



OFFICE OF THE CITY AUDITOR
City of Long Beach
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ORD-31

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.

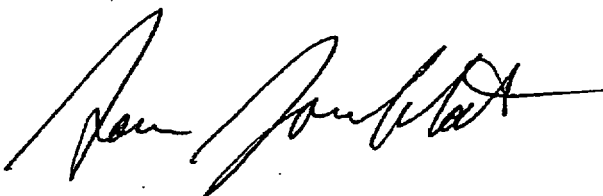
As illustrated below, the estimated cost savings from contracting out the street median landscape services is approximately 72%. Details on the City's cost are included as Attachment I.

Bid Item	Cost Comparison		Contractors'	
	City's Cost	Contractors' Cost	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 Jourblat, 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
Total Personal Services	5.65				302,187
NON-PERSONAL COSTS					
Fleet Services (2)				\$51,982	
Materials and Supplies (3)				26,183	
Interdepartmental Charges (4)				5,738	
Refuse/Dump Fees (5)				5,204	
Total Non-Personal Costs					89,107
TOTAL AVOIDABLE COSTS					\$391,294

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	Total Salary (FTE X Total)
		Salary	Benefits & Insurance		
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
Total Personal	8.75				465,928
NON-PERSONAL COSTS					
Fleet Services (2)				\$81,524	
Materials and Supplies (3)				41,172	
Interdepartmental Charges (4)				9,171	
Refuse/Dump Fees (5)				8,346	
Total Non-Personal Costs					140,213
TOTAL AVOIDABLE COSTS					\$606,141

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	FTE	Average Annual Salary Per Employee (1)		Total	Total Salary (FTE X Total)
		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
Total Personal	10.60				566,752
NON-PERSONAL COSTS					
Fleet Services (2)				\$97,396	
Materials and Supplies (3)				49,258	
Interdepartmental Charges (4)				10,791	
Refuse/Dump Fees (5)				9,833	
Total Non-Personal					167,278
TOTAL AVOIDABLE COSTS					\$734,030

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	FTE	Average Annual Salary Per Employee (1)			Total Salary (FTE X Total)
		Salary	Benefits & Insurance	Total	
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	36,719	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
Total Personal	<u>7.66</u>				<u>404,230</u>
NON-PERSONAL COSTS					
Fleet Services (2)				\$70,147	
Materials and Supplies (3)				35,679	
Interdepartmental Charges (4)				8,509	
Refuse/Dump Fees (5)				<u>7,772</u>	
Total Non-Personal					<u>122,107</u>
TOTAL AVOIDABLE COSTS					<u><u>\$526,337</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
 TIDELANDS STREETS

PERSONAL SERVICES	FTE	Average Annual Salary Per Employee (1)		Total	Total Salary (FTE X Total)
		Salary	Benefits & Insurance		
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
Total Personal	<u>2.37</u>				<u>126,811</u>
NON-PERSONAL COSTS					
Fleet Services (2)				\$22,016	
Materials and Supplies (3)				11,132	
Interdepartmental Charges (4)				2,419	
Refuse/Dump Fees (5)				2,196	
Total Non-Personal					<u>37,763</u>
TOTAL AVOIDABLE COSTS					<u>\$164,574</u>

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	36,719	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%
Total Percentage of Direct Salary	3.575%

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 Employee	Adjusted Annual Total (Total x FTE)
		Average Salary	Insurance & Benefits				
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
Total Personal	2.39						\$133,539.22

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-Eign (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:

1. 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

	<u>FTE</u>	<u>Total Average Salary</u>	<u>Total Insurance & Benefits</u>	<u>Pension Bond</u>	<u>Workers Comp</u>	<u>Total Per Employee</u>	<u>Adjusted Annual Total (Total x FTE)</u>
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>	0.28						\$21,920.64

NON-PERSONAL COSTS

	<u>Number</u>	<u>Aver. Annual Cost Per Unit</u>	<u>Total</u>
FLEET SERVICES			
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
MATERIALS & SUPPLIES			\$6,224.40
MISC. INTERDEPARTMENTAL CHARGES			\$698.88
<i>Total Non-Personal</i>			\$8,550.08

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.

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ORDINANCE NO. C-

AN ORDINANCE OF THE CITY COUNCIL OF THE
CITY OF LONG BEACH MAKING FINDINGS AND
DETERMINATIONS REGARDING CONTRACTING FOR
WORK USUALLY PERFORMED BY CITY EMPLOYEES AND
AUTHORIZING THE CITY MANAGER TO ENTER
CONTRACTS WITH AZTECA LANDSCAPE AND MIDORI
GARDENS FOR LANDSCAPE MAINTENANCE SERVICES

WHEREAS, the City of Long Beach has many sites located throughout the
City which require landscape maintenance services; and

WHEREAS, to achieve cost savings, the City desires to contract for those
landscape maintenance services, 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 employees of the City; and

WHEREAS, bids were received and the lowest responsible bidders for those
services were determined; and

WHEREAS, the City Auditor and the Department of Financial Management
have calculated the annual cost to the City if the landscape maintenance services were
performed by City employees, the annual cost if performed by the lowest responsible
bidders, and the resultant cost savings, based upon the frequency of service required in
the Specifications; and

WHEREAS, based on these calculations, the City Council desires to make
the findings and determinations required by the City Charter and to authorize contracts for
landscape maintenance services;

The City Council of the City of Long Beach ordains as follows:

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City Attorney of Long Beach
333 West Ocean Boulevard
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1 Section 1. Based on the calculations of the City Auditor and the Department
2 of Financial Management, the annual cost of landscape maintenance services if performed
3 by City employees, the cost of these services if performed by the lowest responsible
4 bidders Azteca Landscape and Midori Gardens and the resultant savings are as follows:

5 City Cost	\$2,422,376.00
6 Contractor Cost	\$ 686,598.00
7 Annual Savings	\$1,735,778.00

8
9 Sec. 2. The City Council finds and determines that landscape maintenance
10 services can be performed by private contractors as efficiently, effectively and at a lower
11 cost to the City than if the services were performed by employees of the City.

12
13 Sec. 3. The City Council has considered all other relevant factors and finds
14 and determines that the performance of custodial services by private contractors will not
15 be detrimental or adverse to the best interests of the citizens of the City.

16
17 Sec. 4. The City Manager is authorized to execute a contract with Azteca
18 Landscape in an annual amount not to exceed \$210,063.00 which amount is 15% above
19 the base bid of \$182,663 to allow for "as-needed" or emergency work and a contract with
20 Midori Gardens in an annual amount not to exceed \$579,525.00 which amount is 15%
21 above the base bid of \$504,004 to allow for "as-added" or emergency work, all in
22 accordance with Specifications PA-02105. Each contract shall be for a period of one year.
23 The contract of Azteca Landscape may be amended to add the services from Midori
24 Gardens and the contract of Midori Gardens may be amended to add the services from
25 Azteca Landscape if one or more parts of either contract are cancelled and, accordingly,
26 the "not to exceed" amount will be increased to pay for the additional services provided
27 that, for any amendment, the City Auditor and the Department of Financial Management
28 determine that the services can still be performed at a lower cost to the City than if the

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1 work were performed by City employees. The contract may, at City's sole option and with
2 each contractor's agreement, be renewed for three (3) separate, consecutive periods of
3 one (1) year each provided that, for each renewal period, the City Auditor and the
4 Department of Financial Management determine that the services continue to be
5 performed at a lower cost to the City than if the work were performed by City employees
6 and that the services have been satisfactorily performed. No subsequent resolutions,
7 ordinances or findings shall be required and the contracts may be amended to extend the
8 term based on said determination.

9
10 Sec. 5. The City Clerk shall certify to the passage of this ordinance by the
11 City Council and cause it to be posted in three conspicuous places in the City of Long
12 Beach, and it shall take effect on the thirty-first day after it is approved by the Mayor.

13 Long Beach at its meeting on _____, 2005, by the following vote:

14 Ayes: Councilmembers: _____
15 _____
16 _____

17
18 Noes: Councilmembers: _____
19 _____

20 Absent: Councilmembers: _____
21 _____

22
23 _____
City Clerk

24 Approved: _____
(Date)

Mayor