



THE CITY OF SAN DIEGO

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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Review of Police Helicopter Maintenance Costs

OVERVIEW

The San Diego Police Department Air Support Unit currently operates a fleet of four Airbus AS350B3 “AStar” helicopters to support patrol and investigative operations. The Air Support Unit flies over 3,600 hours per year. Maintenance for Police Department helicopters has been provided by Rotorcraft Support, Inc. (RSI) under contract with the City since 2001. Per the agreement, RSI provides two full-time helicopter mechanics assigned to the Air Support Unit. The contract also includes a third mechanic when needed, plus full-time administrative and technical support staff. Services provided by RSI include performing helicopter maintenance and overhauls mandated by the Federal Aviation Administration.

On July 11, 2017, the City Council ratified a five-year agreement with RSI to provide ongoing maintenance services and equipment for Police helicopters from December 2016 through December 2021. The contract is a one-year agreement with four one-year extensions and has a total value of \$13.0 million over five years. At the time the Council ratified the agreement, a request was made that the Office of the Independent Budget Analyst review current Police helicopter maintenance costs, including estimates of the potential cost of providing maintenance using City employees. This report provides that information as requested for consideration by the Public Safety & Livable Neighborhoods Committee.

FISCAL/POLICY DISCUSSION

Contract Approval and Renewal Options

The current Police helicopter contract with RSI was entered into under Mayoral authority on December 2, 2016. Subsequently, the City Council ratified the contract on July 11, 2017, due to the fact that total contract expenditures were anticipated to exceed the Council approval threshold of \$3.0 million in Fiscal Year 2018. The Council action on July 11, 2017 granted expenditure

authority of up to \$2.6 million per year for all five years of the RSI contract through December 1, 2021. Related contract expenditures are contingent on the availability of funds approved by the City Council during the annual budget process. Apart from the budget process, however, the contract will not go back to the City Council for approval of each one-year extension, as the Council action in July 2017 granted expenditure authority for all five years of the contract term. Oversight of the RSI contract may still be exercised by the City Council through reports to Committee and Council, as well as during the annual budget process.

Past Expenditures on Police Helicopter Maintenance

Police Department expenditures on helicopter maintenance for the past three fiscal years are illustrated in Table 1 below. Under the terms of the RSI contract, labor is provided by two full-time helicopter mechanics assigned to the Air Support Unit. In Fiscal Years 2015 and 2016, the RSI labor charge was \$85.00 per hour. In the second half of Fiscal Year 2017, the labor rate increased to \$87.50 per hour per the terms of the new contract. The labor rate will remain \$87.50 in FY 2018 and may only change in future contract years by mutual agreement. Annual labor expenditures below reflect full-time work performed by two helicopter mechanics for 2,080 hours per year.

Table 1: Past Expenditures on Police Helicopter Maintenance

	FY 2015	FY 2016	FY 2017
Labor	\$ 353,600	\$ 353,600	\$ 358,800
Overtime	42,868	48,314	107,803
Parts/Components	1,206,066	1,226,693	1,650,252
Total	\$ 1,602,534	\$ 1,628,607	\$ 2,116,855

The Police Department notes that expenditures for overtime and parts/components were higher than historical averages in FY 2017 due to extra work performed to complete FAA-mandated 12-year inspections on the helicopter fleet.

Comparison of Contract and City Employee Maintenance Costs

In contrast to the Police Department, the San Diego Fire-Rescue Department operates a separate fleet of two helicopters, for which maintenance is performed by two City employees in the Helicopter Mechanic classification. Fire-Rescue previously contracted with RSI for helicopter maintenance but switched to City employees in 2016. Fire-Rescue still maintains separate contracts with RSI for parts and logistical support. Both the Police and Fire-Rescue Departments have indicated that their helicopter fleets and deployment operations differ significantly, to the point that a direct cost comparison between the two would not be illustrative or accurate.

For informational purposes, our office has prepared a high-level comparison of labor costs for Police Department helicopter maintenance using contract mechanics versus City employee mechanics, which is illustrated in Table 2 on the following page. For purposes of analysis, the Fire-Rescue Helicopter Mechanic classification was used as a proxy for a hypothetical Police Helicopter Mechanic classification, which does not currently exist. Our comparison is limited to the cost of labor, as costs for parts and components would likely be similar in either scenario.

Table 2: Contract vs. City Employee Labor Costs¹

	Hourly Rate	Annual Rate	Total Labor Cost for 2 Mechanics
Contract Mechanics	\$87.50	\$182,000	\$364,000
City Mechanics	\$55.70	\$115,992	\$231,984

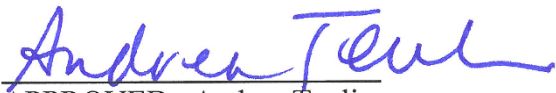
As shown in the table above, the hourly rate of pay for the City’s Helicopter Mechanic classification is lower than the current contract rate with RSI. However, total Police Department helicopter maintenance costs would not necessarily be lower using City mechanics than contract mechanics due to the fact that the RSI contract includes the services of support staff within its hourly labor rate. The Police Department has indicated that if City mechanics were to be used instead of RSI contract mechanics, additional civilian employees would need to be hired as administrative support staff. The Department estimated that, at minimum, a new director of maintenance would be required to oversee the logistics involved in managing a helicopter maintenance operation. If the City were to switch its Police Department helicopter maintenance from contract to City employees, the estimated savings illustrated in Table 2 would likely be offset by additional costs related to adding related administrative positions to run the program.

In addition to possible fiscal impacts of using City employees instead of RSI contract employees, service impacts are another important consideration. The Police Department has indicated that the RSI contract provides several other benefits to the Air Support Unit that make it the preferred alternative. These include the availability of an on-call third mechanic when needed and the support of RSI’s factory-authorized Airbus service and repair center in Van Nuys, California.

CONCLUSION

In response to a request made during City Council consideration of the RSI Police helicopter maintenance contract, our office analyzed Police Department expenditures on helicopter maintenance, including a high-level estimate of potential costs of using City employee mechanics versus contract mechanics. While the hourly rate of pay for City employees would be lower than the hourly contract rate currently charged by RSI, potential savings would likely be offset by added administrative costs. The City Council will next have the opportunity to exercise oversight over Police Department helicopter maintenance expenditures during the fiscal year 2019 annual budget process, and may request further updates to the appropriate City Council committees as desired.


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¹ Hourly and annual rates are based on FY 2018 data and include fringe benefits for City employees. Labor rates for contract employees already include fringe benefits, which are paid by the contractor.