

CITY OF LONG BEACH, CALIFORNIA

Proposition L Review
Security Guard Services
Third Renewal

November 3, 2004

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GARY L. BURROUGHS, CPA
City Auditor

November 3, 2004

Michael Killebrew, Acting Director
Financial Management Department

At your request, we have updated our analysis relating to the City's estimated cost of providing security guard services at Health and Human Services, Community Development facilities and the Police Department Public Safety Building as detailed in Bid Specification PA-02001. The City currently has a contract with Contact Security Inc. for the above services under contract number 27524. The contract was entered on December 1, 2001 and allows for term extensions by mutual agreement for up to three additional one-year periods. The City exercised the first and second one-year renewal options in 2002 and 2003, respectively. The City intends to exercise the third one-year renewal option at this time.

The purpose of our analysis is to update the City's estimated cost of providing the service and compare the City's costs to the cost of having a private contractor perform the work. This is 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.

The existing contract allows for the price of the bid items to be adjusted at the beginning of a renewal term. As such, the Contractor will increase the contract amount by 3.3%, which represents the increase in Consumer Price Index (CPI) from September 2003 to September 2004 for the Los Angeles-Anaheim-Riverside Metropolitan Areas (All Urban Consumers) published by the Bureau of Labor Statistics of the U.S. Department of Labor.

We made the following adjustments to our cost analysis performed at the second renewal, the details for which are included in a previous audit report dated October 28, 2003:

- Increased the City's personal service costs by 28% to include the contributions to CalPERS retirement system and to reflect other increases in fringe benefit costs such as workers compensation and health insurance.

- Increased the City's material and supplies costs by 3.3% to reflect the CPI increase.
- Increased the Contractor's costs by 3.3% as allowed for in the contract.


The City's estimated cost for providing the services and the cost for a private contractor are summarized as follows:

Bid Item	City's Cost	Contractor's Cost	Cost Differential	Savings
Health and Human Services Facilities	\$647,682	\$261,271	\$386,411	60%
Community Development Facilities	728,347	324,238	404,109	55%
Police Public Safety Building	111,084	43,043	68,041	61%
Total	\$1,487,113	\$628,552	\$858,561	58%

As illustrated above, the total estimated cost saving for the third renewal is \$858,561 or 58%. The increase in cost saving from 48% at the second renewal to 58% is due to the rise in fringe benefit costs, as mentioned above.

Sincerely,

GARY L. BURROUGHS, CPA
City Auditor

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