 200 |
| LTD (1) | \$ 203 | \$ 223 | \$ 243 | \$ 263 | \$ 284 | \$ 304 |
| LTD (2) | \$ 200 | \$ 220 | \$ 240 | \$ 260 | \$ 280 | \$ 300 |
| Flex Benefit | \$ 10,500 | \$ 10,500 | \$ 10,500 | \$ 10,500 | \$ 10,500 | \$ 10,500 |
| Total Benefits (TB) | \$ 20,748 | \$ 21,762 | \$ 22,775 | \$ 23,819 | \$ 24,843 | \$ 25,907 |
| TOTAL COSTS (TC) | \$ 70,748 | \$ 76,762 | \$ 82,775 | \$ 88,819 | \$ 94,843 | \$ 100,907 |
| Benefits as % of TC | 29.3% | 28.3% | 27.5% | 26.8% | 26.2% | 25.7% |

| Annual Salary (1.0 Legal Sec) | \$ 80,000 | \$ 85,000 | \$ 90,000 | \$ 95,000 | \$ 100,000 |
|-------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Retirement | \$ 14,100 | \$ 15,000 | \$ 15,900 | \$ 16,800 | \$ 17,700 |
| Medicare | \$ 1,200 | \$ 1,200 | \$ 1,300 | \$ 1,400 | \$ 1,500 |
| Life Insurance (1) | \$ 216 | \$ 230 | \$ 243 | \$ 257 | \$ 270 |
| Life Insurance (2) | \$ 220 | \$ 230 | \$ 240 | \$ 260 | \$ 270 |
| LTD (1) | \$ 324 | \$ 344 | \$ 365 | \$ 385 | \$ 405 |
| LTD (2) | \$ 320 | \$ 340 | \$ 360 | \$ 380 | \$ 410 |
| Flex Benefit | \$ 10,500 | \$ 10,500 | \$ 10,500 | \$ 10,500 | \$ 10,500 |
| Total Benefits (TB) | \$ 26,880 | \$ 27,844 | \$ 28,908 | \$ 29,982 | \$ 31,055 |
| TOTAL COSTS (TC) | \$ 106,880 | \$ 112,844 | \$ 118,908 | \$ 124,982 | \$ 131,055 |
| Benefits as % of TC | 25.1% | 24.7% | 24.3% | 24.0% | 23.7% |

Direct Legal Expenses (1.5 City Attorneys)

| | | | <u>Initial Year</u> | <u>Ongoing</u> | <u>New or Existing Cost</u> |
|---|-----------------|-------------------|---------------------|------------------|-----------------------------|
| <u>CA BAR FEE</u> | | | | | |
| Active Member (Annual Fee) \$400 each | \$ | 800 | \$ 800 | \$ 800 | new |
| <u>OFFICE RECONFIGURATION</u> | | | | | |
| Estimated costs to convert Old Planning Area | \$ | 8,000 | \$ 8,000 | \$ - | new one-time |
| <u>LOC Muni Law Handbook</u> | | | | | |
| California Municipal Law Handbook | \$ | 200 | \$ 200 | \$ 200 | existing |
| <u>MCLE</u> | | | | | |
| Type | Credits | Price/unit | | | |
| Online | 1 | \$35 | | | |
| Inperson | 1 | \$35 to \$40 | | | |
| Requires 25 hrs every 3 yrs or 8.33 credits/yr For 1.5 attorneys that would be 12.5 credits/yr | | | | | |
| Annual | 12.5 | \$ 437 | at \$35 | | |
| Annual | 12.5 | \$ 500 | at \$45 | \$ 450 | \$ 450 |
| | | | | | new |
| <u>WESTLAW Updates to Hardbooks</u> | | | | | |
| Code updates (Range of \$1900-\$2300) | | Annual | | | |
| | | \$2,190 | \$ 2,190 | \$ 2,190 | existing |
| <u>WESTLAW On-Line</u> | | | | | |
| Users | Svc/mo | Annual | | | |
| 2 CA, 2 non-attorney | \$ 1,153 | \$ 13,836 | | \$ 13,836 | \$ 13,836 |
| 1 CA, 1 non-attorney | \$ 933 | \$ 11,196 | | | |
| | | | | | new |
| DIRECT LEGAL COSTS | | | \$ 25,476 | \$ 17,476 | mostly new |

Total Department Expenses (1.5 City Attorneys)

| | | <u>Initial Year</u> | <u>Ongoing</u> | <u>New or Existing Cost</u> |
|---|--------------|---------------------|----------------|-----------------------------|
| DIRECT LEGAL COSTS | | | | |
| | | \$ 25,476 | \$ 17,476 | mostly new |
| DEPT EXPENSES | | | | |
| Based on City Clerk Division Model | | | | |
| | FY 07 | FY 08 | FY 09 | |
| Memberships & Dues (included above) | \$ - | \$ - | \$ - | |
| Conferences, Mtgs, Travel | \$ - | \$ 9,000 | \$ 9,000 | |
| Training | \$ - | \$ 1,500 | \$ 1,500 | |
| Mileage | \$ - | \$ 900 | \$ 900 | |
| Special Supplies | \$ - | \$ 1,800 | \$ 1,800 | |
| Printing & Copying (based on CM Dept) | \$ - | \$ 2,000 | \$ 2,000 | |
| Postage & Mailing (based on CM Dept) | \$ - | \$ 1,000 | \$ 1,000 | |
| Books & Subscriptions | \$ - | \$ 300 | \$ 300 | |
| Professional Services/Litigation (TBD) | \$ - | \$ - | \$ - | |
| | \$ - | \$ 16,500 | \$ 16,500 | new |
| ANNUAL TOTAL (DIRECT LEGAL, DEPT EXPENSES) | | | | |
| | | \$ 41,976 | \$ 33,976 | mostly new |
| Liebert Cassidy Consortium Training (Admin Svcs) | | \$ 3,024 | \$ 3,024 | existing |
| Covers Annual CLE Training for CA | | \$ (450) | \$ (450) | use as credit |
| California Municipal Law Handbook | | \$ (200) | \$ (200) | use as credit |
| Code updates (Range of \$1900-\$2300) | | \$ (2,190) | \$ (2,190) | use as credit |
| NET TOTAL ANNUAL COST | | | | |
| | | \$ 39,136 | \$ 31,136 | mostly new |

Annual In-house City Attorney Estimated Costs with Limited Outside Counsel

| 2.0 FTE Scenario | 1 st Year | Ongoing |
|---|-------------------------------|-------------------------------|
| Estimated In-House Counsel 1 City Attorney, 1.0 Legal Secretary (Salaries & Benefits) | \$295,392 | \$295,392 |
| In-House Expenditures (Dept Costs) | \$29,696 | \$23,696 |
| Estimated Outside Counsel | \$255,546* | \$255,546* |
| ESTIMATED COMBINED COSTS | \$580,634 (A) | \$574,634 (A) |
| FY 05-08 AVG LEGAL COSTS | \$687,134 (B) | \$687,134 (B) |
| <i>POTENTIAL ANNUAL SAVINGS</i> | <i>\$106,500 (B-A)</i> | <i>\$112,500 (B-A)</i> |

*Assumes 20% of the litigation duties will be done in-house, and 80% of the litigation duties will be contracted out. FY 05-08 litigation services (including fees and direct expenses) total \$958,297 projected through June of 2008. \$958,297 divided by 3 years gives us a per year amount of \$319,432.

Annual In-house City Attorney Estimated Costs with Limited Outside Counsel

| 2.5 FTE Scenario | 1 st Year | Ongoing |
|--|-----------------------|-----------------------|
| Estimated In-House Counsel 1 City Attorney, 0.5 Deputy CA, 1.0 Legal Secretary (Salaries & Benefits) | \$365,351 | \$365,351 |
| In-House Expenditures (Dept Costs) | \$39,136 | \$31,136 |
| Estimated Outside Counsel | \$223,602 | \$223,602 |
| ESTIMATED COMBINED COSTS | \$628,089 (A) | \$620,089 (A) |
| FY 05-08 AVG LEGAL COSTS | \$687,134 (B) | \$687,134 (B) |
| <i>POTENTIAL ANNUAL SAVINGS</i> | <i>\$59,045 (B-A)</i> | <i>\$67,045 (B-A)</i> |

*Assumes 30% of the litigation duties will be done in-house, and 70% of the litigation duties will be contracted out. FY 05-08 litigation services (including fees and direct expenses) total \$958,297 projected through June of 2008. \$958,297 divided by 3 years gives us a per year amount of \$319,432.

ATTACHMENT 2

**Copy of the Presentation Entitled “In-House Counsel
Option Update – Legal Services Analysis for the City of
Goleta.**

In-House Counsel Option Update

Legal Services Analysis for the City of Goleta

Analysis performed by:

Jaime Valdez

Management Analyst

RDA & Neighborhood Services Department

Vytautas Adomaitis, Director

Presented May 6, 2008

Outline

- **SECTION 1: Internal Analysis**
 - Potential Compensation Scenarios
 - Projected Departmental Expenses
- **SECTION 2: Summary**
 - Litigation Cost Projections
 - Estimated Total In-House Cost
- **SECTION 3: Additional Considerations**
 - In-House vs. Private Law Firm
 - Additional Scenarios

Annual Compensation (1.0 City Attorney)

| | | | | | | |
|----------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Annual Salary (CA) | \$ 134,200 | \$ 139,200 | \$ 144,200 | \$ 149,200 | \$ 154,200 | \$ 159,200 |
| Retirement (2% at 55) | \$ 22,900 | \$ 23,800 | \$ 24,700 | \$ 25,500 | \$ 26,400 | \$ 27,200 |
| Medicare | \$ 1,950 | \$ 2,020 | \$ 2,090 | \$ 2,160 | \$ 2,240 | \$ 2,310 |
| Life Ins & LTD | \$ 1,881 | \$ 1,916 | \$ 1,941 | \$ 1,976 | \$ 2,001 | \$ 2,036 |
| Flex Benefit | \$ 11,100 | \$ 11,100 | \$ 11,100 | \$ 11,100 | \$ 11,100 | \$ 11,100 |
| Auto Allowance | \$ 8,280 | \$ 8,280 | \$ 8,280 | \$ 8,280 | \$ 8,280 | \$ 8,280 |
| Phone Allowance | \$ 1,200 | \$ 1,200 | \$ 1,200 | \$ 1,200 | \$ 1,200 | \$ 1,200 |
| Total Benefits (TB) | \$ 47,311 | \$ 48,316 | \$ 49,311 | \$ 50,216 | \$ 51,221 | \$ 52,126 |
| TOTAL COSTS (TC) | \$ 181,511 | \$ 187,516 | \$ 193,511 | \$ 199,416 | \$ 205,421 | \$ 211,326 |
| Benefits as % of TC | 26.1% | 25.8% | 25.5% | 25.2% | 24.9% | 24.7% |

| | | | | | |
|----------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Annual Salary (CA) | \$ 164,200 | \$ 169,200 | \$ 174,200 | \$ 179,200 | \$ 184,200 |
| Retirement (2% at 55) | \$ 28,100 | \$ 28,900 | \$ 29,800 | \$ 30,600 | \$ 31,500 |
| Medicare | \$ 2,380 | \$ 2,450 | \$ 2,530 | \$ 2,600 | \$ 2,670 |
| Life Ins & LTD | \$ 2,061 | \$ 2,096 | \$ 2,121 | \$ 2,155 | \$ 2,180 |
| Flex Benefit | \$ 11,100 | \$ 11,100 | \$ 11,100 | \$ 11,100 | \$ 11,100 |
| Auto Allowance | \$ 8,280 | \$ 8,280 | \$ 8,280 | \$ 8,280 | \$ 8,280 |
| Phone Allowance | \$ 1,200 | \$ 1,200 | \$ 1,200 | \$ 1,200 | \$ 1,200 |
| Total Benefits (TB) | \$ 53,121 | \$ 54,026 | \$ 55,031 | \$ 55,935 | \$ 56,930 |
| TOTAL COSTS (TC) | \$ 217,321 | \$ 223,226 | \$ 229,231 | \$ 235,135 | \$ 241,130 |
| Benefits as % of TC | 24.4% | 24.2% | 24.0% | 23.8% | 23.6% |

Annual Compensation (1.0 Legal Secretary)

| Annual Salary (1.0 Legal Sec) | \$ 50,000 | \$ 55,000 | \$ 60,000 | \$ 65,000 | \$ 70,000 | \$ 75,000 |
|--------------------------------------|------------------|------------------|------------------|------------------|------------------|-------------------|
| Retirement (2% at 55) | \$ 8,550 | \$ 9,400 | \$ 10,300 | \$ 11,100 | \$ 12,000 | \$ 12,800 |
| Medicare | \$ 730 | \$ 800 | \$ 870 | \$ 940 | \$ 1,000 | \$ 1,100 |
| Life Ins & LTD | \$ 702 | \$ 767 | \$ 842 | \$ 907 | \$ 983 | \$ 1,048 |
| Flex Benefit | \$ 11,100 | \$ 11,100 | \$ 11,100 | \$ 11,100 | \$ 11,100 | \$ 11,100 |
| Total Benefits (TB) | \$ 21,082 | \$ 22,067 | \$ 23,112 | \$ 24,047 | \$ 25,083 | \$ 26,048 |
| TOTAL COSTS (TC) | \$ 71,082 | \$ 77,067 | \$ 83,112 | \$ 89,047 | \$ 95,083 | \$ 101,048 |
| Benefits as % of TC | 29.7% | 28.6% | 27.8% | 27.0% | 26.4% | 25.8% |

| Annual Salary (1.0 Legal Sec) | \$ 80,000 | \$ 85,000 | \$ 90,000 | \$ 95,000 | \$ 100,000 |
|--------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Retirement (2% at 55) | \$ 13,700 | \$ 14,500 | \$ 15,400 | \$ 16,200 | \$ 17,100 |
| Medicare | \$ 1,200 | \$ 1,200 | \$ 1,300 | \$ 1,400 | \$ 1,500 |
| Life Ins & LTD | \$ 1,123 | \$ 1,188 | \$ 1,263 | \$ 1,329 | \$ 1,414 |
| Flex Benefit | \$ 11,100 | \$ 11,100 | \$ 11,100 | \$ 11,100 | \$ 11,100 |
| Total Benefits (TB) | \$ 27,123 | \$ 27,988 | \$ 29,063 | \$ 30,029 | \$ 31,114 |
| TOTAL COSTS (TC) | \$ 107,123 | \$ 112,988 | \$ 119,063 | \$ 125,029 | \$ 131,114 |
| Benefits as % of TC | 25.3% | 24.8% | 24.4% | 24.0% | 23.7% |

Direct Legal Expenses (1.0 City Attorney)

| | | | | <u>Initial Year</u> | <u>Ongoing</u> | <u>New or Existing Cost</u> |
|--|----|----------------|-------------------|---------------------|------------------|-----------------------------|
| CA BAR FEE | | | | | | |
| Active Member (Annual Fee) | \$ | 400 | | \$ 400 | \$ 400 | new |
| OFFICE RECONFIGURATION | | | | | | |
| Estimated costs to convert Old Planning Area | \$ | 6,000 | | \$ 6,000 | \$ - | new one-time |
| LOC Muni Law Handbook | | | | | | |
| California Municipal Law Handbook | \$ | 200 | | \$ 200 | \$ 200 | existing |
| MCLE | | | | | | |
| Type | | Credits | Price/unit | | | |
| Online | | 1 | \$35 | | | |
| Inperson | | 1 | \$35 to \$40 | | | |
| Requires 25 hrs every 3 yrs or 8.33 credits/yr | | | | | | |
| Annual | | 8.33 | \$ 292 | | | |
| | | | at \$35 | | | |
| Annual | | 8.33 | \$ 333 | | | |
| | | | at \$45 | \$ 300 | \$ 300 | new |
| WESTLAW Updates to Hardbooks | | | | | | |
| Code updates (Range of \$1900-\$2300) | | | Annual | | | |
| | | | \$2,190 | \$ 2,190 | \$ 2,190 | existing |
| WESTLAW On-Line | | | | | | |
| Users | | Svc/mo | Annual | | | |
| 2 CA, 2 non-attorney | \$ | 1,153 | \$ 13,836 | | | |
| 1 CA, 1 non-attorney | \$ | 933 | \$ 11,196 | \$ 11,196 | \$ 11,196 | new |
| DIRECT LEGAL COSTS | | | | \$ 20,286 | \$ 14,286 | mostly new |

Total Department Expenses (1.0 City Attorney)

| | | | | <u>Initial Year</u> | <u>Ongoing</u> | <u>New or Existing Cost</u> |
|---|--------------|--------------|--------------|---------------------|----------------|-----------------------------|
| DIRECT LEGAL COSTS | | | | \$ 20,286 | \$ 14,286 | mostly new |
| ESTIMATED DEPT EXPENSES | | | | | | |
| Based on City Clerk Division Model | | | | | | |
| | FY 07 | FY 08 | FY 09 | | | |
| Memberships & Dues (included above) | \$ - | \$ - | \$ - | | | |
| Conferences, Mtgs, Travel | \$ - | \$ 6,000 | \$ 6,000 | | | |
| Training | \$ - | \$ 1,000 | \$ 1,000 | | | |
| Mileage | \$ - | \$ 600 | \$ 600 | | | |
| Special Supplies | \$ - | \$ 1,200 | \$ 1,200 | | | |
| Printing & Copying (based on CM Dept) | \$ - | \$ 2,000 | \$ 2,000 | | | |
| Postage & Mailing (based on CM Dept) | \$ - | \$ 1,000 | \$ 1,000 | | | |
| Books & Subscriptions | \$ - | \$ 300 | \$ 300 | | | |
| Professional Services/Litigation (TBD) | \$ - | \$ - | \$ - | | | |
| | \$ - | \$ 12,100 | \$ 12,100 | \$ 12,100 | \$ 12,100 | new |
| ANNUAL TOTAL (DIRECT LEGAL, DEPT EXPENSES) | | | | \$ 32,386 | \$ 26,386 | mostly new |
| Liebert Cassidy Consortium Training (Admin Svcs) | | | | \$ 3,024 | \$ 3,024 | existing |
| Liebert Cassidy Covers Annual CLE Training for CA | | | | \$ (300) | \$ (300) | existing |
| California Municipal Law Handbook | | | | \$ (200) | \$ (200) | existing |
| Code updates (Range of \$1900-\$2300) | | | | \$ (2,190) | \$ (2,190) | existing |
| NET TOTAL ANNUAL COST | | | | \$ 29,696 | \$ 23,696 | mostly new |

Section 2: Summary

- **Total Legal Services Average FY 05-08**
 - Litigation
 - Non-Litigation
- **Estimated In-House City Attorney Comparison**
 - 2.0 FTE Scenario

Total Legal Services (Fees + Expenses)

| | FY 2005-2006 | FY 2006-2007 | Projected for FY 2007-2008* | Average for FYs 2005-2008* |
|---|---------------------|---------------------|-----------------------------|----------------------------|
| Litigation (Total) | \$184,919.03 | \$395,861.14 | \$377,516.74 | \$319,432.30 |
| Other (Total) | \$443,854.47 | \$273,513.88 | \$385,735.74 | \$367,701.36 |
| TOTAL (Fees & Direct Expenses) | \$628,773.50 | \$669,375.02 | \$763,252.48 | \$687,133.67 |

*FY 07-08 runs July 07 through December of 2008 (6 months), or .50 years. (\$ x 100/50)

Annual In-house City Attorney Estimated Costs with Limited Outside Counsel

| 2.0 FTE Scenario | 1 st Year | Ongoing |
|---|-----------------------|------------------------|
| Estimated In-House Counsel 1 City Attorney, 1.0 Legal Secretary (Salaries & Benefits) | \$288,594 | \$288,594 |
| In-House Expenditures (Dept Costs) | \$29,696 | \$23,696 |
| Estimated Outside Counsel | \$255,546* | \$255,546* |
| ESTIMATED COMBINED COSTS | \$573,836 (A) | \$567,836 (A) |
| FY 05-08 AVG LEGAL COSTS | \$687,134 (B) | \$687,134 (B) |
| <i>POTENTIAL ANNUAL SAVINGS</i> | <i>\$113,298(B-A)</i> | <i>\$119,298 (B-A)</i> |

*Assumes 20% of the litigation duties will be done in-house, and 80% of the litigation duties will be contracted out. FY 05-08 litigation services (including fees and direct expenses) total \$958,297 projected through June of 2008. \$958,297 divided by 3 years gives us a per year amount of \$319,432.

Section 3: Additional Considerations

- **In House vs. Private Law Firm**
 - Consideration of Alternatives
- **Additional Scenarios**
 - 1.5 FTE Scenario
 - 2.5 FTE Scenario

In-House City Attorney

PROS

| | |
|-----------------------|--|
| Billing | <ul style="list-style-type: none"> ■ Lower than the lowest hourly rate for outside legal counsel. ■ Limits costs for basic services to a known amount |
| Accountability | <ul style="list-style-type: none"> ■ C.A. accountable to the City & Council, not to a law firm ■ More immediately available to staff on a day to day basis to review staff reports and contracts in a timely manner |
| Preventive | <ul style="list-style-type: none"> ■ Being in-house, issues may be dealt with proactively, rather than reactively ■ Such a strategy may help in avoiding claims and potential costly litigation ■ Would likely reduce City liability insurance premium because claims would likely be reduced |
| Administrative | <ul style="list-style-type: none"> ■ Can actively manage outside counsel, review billing and litigation costs |

CONS

| | |
|----------------------------------|---|
| Time | <ul style="list-style-type: none"> ■ May be limitations on the volume an in-house candidate can process at one time ■ City charged for all working hours, not just time on specific matters ■ Large blocks of time would be lost when lead attorney is sick, on vacation, or attending conferences |
| Expertise | <ul style="list-style-type: none"> ■ Likely to rely heavily on outside legal counsel for specific/complex issues |
| Benefits/ Termination | <ul style="list-style-type: none"> ■ Usually difficult to terminate City employees and severance package may be required ■ Could result in the need to provide additional benefits above and beyond those of Department Directors |
| Conflict of Interest | <ul style="list-style-type: none"> ■ If the C.A. is local, there could exist more chance for conflicts of interest |

Contract Law Firm City Attorney

PROS

| | |
|-----------------------------|---|
| Continuity | <ul style="list-style-type: none"> ■ City contracts with a single law firm specializing in municipal representation with in-depth expertise in all relevant law |
| Expertise | <ul style="list-style-type: none"> ■ Delivers specialized services with experts under direction of lead C.A.—one stop shopping also increases efficiency ■ With multiple attorneys available, multiple items can be handled simultaneously |
| Billing | <ul style="list-style-type: none"> ■ Charged only for time actually spent on City work on an hourly basis ■ One billing allows clear picture of costs ■ May allow for easier identification and passing along of direct costs to applicants/developers |
| Termination | <ul style="list-style-type: none"> ■ Far easier to change law firms than to terminate a City employee |
| Conflict of Interest | <ul style="list-style-type: none"> ■ Less likely to exist with outside counsel, given geographic proximity |

CONS

| | |
|----------------------|---|
| Billing | <ul style="list-style-type: none"> ■ Contract law firm motivated to generate legal fees for their firm ■ Costs are more likely to be higher |
| Accessibility | <ul style="list-style-type: none"> ■ May not be able to address issues that arrive on a day-to-day basis ■ Simple questions may be researched too thoroughly (\$500 vs. \$5,000 solution) |
| Priorities | <ul style="list-style-type: none"> ■ Contract law firms focusing in municipal law often represent multiple cities as part of their full client roster |
| Conflicts | <ul style="list-style-type: none"> ■ More difficult to select recognized legal specialists outside the contracting firm ■ Attorney staffing is designed to train young associates at City's expense |

Annual In-house City Attorney Estimated Costs with Limited Outside Counsel

| 1.5 FTE Scenario | 1 st Year | Ongoing |
|---|-----------------------|------------------------|
| Estimated In-House Counsel 1 City Attorney, 0.5 Legal Secretary (Salaries & Benefits) | \$241,037 | \$241,037 |
| In-House Expenditures (Dept Costs) | \$29,696 | \$23,696 |
| Estimated Outside Counsel | \$255,546* | \$255,546* |
| ESTIMATED COMBINED COSTS | \$526,279 (A) | \$520,279 (A) |
| FY 05-08 AVG LEGAL COSTS | \$687,134 (B) | \$687,134 (B) |
| <i>POTENTIAL ANNUAL SAVINGS</i> | <i>\$160,855(B-A)</i> | <i>\$166,855 (B-A)</i> |

*Assumes 20% of the litigation duties will be done in-house, and 80% of the litigation duties will be contracted out. FY 05-08 litigation services (including fees and direct expenses) total \$958,297 projected through June of 2008. \$958,297 divided by 3 years gives us a per year amount of \$319,432.

Annual In-house City Attorney Estimated Costs with Limited Outside Counsel

| 2.5 FTE Scenario | 1 st Year | Ongoing |
|--|-----------------------|-----------------------|
| Estimated In-House Counsel 1 City Attorney, 0.5 Deputy CA, 1.0 Legal Secretary (Salaries & Benefits) | \$354,307 | \$ 354,307 |
| In-House Expenditures (Dept Costs) | \$39,136 | \$31,136 |
| Estimated Outside Counsel | \$223,602 | \$223,602 |
| ESTIMATED COMBINED COSTS | \$617,045 (A) | \$609,045 (A) |
| FY 05-08 AVG LEGAL COSTS | \$687,134 (B) | \$687,134 (B) |
| <i>POTENTIAL ANNUAL SAVINGS</i> | <i>\$70,089 (B-A)</i> | <i>\$78,089 (B-A)</i> |

*Assumes 30% of the litigation duties will be done in-house, and 70% of the litigation duties will be contracted out. FY 05-08 litigation services (including fees and direct expenses) total \$958,297 projected through June of 2008. \$958,297 divided by 3 years gives us a per year amount of \$319,432.

Annual Compensation (0.5 Deputy City Attorney)

| Annual Salary (0.5 Deputy CA) | \$ 47,000 | \$ 52,000 | \$ 57,000 | \$ 62,000 | \$ 67,000 | \$ 72,000 |
|--------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Retirement (2% at 55) | \$ 8,040 | \$ 8,890 | \$ 9,750 | \$ 10,600 | \$ 11,500 | \$ 12,300 |
| Medicare | \$ 682 | \$ 754 | \$ 827 | \$ 899 | \$ 972 | \$ 1,040 |
| Life Ins & LTD | \$ 661 | \$ 736 | \$ 801 | \$ 876 | \$ 942 | \$ 1,017 |
| Flex Benefit | \$ 5,250 | \$ 5,250 | \$ 5,250 | \$ 5,250 | \$ 5,250 | \$ 5,250 |
| Auto Allowance | \$ 3,600 | \$ 3,600 | \$ 3,600 | \$ 3,600 | \$ 3,600 | \$ 3,600 |
| Phone Allowance | \$ 480 | \$ 480 | \$ 480 | \$ 480 | \$ 480 | \$ 480 |
| Total Benefits (TB) | \$ 18,713 | \$ 19,710 | \$ 20,708 | \$ 21,705 | \$ 22,744 | \$ 23,687 |
| TOTAL COSTS (TC) | \$ 65,713 | \$ 71,710 | \$ 77,708 | \$ 83,705 | \$ 89,744 | \$ 95,687 |
| Benefits as % of TC | 28.5% | 27.5% | 26.6% | 25.9% | 25.3% | 24.8% |

| Annual Salary (0.5 Deputy CA) | \$ 77,000 | \$ 82,000 | \$ 87,000 | \$ 92,000 | \$ 97,000 |
|--------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Retirement (2% at 55) | \$ 13,200 | \$ 14,000 | \$ 14,900 | \$ 15,700 | \$ 16,600 |
| Medicare | \$ 1,120 | \$ 1,190 | \$ 1,260 | \$ 1,330 | \$ 1,410 |
| Life Ins & LTD | \$ 1,082 | \$ 1,157 | \$ 1,222 | \$ 1,287 | \$ 1,363 |
| Flex Benefit | \$ 5,250 | \$ 5,250 | \$ 5,250 | \$ 5,250 | \$ 5,250 |
| Auto Allowance | \$ 3,600 | \$ 3,600 | \$ 3,600 | \$ 3,600 | \$ 3,600 |
| Phone Allowance | \$ 480 | \$ 480 | \$ 480 | \$ 480 | \$ 480 |
| Total Benefits (TB) | \$ 24,732 | \$ 25,677 | \$ 26,712 | \$ 27,647 | \$ 28,703 |
| TOTAL COSTS (TC) | \$ 101,732 | \$ 107,677 | \$ 113,712 | \$ 119,647 | \$ 125,703 |
| Benefits as % of TC | 24.3% | 23.8% | 23.5% | 23.1% | 22.8% |

Annual Compensation (0.5 Legal Secretary)

| Annual Salary (0.5 Legal Sec) | \$ 25,000 | \$ 30,000 | \$ 35,000 | \$ 40,000 | \$ 45,000 | \$ 50,000 |
|-------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Retirement (2% at 55) | \$ 4,270 | \$ 5,130 | \$ 5,980 | \$ 6,840 | \$ 7,690 | \$ 8,550 |
| Medicare | \$ 360 | \$ 440 | \$ 510 | \$ 580 | \$ 650 | \$ 730 |
| Life Ins & LTD | \$ 351 | \$ 421 | \$ 486 | \$ 562 | \$ 627 | \$ 702 |
| Flex Benefit | \$ 5,550 | \$ 5,550 | \$ 5,550 | \$ 5,550 | \$ 5,550 | \$ 5,550 |
| Total Benefits (TB) | \$ 10,531 | \$ 11,541 | \$ 12,526 | \$ 13,532 | \$ 14,517 | \$ 15,532 |
| TOTAL COSTS (TC) | \$ 35,531 | \$ 41,541 | \$ 47,526 | \$ 53,532 | \$ 59,517 | \$ 65,532 |
| Benefits as % of TC | 29.6% | 27.8% | 26.4% | 25.3% | 24.4% | 23.7% |

Direct Legal Expenses (1.5 City Attorneys)

| | | | <u>Initial Year</u> | <u>Ongoing</u> | <u>New or Existing Cost</u> |
|---|-----------------|-------------------|---------------------|------------------|-----------------------------|
| <u>CA BAR FEE</u> | | | | | |
| Active Member (Annual Fee) \$400 each | \$ | 800 | \$ 800 | \$ 800 | new |
| <u>OFFICE RECONFIGURATION</u> | | | | | |
| Estimated costs to convert Old Planning Area | \$ | 8,000 | \$ 8,000 | \$ - | new one-time |
| <u>LOC Muni Law Handbook</u> | | | | | |
| California Municipal Law Handbook | \$ | 200 | \$ 200 | \$ 200 | existing |
| <u>MCLE</u> | | | | | |
| Type | Credits | Price/unit | | | |
| Online | 1 | \$35 | | | |
| Inperson | 1 | \$35 to \$40 | | | |
| Requires 25 hrs every 3 yrs or 8.33 credits/yr For 1.5 attorneys that would be 12.5 credits/yr | | | | | |
| Annual | 12.5 | \$ 437 | at \$35 | | |
| Annual | 12.5 | \$ 500 | at \$45 | \$ 450 | \$ 450 |
| | | | | | new |
| <u>WESTLAW Updates to Hardbooks</u> | | | | | |
| Code updates (Range of \$1900-\$2300) | | Annual | | | |
| | | \$2,190 | \$ 2,190 | \$ 2,190 | existing |
| <u>WESTLAW On-Line</u> | | | | | |
| Users | Svc/mo | Annual | | | |
| 2 CA, 2 non-attorney | \$ 1,153 | \$ 13,836 | | \$ 13,836 | \$ 13,836 |
| 1 CA, 1 non-attorney | \$ 933 | \$ 11,196 | | | |
| | | | | | new |
| DIRECT LEGAL COSTS | | | \$ 25,476 | \$ 17,476 | mostly new |

Total Department Expenses (1.5 City Attorneys)

| | | | <u>Initial Year</u> | <u>Ongoing</u> | <u>New or Existing Cost</u> |
|---|--------------|--------------|---------------------|----------------|-----------------------------|
| DIRECT LEGAL COSTS | | | | | |
| | | | \$ 25,476 | \$ 17,476 | mostly new |
| ESTIMATED DEPT EXPENSES | | | | | |
| Based on City Clerk Division Model | | | | | |
| | FY 07 | FY 08 | FY 09 | | |
| Memberships & Dues (included above) | \$ - | \$ - | \$ - | | |
| Conferences, Mtgs, Travel | \$ - | \$ 9,000 | \$ 9,000 | | |
| Training | \$ - | \$ 1,500 | \$ 1,500 | | |
| Mileage | \$ - | \$ 900 | \$ 900 | | |
| Special Supplies | \$ - | \$ 1,800 | \$ 1,800 | | |
| Printing & Copying (based on CM Dept) | \$ - | \$ 2,000 | \$ 2,000 | | |
| Postage & Mailing (based on CM Dept) | \$ - | \$ 1,000 | \$ 1,000 | | |
| Books & Subscriptions | \$ - | \$ 300 | \$ 300 | | |
| Professional Services/Litigation (TBD) | \$ - | \$ - | \$ - | | |
| | \$ - | \$ 16,500 | \$ 16,500 | \$ 16,500 | \$ 16,500 |
| | | | | | new |
| ANNUAL TOTAL (DIRECT LEGAL, DEPT EXPENSES) | | | | | |
| | | | \$ 41,976 | \$ 33,976 | mostly new |
| Liebert Cassidy Consortium Training (Admin Svcs) | | | \$ 3,024 | \$ 3,024 | existing |
| Liebert Cassidy Covers Annual CLE Training for CA | | | \$ (450) | \$ (450) | existing |
| California Municipal Law Handbook | | | \$ (200) | \$ (200) | existing |
| Code updates (Range of \$1900-\$2300) | | | \$ (2,190) | \$ (2,190) | existing |
| NET TOTAL ANNUAL COST | | | | | |
| | | | \$ 39,136 | \$ 31,136 | mostly new |