

**OFFICE OF THE CITY AUDITOR**

City of Long Beach  
333 W. Ocean Blvd.  
Long Beach, CA 90802  
Telephone: 562-570-6751  
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**GARY L. BURROUGHS, CPA**  
City Auditor

November 18, 2005

Michael Killebrew  
Director of Financial Management

At your request, we have applied certain agreed-upon procedures to records relating to the City's estimated cost of providing security guard services at Health and Human Services' and Community Development's facilities as detailed in Bid Specification PA-02805. The City currently contracts with Contact Security Inc., for the above services under contract number 27524, which expires on November 30, 2005.

The purpose of applying the agreed-upon procedures was to verify the City's estimated cost of providing the service and compare it 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 services contracted for 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.

Agreed-upon procedures included:

- Reading the bid specifications for security guard services;
- Obtaining and analyzing the Departments' cost estimates for providing security guard services;
- Determining and evaluating the basis of estimated City costs through discussion with Department staff;
- Tracing and agreeing costs to source budget reports and documents and;
- Adjusting the Departments' cost estimates to eliminate unavoidable costs.

Based on the procedures performed, the City's estimated annual cost of providing security guard services is \$1,279,324. The cost for a private contractor based on the terms of the contract would be \$518,366. Therefore, the City's net

annual cost savings from using a private contractor would be \$760,960 approximately 59% of City cost summarized as follows:

Bid Item	City's Costs	Contractor's Cost	Contractor's savings compared to City cost	
Health and Human Service Facilities	\$ 595,602	\$ 224,721	\$ 370,881	62.27%
Community Development Facilities	683,722	293,645	390,077	57.05%
	<u>\$ 1,279,324</u>	<u>\$ 518,366</u>	<u>\$ 760,958</u>	<u>59.48%</u>

Details on the City's costs are included as Attachment I.

Sincerely,

GARY L. BURROUGHS, CPA  
City Auditor

By



Sam Joublat, CIA  
Deputy City Auditor

Review team: Caroline James, Audit Manager  
Joe Dudley, Senior Auditor

Distribution: Jana Vargas, City Purchasing Agent, Financial Management  
Michael Johnson, Support Services Bureau Manager, Health and Human Services  
Craig Beck, Administration and Financial Services Bureau Manager, Community Development

**CITY'S DIRECT ANNUAL COSTS FOR  
SECURITY GUARD SERVICES**

**SUMMARY**

	<b>Health &amp; Human Services</b>	<b>Community Development</b>	<b>Grand Total</b>
<b>Personal Services</b>			
FTE Required	8.005	9.082	17.087
Personal Services	\$ 502,380	\$ 569,968	\$ 1,072,348
<b>Non-Personal Costs</b>			
Materials and Supplies	11,783	21,358	33,141
<b>Total Direct Costs</b>	\$ 514,163	\$ 591,326	\$ 1,105,489
Supervisory Security Officer (5)	81,439	92,396	173,835
<b>TOTAL COSTS</b>	\$ 595,602	\$ 683,722	\$ 1,279,324

(5), See footnotes on pages 5 through 6.

**CITY'S DIRECT ANNUAL COSTS FOR  
SECURITY GUARD SERVICES  
HEALTH AND HUMAN SERVICES FACILITIES**

PERSONAL SERVICES	FTE	Average Annual Salary Per Employee (1)			Total Salary (FTE X Total)
		Salary	Benefits & Insurance	Total	
<b>Main Health Facility</b>					
Security Officer II	3.334	\$39,514	\$22,941	\$62,455	\$ 208,225
Security Officer II (NSD) (1c)	1.013	41,185	23,374	64,559	65,398
<b>West Facility Center</b>					
Security Officer II	1.126	39,514	22,941	62,455	70,324
<b>North Facility Center</b>					
Security Officer II	0.844	39,514	22,941	62,455	52,712
<b>Multi-Service Center</b>					
Security Officer II	1.547	39,514	22,941	62,455	96,618
Security Officer II (NSD) (1c)	0.141	41,185	23,374	64,559	9,103
<b>Total Personal Services</b>	<u>8.005</u>				<b>\$ 502,380</b>
 <b>NON-PERSONAL COSTS</b>					
Materials & Supplies (3)					<u>\$ 11,783</u>
<b>TOTAL DIRECT COSTS</b>					<u><b>\$ 514,163</b></u>

(1), (3), See footnotes on pages 5 through 6.

**CITY'S DIRECT ANNUAL COSTS FOR  
SECURITY GUARD SERVICES  
COMMUNITY DEVELOPMENT FACILITIES**

PERSONAL SERVICES	FTE	Average Annual Salary Per Employee (1)			Total Salary (FTE X Total)
		Salary	Benefits & Insurance	Total	
<b>Career Transition Center</b>					
Security Officer II (4)	3.264	\$39,514	\$22,941	\$62,455	\$ 203,853
Security Officer II (NSD) (1c), (4)	0.844	41,185	23,374	64,559	54,488
<b>Youth Opportunity Center</b>					
Security Officer II (4)	2.962	39,514	22,941	62,455	184,992
Security Officer II (NSD) (1c), (4)	0.007	41,185	23,374	64,559	452
<b>Neighborhood Resource Center &amp; Housing Authority</b>					
Security Officer II	1.548	39,514	22,941	62,455	96,680
Security Officer II (NSD) (1c)	0.457	41,185	23,374	64,559	29,503
<b>Total Personal Services</b>	<u>9.082</u>				<b>\$ 569,968</b>
 <b>NON-PERSONAL COSTS</b>					
Materials & Supplies (3)				2,951	
Materials & Supplies (Armed Guards) (4)				18,407	
<b>Total Non-Personal Costs</b>					<b>\$ 21,358</b>
<b>TOTAL DIRECT COSTS</b>					<b>\$ 591,326</b>

(1), (3), (4), See footnotes on pages 5 through 6.

**CITY'S DIRECT ANNUAL COSTS FOR  
SUPERVISORY SECURITY GUARD SERVICES  
HEALTH AND HUMAN SERVICES FACILITIES, AND  
COMMUNITY DEVELOPMENT FACILITIES**

<b>PERSONAL SERVICES</b>	<b>FTE</b>	<b>Average Annual Salary Per Employee (1)</b>			<b>Total Salary (FTE X Total)</b>
		<b>Salary</b>	<b>Benefits &amp; Insurance</b>	<b>Total</b>	
Security Officer III Supervisor (5)	2.251	\$41,005	\$23,832	\$64,837	\$ 145,948
 <b>NON-PERSONAL COSTS</b>					
Materials & Supplies (3)				3,314	
Vehicle (2)				24,573	
Total Non-Personal Costs					<b>\$ 27,887</b>
<b>TOTAL DIRECT COSTS</b>					<b>\$ 173,835</b>

*(1), (2), (3), (5) See footnotes on pages 5 through 6.*

**CITY'S DIRECT ANNUAL COSTS FOR  
SECURITY GUARD SERVICES**

**NOTES:**

- (1) **Personal services.** Based on average annual salary and benefits by employee classification for FY 2006 budget:

	Average Annual Salary (a)	Fringe Benefits & Insurance			Total
		Fringe Benefits & Insurance	Less Unavoidable Costs (b)	Adjusted Benefits & Insurance	
Security Officer II	\$39,514	\$24,344	(1,403)	\$22,941	\$62,455
Security Officer II (NSD) (c)	41,185	24,836	(1,462)	23,374	64,559
Security Officer III	41,005	25,288	(1,456)	23,832	64,837

(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</u>	<u>Allocation Percentage</u>
Employee Benefits Fund	2.300%
Retired Employee Health Benefits	1.250%
<b>Total Percentage of Direct Salary</b>	<b>3.550%</b>

(c) Salary includes night shift differential (NSD) pay adjustment of additional \$0.80 per hour.

**CITY'S DIRECT ANNUAL COSTS FOR  
SECURITY GUARD SERVICES  
(NOTES CONTINUED)**

**NOTES:**

**(2) Estimated fleet operating costs.** City Fleet Services Bureau supplied vehicle operating costs based on an average annual cost for two police solid sedans. Costs include fuel, repairs and maintenance, and budgeted Fleet Services capital recovery charges for the eventual replacement of vehicles once they have reached their useful life.

**(3) Materials & Supplies.** This category includes the estimated cost of uniforms, radios, materials and supplies at \$1,472 per employee.

**(4) Materials & Supplies (Armed Guards).** This category includes the estimated cost of armed security guards gun, holster, ammunition, vest, uniforms, radios, materials and supplies at \$2,601 per employee.

**(5) Supervisory Security Officer.** Security officer supervision is provided by the contractor. City supervision costs are allocated to each group based on the percentage of FTEs required at each group to total FTEs required.



Robert E. Shannon  
City Attorney of Long Beach  
333 West Ocean Boulevard  
Long Beach, California 90802-4664  
Telephone (562) 570-2200

ORDINANCE NO. \_\_\_\_\_

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF LONG BEACH MAKING FINDINGS REGARDING A CONTRACT FOR WORK USUALLY PERFORMED BY CITY EMPLOYEES AND AUTHORIZING THE CITY MANAGER TO EXECUTE THE CONTRACT WITH CONTACT SECURITY, INC. FOR SECURITY GUARDS AT VARIOUS LOCATIONS

WHEREAS, the City of Long Beach owns and operates several buildings and facilities within the City including ones used by the Departments of Public Works, Health and Human Services and Community Development ("City Sites") which require security guards; and

WHEREAS, to obtain cost savings, the City desires to contract of the services of security guards if those services can be performed by a private contractor as efficiently, effectively and at an estimated lower cost to the City than if the services were performed by City employees; and

WHEREAS, the City Manager advertised for bids, and bids were received and analyzed and Contact Security, Inc. is the lowest responsible bidder for these services with a bid of \$869,125.00; and

WHEREAS, the City Auditor has calculated the annual cost of the services using City employees, the annual cost if the services are performed by Contact Security, Inc., and the annual cost savings; and

WHEREAS, based on this procedure and analysis, the City Council desires to make findings regarding a contract with Contact Security, Inc. and desires to authorize a contract with that bidder;

NOW, THEREFORE, the City Council of the City of Long Beach ordains as follows:

Robert E. Shannon  
City Attorney of Long Beach  
333 West Ocean Boulevard  
Long Beach, California 90802-4664  
Telephone (562) 570-2200

1 Section 1. Based on the calculations of the City Auditor, the annual cost  
2 for security guards at the City Sites and the cost savings are shown below:

3	Cost using City employees:	\$1,279,324.00
4	Cost using private contractor:	\$ 518,366.00
5	Annual Savings:	\$ 760,958.00

6 Sec. 2. The City Council finds and determines that the services of  
7 security guards can be performed by a private contractor as efficiently and effectively as  
8 if these services were performed by City employees.

9 Sec. 3. The City Council has considered all other relevant factors and  
10 finds and determines that the performance of these services by a private contractor will  
11 not be detrimental or adverse to the best interests of the citizens of the City.

12 Sec. 4. The City Manager is authorized to execute a contract with Contact  
13 Security, Inc. in an annual amount not to exceed \$869,125.00 for security guards for a  
14 period of one year in accordance with Specifications PA-02805, which amount is 25%  
15 above the base bid to allow for as-needed or emergency services at City Sites. The  
16 contract may, at the City's sole option, be renewed for three successive periods of one  
17 year each by amendment of the contract at the sole discretion of the City Manager.

18 Sec. 5. The City Clerk shall certify to the passage of this ordinance and  
19 cause it to be posted in three conspicuous places in the City of Long Beach, and it shall  
20 take effect on the thirty-first day after it is approved by the Mayor.

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I certify that this ordinance was adopted by the City Council of the City of Long Beach at its meeting on \_\_\_\_\_, 2005, by the following vote:

Ayes: Councilmembers: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Noes: Councilmembers: \_\_\_\_\_

\_\_\_\_\_

Absent: Councilmembers: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_  
City Clerk

Approved: \_\_\_\_\_  
(Date)

\_\_\_\_\_  
Mayor

Robert E. Shannon  
City Attorney of Long Beach  
333 West Ocean Boulevard  
Long Beach, California 90802-4664  
Telephone (562) 570-2200