



**OFFICE OF THE CITY AUDITOR**

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**R-38**

**GARY L. BURROUGHS, CPA**  
City Auditor

June 2, 2005

Michael A. Killebrew  
Director of Financial Management

At your request, we have applied certain agreed-upon procedures to records relating to City's costs estimated by the Department of Parks, Recreation, and Marine (the Department) to provide street median landscape maintenance services at selected City sites as detailed in Bid Specifications PA-02105. The City currently contracts for such services under Bid Specifications, PA-00304. The current City vendor for street median landscape services has chosen not to renew the contract upon conclusion of the initial one-year contract term, which will expire in July 2005. It should be noted that the Department has changed the specifications to include 40 additional acres [25% increase from PA-00304] of street medians that were either inadvertently omitted from the original specifications or that were recently transferred to the City as part of development agreements.

The purpose of applying the agreed-upon procedures was to verify the City's estimated cost of providing the service and compare the City's cost to the cost of having a private contractor perform the work in accordance with City Charter Section 1806 – Contracts for Work Usually Performed By City Employees.

Section 1806 requires a finding that the work or the contracted services can be performed by a private contractor at an estimated lower cost to the City than if said work or services were performed by City employees.

We performed the following agreed-upon procedures:

- Reviewed bid specifications for street median landscape maintenance services;
- Obtained and analyzed the City's cost estimates for providing street median landscape maintenance services;
- Determined and evaluated the basis of estimated City costs through discussion with Department staff;
- Traced and agreed City's costs to source budget reports and documents; and
- Adjusted the City's cost estimates to eliminate unavoidable costs.

Michael A. Killebrew, Director of Financial Management

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As illustrated below, the estimated cost savings from contracting out the street median landscape services is approximately 72%. Details on the City's cost are included as Attachment I.

Bid Item	Cost Comparison		
	City's Cost	Contractors' Cost	Contractors' Savings Compared to City's Cost
Northwest Streets	\$ 391,294	\$ 92,462	\$ 298,832 76.4%
Northeast Streets	606,141	182,663	423,478 69.9%
Southwest Streets	734,030	207,923	526,107 71.7%
Southeast Streets	526,337	153,871	372,466 70.8%
Tidelands Streets	164,574	49,679	114,895 69.8%
Total Parks	<u>\$ 2,422,376</u>	<u>\$ 686,598</u>	<u>\$ 1,735,778</u> 71.7%

The term of the new contracts will be for one year with an option to extend by mutual agreement for up to three additional periods of one year each. The contracts also provide for a rate increase, which should be based on the change in the Consumer Price Index (CPI) for the Los Angeles-Riverside-Orange County Metropolitan Area (All Urban Consumers) published by the Bureau of Labor Statistics of the U.S. Department of Labor. Should the City exercise its right to extend the contracts, the cost differentials between the City's cost and the contractors' cost during the renewal terms are expected to remain unchanged since both costs will approximately be increased by the CPI increases allowed for in the contracts.

Sincerely,

GARY L. BURROUGHS, CPA  
City Auditor

By



Sam Joumbat, CIA  
Deputy City Auditor

- c: Tom Shippey, Manager of Maintenance Operations  
Janet Day-Anselmo, Manager of Business Operations  
Ken Hebage, Superintendent of Contract Management  
Jana Vandenburg, City Purchasing Agent, Financial Management  
Geoffrey Hall, Special Projects Officer, Parks, Recreation and Marine

CITY'S DIRECT ANNUAL COST FOR  
 GROUNDS AND LANDSCAPE MAINTENANCE SERVICE  
 NORTHWEST STREETS

PERSONAL SERVICES	FTE	Average Annual Salary Per Employee (1)		Total	Total Salary (FTE X Total)
		Salary	Benefits & Insurance		
Auto Sprinkler Control Tech	0.18	\$43,524	\$25,357	\$68,881	\$12,399
Equipment Operator II	0.78	40,430	24,281	64,711	50,475
Equipment Operator III	0.20	43,996	25,521	69,517	13,903
Gardener I	0.20	35,719	22,640	58,359	11,672
Gardener I - NC	0.18	30,848	2,781	33,629	6,053
Gardener II	1.17	38,548	23,624	62,172	72,741
Maintenance Assistant II - NC	1.60	28,658	2,583	31,241	49,986
Maintenance Assistant III	0.94	35,719	22,640	58,359	54,857
Plumber	0.20	50,680	27,849	78,529	15,706
Power Equip Repair Mech II	0.20	45,819	26,156	71,975	14,395
<b>Total Personal Services</b>	<u>5.65</u>				<b>302,187</b>
<b>NON-PERSONAL COSTS</b>					
Fleet Services (2)				\$51,982	
Materials and Supplies (3)				26,183	
Interdepartmental Charges (4)				5,738	
Refuse/Dump Fees (5)				5,204	
<b>Total Non-Personal Costs</b>					<b>89,107</b>
<b>TOTAL AVOIDABLE COSTS</b>					<b>\$391,294</b>

Refer to page 6 of Attachment I for Note (1) and page 7 of Attachment I for Notes (2) through (5).

CITY'S DIRECT ANNUAL COST FOR  
 GROUNDS AND LANDSCAPE MAINTENANCE SERVICE  
 NORTHEAST STREETS

PERSONAL SERVICES	FTE	Average Annual Salary Per Employee (1)			Total Salary (FTE X Total)
		Salary	Benefits & Insurance	Total	
Auto Sprinkler Control Tech	0.25	\$43,524	\$25,357	\$68,881	\$17,220
Equipment Operator II	1.25	40,430	24,281	64,711	\$80,889
Equipment Operator III	0.31	43,996	25,521	69,517	21,550
Gardener I	0.31	35,719	22,640	58,359	18,091
Gardener I - NC	0.28	30,848	2,781	33,629	9,416
Gardener II	1.87	38,548	23,624	62,172	116,262
Maintenance Assistant II - NC	2.56	28,658	2,583	31,241	79,977
Maintenance Assistant III	1.30	35,719	22,640	58,359	75,867
Plumber	0.31	50,680	27,849	78,529	24,344
Power Equip Repair Mech II	0.31	45,819	26,156	71,975	22,312
<b>Total Personal</b>	<u>8.75</u>				<u>465,928</u>
<b>NON-PERSONAL COSTS</b>					
Fleet Services (2)				\$81,524	
Materials and Supplies (3)				41,172	
Interdepartmental Charges (4)				9,171	
Refuse/Dump Fees (5)				8,346	
<b>Total Non-Personal Costs</b>					<u>140,213</u>
<b>TOTAL AVOIDABLE COSTS</b>					<u>\$606,141</u>

Refer to page 6 of Attachment I for Note (1) and page 7 of Attachment I for Notes (2) through (5).

CITY'S DIRECT ANNUAL COST FOR  
 GROUNDS AND LANDSCAPE MAINTENANCE SERVICE  
 SOUTHWEST STREETS

PERSONAL SERVICES	Average Annual Salary Per Employee (1)			Total	Total Salary (FTE X Total)
	FTE	Salary	Benefits & Insurance		
Auto Sprinkler Control Tech	0.34	\$43,524	\$25,357	\$68,881	\$23,420
Equipment Operator II	1.47	40,430	24,281	64,711	\$95,125
Equipment Operator III	0.37	43,996	25,521	69,517	25,721
Gardener I	0.37	35,719	22,640	58,359	21,593
Gardener I - NC	0.33	30,848	2,781	33,629	11,098
Gardener II	2.20	38,548	23,624	62,172	136,778
Maintenance Assistant II - NC	3.01	28,658	2,583	31,241	94,035
Maintenance Assistant III	1.77	35,719	22,640	58,359	103,295
Plumber	0.37	50,680	27,849	78,529	29,056
Power Equip Repair Mech II	0.37	45,819	26,156	71,975	26,631
<b>Total Personal</b>	<u>10.60</u>				<u>566,752</u>
<b>NON-PERSONAL COSTS</b>					
Fleet Services (2)				\$97,396	
Materials and Supplies (3)				49,258	
Interdepartmental Charges (4)				10,791	
Refuse/Dump Fees (5)				9,833	
<b>Total Non-Personal</b>					<u>167,278</u>
<b>TOTAL AVOIDABLE COSTS</b>					<u><u>\$734,030</u></u>

Refer to page 6 of Attachment I for Note (1) and page 7 of Attachment I for Notes (2) through (5).

CITY'S DIRECT ANNUAL COST FOR  
 GROUNDS AND LANDSCAPE MAINTENANCE SERVICE  
 SOUTHEAST STREETS

PERSONAL SERVICES	Average Annual Salary Per Employee (1)			Total	Total Salary (FTE X Total)
	FTE	Salary	Benefits & Insurance		
Auto Sprinkler Control Tech	0.14	\$43,524	\$25,357	\$68,881	\$9,643
Equipment Operator II	1.16	40,430	24,281	64,711	\$75,065
Equipment Operator III	0.29	43,996	25,521	69,517	20,160
Gardener I	0.29	35,719	22,640	58,359	16,924
Gardener I - NC	0.26	30,848	2,781	33,629	8,744
Gardener II	1.58	38,548	23,624	62,172	98,232
Maintenance Assistant II - NC	2.37	28,658	2,583	31,241	74,041
Maintenance Assistant III	0.99	35,719	22,640	58,359	57,775
Plumber	0.29	50,680	27,849	78,529	22,773
Power Equip Repair Mech II	0.29	45,819	26,156	71,975	20,873
<b>Total Personal</b>	<u>7.66</u>				<b>404,230</b>
<b>NON-PERSONAL COSTS</b>					
Fleet Services (2)				\$70,147	
Materials and Supplies (3)				35,679	
Interdepartmental Charges (4)				8,509	
Refuse/Dump Fees (5)				<u>7,772</u>	
<b>Total Non-Personal</b>					<u>122,107</u>
<b>TOTAL AVOIDABLE COSTS</b>					<u><b>\$526,337</b></u>

Refer to page 6 of Attachment I for Note (1) and page 7 of Attachment I for Notes (2) through (5).

CITY'S DIRECT ANNUAL COST FOR  
 GROUNDS AND LANDSCAPE MAINTENANCE SERVICE  
 TIDELANDS STREETS

PERSONAL SERVICES	FTE	Average Annual Salary Per Employee (1)			Total Salary (FTE X Total)
		Salary	Benefits & Insurance	Total	
Auto Sprinkler Control Tech	0.08	\$43,524	\$25,357	\$68,881	\$5,510
Equipment Operator II	0.33	40,430	24,281	64,711	\$21,355
Equipment Operator III	0.08	43,996	25,521	69,517	5,561
Gardener I	0.08	35,719	22,640	58,359	4,669
Gardener I - NC	0.07	30,848	2,781	33,629	2,354
Gardener II	0.49	38,548	23,624	62,172	30,464
Maintenance Assistant II - NC	0.67	28,658	2,583	31,241	20,931
Maintenance Assistant III	0.41	35,719	22,640	58,359	23,927
Plumber	0.08	50,680	27,849	78,529	6,282
Power Equip Repair Mech II	0.08	45,819	26,156	71,975	5,758
<b>Total Personal</b>	<b>2.37</b>				<b>126,811</b>
<b>NON-PERSONAL COSTS</b>					
Fleet Services (2)				\$22,016	
Materials and Supplies (3)				11,132	
Interdepartmental Charges (4)				2,419	
Refuse/Dump Fees (5)				2,196	
<b>Total Non-Personal</b>					<b>37,763</b>
<b>TOTAL AVOIDABLE COSTS</b>					<b>\$164,574</b>

Refer to page 6 of Attachment I for Note (1) and page 7 of Attachment I for Notes (2) through (5).

**NOTES - GROUNDS AND LANDSCAPE MAINTENANCE SERVICE  
PERSONAL SERVICES DETAIL**

**NOTES:**

(1) Personnel costs are based on annual budgeted salary and benefits by employee classification for fiscal year 2004.

	Annual Salary(a)	Fringe Benefits & Insurance			Total Salary & Adjusted Benefits
		Fringe Benefits & Insurance(c)	Less Unavoidable Costs(b)	Adjusted Benefits & Insurance	
Auto Sprinkler Control Tech	\$43,524	\$26,913	(1,556)	\$25,357	\$68,881
Equipment Operator II	40,430	25,726	(1,445)	24,281	64,711
Equipment Operator III	43,996	27,094	(1,573)	25,521	69,517
Gardener I	35,719	23,917	(1,277)	22,640	58,359
Gardener I - NC	30,848	3,884	(1,103)	2,781	33,629
Gardener II	38,548	25,002	(1,378)	23,624	62,172
Maintenance Assistant II-NC	28,658	3,608	(1,025)	2,583	31,241
Maintenance Assistant III	35,719	23,917	(1,277)	22,640	58,359
Plumber	50,680	29,661	(1,812)	27,849	78,529
Power Equipment Repair Mechanic II	45,819	27,794	(1,638)	26,156	71,975

(a) Annual Salary is based on an average of the classification service rates.

(b) Unavoidable costs are City indirect costs associated with human resources administration and employee benefits. These costs are allocated to City Departments as a percentage of employee direct salaries and are included in employee fringe benefits. These costs are considered unavoidable as the City would continue to incur these costs whether the subject service was contracted out or performed by City Staff. Unavoidable costs are excluded from City costs for purpose of estimating any potential savings from contracting out City services.

<u>Unavoidable Fringe Benefits</u>	<u>Allocation Percentage</u>
Employee Benefits Fund	1.262%
Retired Employee Health Benefits	2.313%
<b>Total Percentage of Direct Salary</b>	<b>3.575%</b>

## NOTES - GROUNDS AND LANDSCAPE MAINTENANCE SERVICE

### NOTES:

(2) Fleet Services costs represent fuel, repair and maintenance, and capital recovery charges for the eventual replacement of vehicles once they have reached their useful life. Fleet Services Bureau supplied vehicle operating costs based on Parks Department's average cost by type of vehicle.

(3) Materials and supplies costs include the estimated cost of small tools and equipment, uniforms, safety gear, materials, and supplies required in providing street median landscape maintenance.

(4) Interdepartmental charges represent various charges such as general liability, Technology Services, etc.

(5) Refuse fees are based on tons of refuse produced annually at \$33.79 per ton.

**SECTION 6S  
STAFF-PROVIDED SERVICES**

**SUMMARY OF AVOIDABLE CITY COSTS**

This summary reflects the costs for City staff to provide the same levels of service outlined in the contract specifications. Personal and Non-Personal costs are based on averages developed for FY 06. (The City Auditor's Office will prepare the final costs for presentation to the City Council.)

PERSONAL SERVICES	FTE	Total	Total	Pension Bond	Workers Comp	Total Per	Adjusted
		Average Salary	Insurance & Benefits			Employee	Annual Total (Total x FTE)
Auto Sprinkler Control Tech	0.08	\$43,524.00	\$23,676.00	\$1,584.00	\$3,238.00	\$72,022.00	\$5,922.78
Equipment Operator II	0.33	40,430.00	22,717.00	1,472.00	3,008.00	67,627.00	22,245.43
Equipment Operator III	0.08	43,996.00	23,822.00	1,601.00	3,273.00	72,692.00	5,977.88
Gardener I	0.08	35,719.00	21,259.00	1,300.00	2,657.00	60,935.00	5,011.04
Gardener I - NC	0.07	30,848.00	1,589.00	-	2,295.00	34,732.00	2,570.59
Gardener II	0.49	38,548.00	22,134.00	1,403.00	2,868.00	64,953.00	32,048.76
Maintenance Assistant II - NC	0.67	28,658.00	1,476.00	-	2,132.00	32,266.00	21,758.04
Maintenance Assistant III	0.41	35,719.00	21,259.00	1,300.00	2,657.00	60,935.00	25,055.18
Plumber	0.08	50,680.00	25,890.00	1,845.00	3,771.00	82,186.00	6,758.63
Power Equip Repair Mech II	0.08	45,819.00	24,386.00	1,668.00	3,409.00	75,282.00	6,190.87
<b>Total Personal</b>	<b>2.39</b>						<b>\$133,539.22</b>

**NON-PERSONAL COSTS**

**FLEET SERVICES**

	Number	Aver. Annual Cost Per Unit	Total
1/2 Ton Pickup CNG (1010)	0.08	\$15,552.00	\$1,278.93
1 Ton Crew Cab (1070)	0.08	11,417.00	938.89
3/4 Ton Service Truck (1350)	0.58	6,780.00	3,902.91
Flat Bed Truck (1400)	0.33	9,879.00	3,249.63
3/4 Ton Ext Cab Flatbed (1450)	0.25	9,207.00	2,271.43
1 Ton Dump Truck (2050)	0.41	5,421.00	2,229.00
Riding Vacuum-Elgn (2380)	0.08	6,465.00	531.65
Mower, Riding (3250)	0.74	5,075.00	3,756.12
Tractor-Type IIA (3450)	0.16	15,304.00	2,517.07
Trailer (3700)	0.66	1,284.00	844.73
Sprayer (4200)	0.08	2,722.00	223.85
Misc. Construction I (4600)	0.16	2,233.00	367.26
			\$22,111.47

**MATERIALS & SUPPLIES**

\$11,131.72

**MISC. INTERDEPARTMENTAL CHARGES**

\$11,118.28

**REFUSE/DUMP FEES**

Tons	Cost Per Ton	Total
65	\$33.79	\$2,196.35

*Total Non-Personal*

**\$46,557.81**

**TOTAL ALL AVOIDABLE COSTS**

**\$180,097.03**

**NOTES:**

- Fleet Services costs are based on FY 05 MOU amounts, except for those vehicle classifications denoted with an asterisk. These classifications are no longer part of the Department's fleet. Accordingly, the costs are based on FY 04 MOU amounts, plus a 4.0% CPI adjustment.

**SECTION 6S**  
**STAFF-PROVIDED SERVICES**

**SUMMARY OF UNAVOIDABLE CITY COSTS**

**PERSONAL SERVICES**

	FTE	Total Average Salary	Total Insurance & Benefits	Pension Bond	Workers Comp	Total Per Employee	Adjusted Annual Total (Total x FTE)
Gardener II	0.07	38,548.00	22,134.00	1,403.00	2,868.00	64,953.00	4,546.71
Supervisor I	0.21	51,066.00	26,009.00	1,859.00	3,799.00	82,733.00	17,373.93
<i>Total Personal</i>	<b>0.28</b>						<b>\$21,920.64</b>

**NON-PERSONAL COSTS**

	Number	Aver. Annual Cost Per Unit	Total
<b>FLEET SERVICES</b>			
Mini Van (0740)	0.21	\$6,161.00	\$1,293.81
Mini Pickup (0900)	0.07	4,757.00	<u>332.99</u>
			\$1,626.80
<b>MATERIALS &amp; SUPPLIES</b>			
			\$6,224.40
<b>MISC. INTERDEPARTMENTAL CHARGES</b>			
			\$698.88
<i>Total Non-Personal</i>			<b>\$8,550.08</b>

**TOTAL ALL UNAVOIDABLE COSTS**

**\$30,470.72**

**NOTES:**

1.	The Supervisor II classification identified in the prior year's cost analysis is no longer part of the Department's workforce. Accordingly, the FTE amount previously associated with this classification has been added to the Supervisor I classification.
2.	Although there has been an increase in the number of acres maintained through this contract, there will be no increase in the level of staffing devoted to contract monitoring.
3.	The costs for Materials & Supplies and Misc. Interdepartmental Charges include a 4.0% CPI adjustment.