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**REPORT ON
AGREED-UPON PROCEDURES REVIEW
OF
METROPOLITAN TRANSPORTATION AUTHORITY
SECURITY SERVICES COST SUBMITTALS
COST COMPARISON STUDY**

**PREPARED FOR THE
LOS ANGELES COUNTY
METROPOLITAN TRANSPORTATION AUTHORITY
BOARD OF DIRECTORS**

PREPARED BY:

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EXECUTIVE SUMMARY

Results in Brief

The reasons for the cost variances that we have identified in this report and the type and quality of services to be provided by each law enforcement agency should be clearly understood and considered by the Metropolitan Transportation Authority (MTA) Board of Directors in determining the most cost-effective approach to providing security services for the MTA.

We identified \$469,063 in Los Angeles Police Department (LAPD)/Los Angeles Sheriff Department (LASD) costs that should have been excluded from the cost submittal, resulting in a decrease in the LAPD/LASD cost submittal from \$111,255,395 to \$110,786,332. On the other hand, we identified \$1,937,580 of additional Metropolitan Transportation Authority Transit Police Department (MTA TPD) costs that should have been included in the cost submittal, resulting in an increase in the MTA TPD cost submittal from \$84,954,333 to \$86,891,913. The adjusted cost difference between the two cost submittals is \$23,894,419. (See Appendix).

Our analysis and comparison of LAPD/LASD and MTA TPD cost components found that the largest cost variance is in fringe benefits. The LAPD/LASD fringe benefit cost estimate is approximately \$14.5 million more than the MTA TPD fringe benefit cost estimate. The primary reason for this difference is the larger amount of pension/retirement contributions made by the LAPD and LASD as compared to MTA TPD. (See Page 8).

Another cost component which contributes significantly to the cost variance is General and Administrative (G&A) costs. The LAPD/LASD G&A cost estimate is approximately \$4.4 million more than the MTA TPD G&A cost estimate. The primary reason for this difference is the relative size of the organizations involved. The LAPD and the LASD are parts of much larger entities (namely the Los Angeles City and the Los Angeles County governments) than the MTA TPD, resulting in higher G&A costs for the LAPD and LASD. In addition, the LAPD/LASD cost submittal includes allocation of G&A costs from both the City and the County, whereas MTA TPD's cost submittal includes a G&A allocation from only the MTA. (See Page 12).

Our comparison of communication costs found that the composition of the communications systems to be used by each law enforcement agency varies considerably. Therefore, a comparison of these costs cannot be completed without considering the technical aspects of each law enforcement agency's communications system. (See Pages 9-11).

Background and Purpose

The MTA Board of Directors is considering whether the MTA should utilize peace officers other than the MTA TPD to provide mass transit security services for the MTA.

In order to determine whether peace officers other than the MTA TPD should be used, the MTA Board of Directors requested the MTA to solicit interested parties for cost submittals. On December 24, 1993, two cost submittals were received by the MTA: one from the LAPD/LASD in a joint-venture, and one from the MTA TPD.

Prior to preparing the cost submittals, the LAPD, LASD and the MTA TPD prepared a document entitled "Security Services Solicitation: Services and Terms". This document outlines the agreement among the three parties on the services and terms to be used when preparing the cost submittals. The purpose of this document was to provide a basis for comparability of cost components.

The MTA Board of Directors also requested that an independent Certified Public Accounting firm perform a cost analysis and comparison review of each cost submittal. Thompson, Curtis, Bazilio & Associates, P.C. was engaged to perform these services, and began work on January 4, 1994, at the offices of the LAPD, LASD and the MTA TPD.

The objectives of the review were to 1) verify that the law enforcement agencies have prepared cost submittals in accordance with the services and terms specified in the Security Services Solicitation: Services and Terms document, 2) assess the adequacy of supporting documentation and the reasonableness of costing methodologies used, 3) determine the reasonableness of the relief factor as calculated by each law enforcement agency, and 4) assess the comparability of the cost submittals and identify any noteworthy differences.

This report presents the results of the analysis and comparison of the cost components contained in each cost submittal.

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Los Angeles County
Metropolitan Transportation Authority
Board of Directors

INTRODUCTION

We have applied certain agreed-upon procedures (the "Procedures"), as summarized below, to the financial and other records (the "Records") of the Los Angeles City Police Department (the "LAPD"), the Los Angeles County Sheriff's Department (the "LASD") and the Los Angeles County Metropolitan Transportation Authority's Transit Police Department (the "MTATPD").

The Procedures, which were agreed to by MTA's Internal Audit Department, were performed solely to assist the MTA Board of Directors in analyzing, comparing and verifying certain cost components contained in the security services cost submittals.

BACKGROUND

In response to a request of the MTA Board of Directors, in early December 1993, the MTA solicited interested law enforcement agencies to provide information and costs regarding the potential provision of security services for MTA's metro rail and bus lines. This solicitation was designed to assist the MTA Board of Directors in determining which police force the MTA should consider utilizing for the provision of security services.

The information and costs submitted will also be used to assist the MTA Board of Directors to determine the most cost-effective option to providing security services for the MTA.

On December 24, 1993, two cost submittals were received by the MTA: one from the LAPD/LASD in a joint-venture, and one from the MTATPD. These cost submittals were prepared using levels of services and terms agreed to by the LAPD, LASD and MTATPD, and outlined in a document entitled "Security Services Solicitation: Services and Terms".

REVIEW OBJECTIVES

The objectives of the Procedures were to:

- o verify that the law enforcement agencies have prepared cost submittals in accordance with the services and terms specified in the document entitled "Security Services Solicitation: Services and Terms",
- o assess the adequacy of supporting documentation and the reasonableness of costing methods used in each submittal, including the allocation of general and administrative and overhead costs,
- o determine the reasonableness of the relief factor as calculated by each law enforcement agency, and
- o assess the comparability of the cost submittals and identify any noteworthy differences.

REVIEW SCOPE AND METHODOLOGY

Our review was conducted in accordance with the requirements of our Contract No. 6056. On January 4, 1994, we began fieldwork at the offices of the LAPD, LASD and the MTA TPD. Our fieldwork was completed on February 11, 1994.

Generally, the Procedures consisted of 1) interviewing law enforcement agency personnel, 2) inspecting and substantiating, on a test basis, documentation supporting the cost data, 3) reperforming certain procedures and calculations, and 4) assessing the reasonableness of costing methods. For each cost submittal, we judgmentally selected cost components comprising at least ninety percent of the total cost. The primary attributes used to select our samples were the dollar amount and type of cost component.

Because the Procedures did not constitute an audit conducted in accordance with generally accepted auditing standards, we do not express an opinion on any of the accounts or items referred to in this report. In connection with the Procedures referred to above, no matters came to our attention that caused us to believe that the specified accounts or items should be adjusted, except for the adjustments discussed in the "Results of the Procedures" section and in the Appendix of this report. Had we performed additional procedures or conducted an audit of the records in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported to you.

RESULTS OF THE PROCEDURES

I. REVIEW/VALIDATION OF COST COMPONENTS

A. OVERVIEW

Our review/validation of cost components included 1) adherence to the services and terms outlined in the document entitled "Security Services Solicitation: Services and Terms", 2) the adequacy of supporting documentation, and 3) the reasonableness of the costing methods used.

B. PROCEDURES PERFORMED

1. We conducted interviews to obtain an understanding of the costing methods used.
2. We identified and documented all cost components included in the cost submittals.
3. We compared all services, terms and cost components identified from the document entitled "Security Services Solicitation: Services and Terms", to the services, terms and cost components used in each cost submittal.
4. We reviewed and assessed the adequacy of supporting documentation for selected cost components, including the reasonableness of the costing methodology used.

C. RESULTS

Below, we have identified the costs that have resulted in either an increase or decrease in the cost submittals provided by the LAPD/LASD and MTA TPD. These adjustments are summarized in the Appendix to this report.

LAPD/LASD

1. According to the document entitled "Security Services Solicitation: Services and Terms", the cost of 82 detectives was agreed-upon to be included in the cost submittal. However, the LAPD/LASD included the cost of 84 detectives. LAPD/LASD officials have agreed to a downward adjustment of \$218,250 in their cost submittal, representing the cost of the two additional detectives that should not have been included.
2. We found that LASD included a cost component that should have been excluded. This cost component is related to an amortized computer acquisition cost that expires in 1994. LASD officials concur and have agreed to reduce their cost submittal by \$155,850.

3. We found that the costing methodology used by LASD to calculate the cost for a mobile digital communications system did not allocate costs equitably to LASD's contractors. LASD officials concur and have agreed to reduce their cost submittal by \$94,963.

MTA TPD

1. We found that the MTA TPD did not include communications costs in their cost submittal. MTA TPD subsequently identified an additional cost of approximately \$4 million or an annual depreciation cost of \$718,108. MTA TPD has agreed to increase their cost submittal accordingly.

MTA TPD officials have represented to us that they plan to finance the \$4 million by issuing an amortizing 30 year bond at an estimated 5.5% interest rate. However, MTA TPD did not include in their cost submittal, the bond interest cost, which approximates \$4.1 million over the 30 year period.

2. We found that the MTA TPD's supporting documentation for its housing facilities cost to convert three buildings into police facilities was different from the cost estimate submitted. This difference resulted in a decrease in MTA TPD's annual cost from \$141,250 to \$116,538, for a net decrease of \$24,712.

We also found that, because the LAPD/LASD chose not to use MTA's Washington/Figueroa headquarters building, MTA TPD consented to include the lease cost of this building in their cost submittal, resulting in a lease cost increase of \$545,416.

In total, MTA TPD's housing facilities cost estimate increased by \$520,704.

3. We found that the MTA TPD is currently not being charged booking fees by the LAPD. However, LAPD officials have informed us that this situation could change. As a result, we believe an additional cost of at least \$540,000 should be included in MTA TPD's cost submittal, using an estimate of 5000 arrests per year at a cost of \$108 (the usual amount currently being charged by LASD) for each booking.
4. MTA TPD officials informed us that they made an error in the compilation of General and Administrative costs submitted and were raising their cost submittal by \$158,768 to correct the error.

II. VERIFICATION OF RELIEF FACTOR

A. OVERVIEW

The relief factor is a calculation performed to identify the actual number of patrol officers needed to provide the required 726 patrol units. Some of the factors to be considered when calculating the relief factor include vacation time, sick leave, injured on duty absences and court appearances.

B. PROCEDURES PERFORMED

1. We identified and documented all the factors used to calculate the relief factor.
2. We discussed with law enforcement agency officials the assumptions they used to calculate the relief factor.
3. We assessed the reasonableness of the relief factor calculation.

C. RESULTS

Below are the results of our review and assessment of the relief factor calculation submitted by the LAPD/LASD and the MTA TPD.

LAPD/LASD

We found that the assumptions and factors used to calculate the relief factor appear reasonable. The LAPD/LASD relief factor is approximately 1.183 percent; resulting in 859 patrol officers needed to staff 726 patrol units. LAPD and LASD officials also informed us that, if the 859 dedicated transit patrol officers are not sufficient to staff any shortages in the required 726 patrol units, they could have patrol officers assigned to other duties work overtime to guarantee that the required 726 patrol units would be staffed.

MTA TPD

We found that the assumptions and factors used to calculate the MTA TPD relief factor appear reasonable. The MTA TPD relief factor is approximately 1.275 percent; resulting in about 926 patrol officers needed to staff 726 patrol units. MTA TPD officials also informed us that their relief factor is higher than the LAPD/LASD because they do not plan to use as many overtime hours to staff the required 726 patrol units.

II. VERIFICATION OF RELIEF FACTOR

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B. PROCEDURES PERFORMED

1. We identified and documented all the factors used to calculate the relief factor.
2. We discussed with law enforcement agency officials the assumptions they used to calculate the relief factor.
3. We assessed the reasonableness of the relief factor calculation.

C. RESULTS

Below are the results of our review and assessment of the relief factor calculation submitted by the LAPD/LASD and the MTA TPD.

LAPD/LASD

We found that the assumptions and factors used to calculate the relief factor appear reasonable. The LAPD/LASD relief factor is approximately 1.183 percent; resulting in 859 patrol officers needed to staff 726 patrol units. LAPD and LASD officials also informed us that, if the 859 dedicated transit patrol officers are not sufficient to staff any shortages in the required 726 patrol units, they could have patrol officers assigned to other duties work overtime to guarantee that the required 726 patrol units would be staffed.

MTA TPD

We found that the assumptions and factors used to calculate the MTA TPD relief factor appear reasonable. The MTA TPD relief factor is approximately 1.275 percent; resulting in about 926 patrol officers needed to staff 726 patrol units. MTA TPD officials also informed us that their relief factor is higher than the LAPD/LASD because they do not plan to use as many overtime hours to staff the required 726 patrol units.

III. COST ANALYSIS AND COMPARISON

A. OVERVIEW

Cost analysis and comparison includes identifying and comparing similar cost components and identifying the reasons for noteworthy differences.

B. PROCEDURES PERFORMED

1. We compared the cost components from each cost submittal and identified all comparable and non-comparable cost components.
2. We identified and documented the cost differences and discussed the differences with each law enforcement agency.
3. We assessed the impact of the cost differences on each cost submittal.

C. RESULTS

Below we have identified and compared the ten significant cost components that constitute the cost submittals provided by the LAPD/LASD and the MTA TPD. The objective of this comparison is to quantify the cost variance and to provide the reasons for this variance. Consideration of the cost variance, along with the reasons for this variance, will result in a better understanding of the cost component comparison.

1. Patrol Officer Salaries

Our comparison of LAPD/LASD and MTA TPD patrol officer salaries found that the average salary for an LAPD/LASD patrol officer is \$46,288 versus \$41,549 for an MTA TPD patrol officer. The difference in the average salary is attributed to the different salary structure at each law enforcement agency.

In total, LAPD/LASD will provide 859 patrol officers at a salary cost of \$39.8 million compared to 944 patrol officers for the MTA TPD at a salary cost of \$39.2 million.

2. Detective Salaries

Our comparison of LAPD/LASD and MTA TPD detective salaries found that the average salary for an LAPD/LASD detective is \$73,021 versus \$41,550 for an MTA TPD detective. The difference in the average salary is attributed to two factors.

First, detective responsibilities at the MTA TPD will be performed by sworn officers with an average of five years of law enforcement experience, as represented to us by MTA TPD officials. LAPD/LASD officials have represented to us that detective responsibilities will be performed by sworn officers with an average of eight to ten years of law enforcement experience.

Second, although the LASD's costing methodology for detective costs appeared reasonable, the detective salary per their cost submittal was at a billing price much higher than their actual detective salary. LASD official stated that, in the event a contract is awarded to LAPD/LASD, they would be willing to negotiate the price of detectives.

In total, for 82 detectives, the LAPD/LASD salary cost is \$6.0 million compared to the MTA TPD salary cost of \$3.4 million.

(Note: The LAPD/LASD cost submittal included 84 detectives at a cost of approximately \$6.2 million. This was adjusted to reflect the cost of 82 detectives for comparability purposes). (See also page 3).

3. Supervisory Personnel Salaries

Our comparison of salaries for LAPD/LASD and MTA TPD sworn officer supervisory personnel, e.g. commanders, captains, lieutenants and sergeants, found that the average salary for an LAPD/LASD supervisor is \$74,656 versus \$61,358 for an MTA TPD supervisor. The difference in the average salary is attributed to the different salary structure at each law enforcement agency.

In total, the LAPD/LASD will provide 151 sworn officer supervisory personnel at a salary cost of \$11.3 million, compared to 159 MTA TPD sworn officer supervisory personnel at a salary cost of \$9.8 million.

4. Support Personnel Salaries

Our comparison of salaries for LAPD/LASD and MTA TPD civilian support personnel, e.g. secretaries, administrative staff, clerical, dispatchers, etc., found that the average salary for an LAPD/LASD civilian support staff is \$35,528 versus \$39,361 for an MTA TPD civilian support staff.

The difference in the average salary is attributed to how each law enforcement agency proposes to staff civilian positions. For example, the MTA TPD plan to use more

civilian personnel who are higher salaried than the LAPD/LASD.

In total, the LAPD/LASD will provide 104 civilian support staff at a salary cost of \$3.7 million compared to 168 MTA TPD civilian support staff at a cost of \$6.6 million.

(Note: The LAPD included an additional allocation of clerical support salary cost of \$1.8 million as part of General and Administrative costs. This cost was not included in this salary cost comparison because LAPD did not specify the number of clerical staff to be used.)

5. **Fringe Benefits**

Our comparison of LAPD/LASD and MTA TPD employee fringe benefits found that the average fringe benefit cost per employee for 1,196 LAPD/LASD employees is \$26,201 versus \$12,944 for 1,353 MTA TPD employees.

The difference in the average fringe benefit cost is attributed primarily to the different pension/retirement benefits provided by the law enforcement agencies. For example, the LAPD contributes approximately 50 percent, the LASD approximately 15 percent, and the MTA TPD approximately 11.5 percent of an employee's salary to pension/retirement benefits.

In total, the LAPD/LASD will provide 1,196 employees at a fringe benefit cost of \$32.0 million, compared to 1,353 MTA TPD employees at a fringe benefit cost of \$17.5 million.

6. **Overtime**

Our comparison of LAPD/LASD and MTA TPD overtime costs found that the LAPD did not include the cost of overtime, the LASD included \$1.9 million for overtime, and the MTA TPD included \$.8 million for overtime.

The LAPD has represented to us that any overtime costs incurred will be absorbed by the LAPD at no cost to the MTA.

LASD officials maintain that, given many years of historical experience, their overtime cost estimate properly reflects the amount of overtime needed for court appearances, late arrests and administrative duties.

MTA TPD officials maintain that because they have more patrol officers dedicated to transit policing than the LASD, they will need less overtime than the LASD to fill any shortages in the required 726 patrol units.

7. Risk Management

Our comparison of LAPD/LASD and MTA TPD risk management costs found that the LAPD did not include any Personal Liability/Property Damage (PL/PD) insurance policy costs. The LASD included a PL/PD insurance policy cost of \$465,955 and the MTA TPD included a PL/PD cost of \$663,762.

Officials from the LAPD informed us that PL/PD costs were not included because the City of Los Angeles is self-insured. LAPD officials also stated that the LAPD will indemnify the MTA from all PL/PD claims and related legal costs.

The LASD PL/PD insurance policy has no deductible. The cost reflects the same insurance rate currently being charged to the MTA for the Metro Blue Line security.

The MTA TPD PL/PD insurance policy has a \$2.5 million deductible for the Metro Red Line and a \$4.5 million deductible for the bus lines. The PL/PD cost includes FY93 claims payments, claims administration costs and insurance premium costs attributable to the MTA TPD. An expense growth factor was then used to arrive at the total PL/PD cost.

LAPD/LASD and MTA TPD officials acknowledge that the incidents likely to occur on the transit system have a much lower risk for potential claims than general police patrol incidents. In fact, the history of transit related claims experienced by the MTA TPD (Metro Red Line and bus lines) and the LASD (Metro Blue Line and Metrolink) shows that transit related claims are small compared to general police related claims.

For example, from FY88 to FY93, the average total transit-related claims paid out by the MTA TPD was approximately \$35,000 per year. From FY90 to FY93 there was one transit-related claim paid out by LASD's insurance company for \$5,000.

8. Communications

Our comparison of LAPD/LASD and MTA TPD communication costs found that the composition of the communications systems to be used by each law enforcement agency varies

considerably. Therefore, a comparison of these costs should not be made without first considering the technical aspects of each law agency's communications system.

A radio frequency is the primary mode of communication used by police departments, and it can provide the capability of communicating by either voice or digital, e.g. computer terminal. Digital communications capability provides a faster mode of communicating than voice communications, and also provides a back-up if voice communications capability becomes disabled. According to both the LAPD/LASD and the MTA TPD, a yardstick of 70 to 100 radios per radio frequency is optimal for efficient use.

LAPD/LASD officials stated that they have exclusive access to over 180 radio frequencies. In comparison, MTA TPD officials stated that they have exclusive access to one radio frequency and shared access to three other radio frequencies. In addition, MTA TPD officials stated that they have been licensed for two additional radio frequencies, which will become available for use in late 1996.

To maintain effective communications capability for 726 patrol units, the LAPD/LASD propose to use over twenty-one radio frequencies, with at least four of those radio frequencies having digital communications capability. The LAPD/LASD maintain that their existing communication system, with ongoing upgrades, are more than adequate to meet the needs required for the level of service to be provided.

MTA TPD officials acknowledge that, given a 1,185 member police force, a total of 16 radio frequencies will be needed. The MTA TPD maintain that their current and planned radio frequency capability can be upgraded by implementing multiple sites with directional antennas and taking advantage of geographic separation (terrain masking). This upgrade will provide four radio frequencies with the capability to handle the same volume of traffic that would require 16 wide area radio frequencies. The MTA TPD does not currently have digital communications capability; however, the planned upgrade will include this capability. The MTA TPD also maintain that their existing communication system, with ongoing upgrades, are more than adequate to meet the needs required for the level of service to be provided.

The LAPD/LASD included a cost of \$1.6 million for communications; \$1.1 million for the LAPD and \$.5 million for the LASD. The LAPD/LASD both arrived at their cost by

allocating a percentage of communication services planned to be used by each law enforcement agency under this submittal.

The MTA TPD initially did not include any cost for communications. However, the MTA TPD has since acknowledged that additional communications equipment will be needed, at an estimated cost of approximately \$4 million. The MTA TPD plan to amortize the \$4 million over periods from five to 20 years, depending upon the type of equipment, at an annual cost of \$718,108. MTA TPD officials have represented to us that they plan to finance the \$4 million by issuing an amortizing 30 year bond at an estimated 5.5% interest rate. However, the 30 year interest cost of approximately \$4.1 million is not included in the annual cost identified above. (Note: We disagreed with MTA TPD's method of financing assets beyond its useful life. An MTA TPD official stated that, in the event that a contract were awarded, financing will not exceed the useful life of the assets).

The type of communications equipment to be purchased by the MTA TPD includes mobile and portable radios, dispatch consoles, repeaters, mobile data terminals and computer hardware/software.

While the MTA TPD maintain that planned upgrades at a cost of \$4 million will be sufficient to provide adequate communications capability, the LAPD/LASD strongly disagree and maintain that MTA TPD's planned upgrades are not technically feasible, and the cost estimate is understated. Given the technical nature of communications systems and the differing opinions offered by the law enforcement agencies, a cost comparison of this component cannot be completed until the technical aspects of each law enforcement agency's communications system are reviewed. We did not review the technical aspects of the communications systems because this was beyond the scope of our review.

9. Housing Facilities

The document entitled "Security Services Solicitation: Services and Terms", identifies eight buildings to be provided by the MTA at no cost to each law enforcement agency. The cost of any additional housing facilities was required to be included in the cost submittal.

The LAPD/LASD has determined a need for only two of the eight facilities to be provided by the MTA. Existing police stations located in the cities and the County of Los Angeles will be utilized to house the remainder of

the staff, at a building occupancy cost of approximately \$1.8 million; \$.8 million for the LAPD and \$1 million for the LASD. The housing facilities cost was derived by

allocating a percentage of building services planned to be used by each law enforcement agency under this submittal.

The MTA TPD plans to use all eight facilities to be provided by the MTA, and they have identified a need for three additional facilities located in Los Angeles, on Century Boulevard and South Flower Street, and in the San Fernando Valley. According to MTA TPD officials, the three additional facilities to be used are owned by the MTA and will require only conversion into police facilities at an estimated cost of \$1.7 million; \$756,000 for the Century Boulevard facility, \$370,000 for the South Flower facility, and \$585,000 for the San Fernando Valley facility. MTA TPD officials represented to us that they plan to finance the \$1.7 million by issuing a thirty year amortizing bond at an estimated 5.5% interest, resulting in an annual cost of \$116,538.

The MTA TPD also included an additional housing facilities cost of \$670,410 for the lease of their Washington/ Figueroa police headquarters building and an adjacent warehouse. In total, the MTA TPD estimates an annual housing facilities cost of \$786,948.

10. General and Administrative

Our comparison of LAPD/LASD and MTA TPD General and Administrative (G&A) costs found that the major difference in G&A costs is attributed to the relative size of the organizations involved, coupled with the inclusion of G&A costs for both the LAPD and the LASD.

For example, the LAPD allocated approximately \$4.7 million in general city overhead costs and the LASD allocated approximately \$2.6 million in general county overhead costs. On the other hand, the MTA TPD allocated approximately \$2.9 million in general MTA overhead costs.

In total, LAPD/LASD G&A cost was estimated at \$9.2 million or 15.2 percent of direct labor costs. The MTA TPD G&A cost was estimated at \$4.8 million or 8.2 percent of direct labor costs.

LIMITATIONS AND RESTRICTIONS

The terms of our engagement did not provide for reporting on events and transactions which occurred subsequent to the date of our report. Accordingly, we accept no responsibility to update or review this report for subsequent events and transactions. This report relates only to matters referred to herein and does not extend to any financial or performance reports pertaining to the law enforcement agencies taken as a whole.

Additionally, this review was limited to only those matters related to costs, and did not extend to the quality or technical capabilities of each law enforcement agency. Further, this review was not intended to result in a recommendation for a contract award. Accordingly, we make no such recommendation.

Use of or reliance on the information set forth in this report requires an understanding of the matters to which the Procedures relate. Accordingly, this report is solely for the information of the MTA Board of Directors, the MTA TPD, the LAPD and the LASD.

February 11, 1994
Newport Beach, CA. *Thompson, Curtis, Bazilio + Associates, P.C.*

SCHEDULE OF COST SUBMITTAL ADJUSTMENTS
MTA SECURITY SERVICES SOLICITATION
COST COMPARISON STUDY

	<u>LAPD/LASD</u>	<u>MTATPD</u>	<u>Report Page # Reference</u>
Initial Total Cost Estimate	<u>\$ 111,255,395</u>	<u>\$84,954,333</u>	
Adjustments:			
• Detectives	(218,250)	-	3
• Computer Acquisition	(155,850)	-	3-4
• Mobile Digital	(94,963)	-	4
• General and Administrative		158,768	4
• Communications	-	718,108 (1)	4
• Housing Facilities	-	520,704	4
• Booking Fees	<u>-</u>	<u>540,000</u>	4
Total Adjustments:	<u>(469,063)</u>	<u>1,937,580</u>	
Adjusted Total Cost Estimate	<u>\$110,786,332</u>	<u>\$86,891,913</u>	
Initial Patrol Unit Cost (2)	<u>\$ 153,244</u>	<u>\$ 117,016</u>	
Adjusted Patrol Unit Cost	<u>\$ 152,598</u>	<u>\$ 119,686</u>	

(1) This does not include bond interest of approximately \$4.1 million to be paid over the next 30 years.

(2) A "patrol unit" is the equivalent of one sworn patrol officer on either foot or vehicle patrol eight hours per day, five days per week, 52 weeks per year (2080 hours of patrol per year). Patrol unit cost is derived by dividing the total cost estimate by the required 726 patrol units.

ATTACHMENTS

ATTACHMENT A

MANAGEMENT RESPONSE - LAPD/LASD

February 22, 1994

Mr. Michael J. deCastro
Senior Manager
Thompson, Curtis, Bazilio and Associates
4400 MacArthur Blvd.
Newport Beach, California 92660

Dear Mr. deCastro:

We have received and reviewed the draft comparative security cost study prepared by your firm. We recognize the complex nature of this analysis and believe that you and your colleagues assigned to this difficult task have performed your duties in an exemplary manner, calling attention to important differences in the respective cost submissions in an unbiased fashion.

While your analysis was successful in documenting prima facie comparative security costs, we question the accuracy of the cost factors presented for your review by Transit Police management. Therefore, we feel several issues require further comment.

The attached position paper summarizes our concerns and is forwarded to you for inclusion in your final report to the Ad Hoc Committee.

We are confident that this additional information clarifies our position on the issues raised in your review.

Please contact either one of us if you have any questions.

Sincerely,



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Los Angeles Police Department

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Frank Ve'urro, Captain
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**Los Angeles Police Department
Los Angeles Sheriff's Department**

Response to Comparative Cost Study

February 22, 1994

RESPONSE TO COMPARATIVE COST STUDY

The Los Angeles Police and Sheriff's Departments believe that this cost comparison represents an important first step in understanding the relative costs involved in policing the Metropolitan Transportation Authority's mass transit system.

We recognize the contribution made by the firm of Thompson, Curtis, Bazilio and Associates to this process, but feel that costs presented to the CPA firm by Transit Police management are in many cases understated or inaccurate. If the CPA firm was given the latitude to conduct a significant in-depth investigation and analysis of these issues, we feel they would have demonstrated that actual cost differences are much smaller than they appear at first glance.

It is important to recognize that the parameters of this cost comparison limited the CPA firm to documenting and delineating costs as reported by each agency. An in-depth audit and determination of the veracity, technical accuracy or feasibility of represented costs exceeded the scope of this analysis. It is these important factors, in relation to cost projections by Transit Police management, which we question. The reasons for our doubt are numerous and multifaceted.

We believe that Transit Police costs in several key areas were inaccurately represented to the auditors. These key areas can be summarized as Transit Police costs associated with:

- 1) housing and facilities
- 2) equipment
- 3) communications (radio system)

Additionally, we feel any comprehensive discussion of comparative costs must take future pay parity and benefit issues into consideration.

Housing and facilities

In their cost submission, the Transit Police maintain that costs projected for new facilities are only \$1.7 million. Specifically, they maintain that three additional facilities which are currently owned by the MTA will be converted for police use at a cost of \$1.7 million. The Transit Police anticipate acquiring the funds for these conversions through a thirty year amortizing bond at an estimated 5.5% interest for an annual cost of \$116,538.

In addition to these new facilities, Transit Police included a cost of \$670,410 for the lease of their current Washington/Figueroa headquarters building and an adjacent warehouse. Total annual costs for facilities were claimed to amount to \$786,948, but are these cost projections accurate?

According to the recent Transit Police Five Year plan, new facility costs related to an expanded transit police organization are pegged at \$7.4 million. Incidentally, this plan projects 350 fewer sworn positions, i.e. 835 versus 1185 sworn. It states that all transit police facilities should be constructed to meet specific transit police department needs. Transit Police facilities requirements were articulated in page 75 of the Five Year plan as follows.

"Each sub-station must be large enough to accommodate 150 to 200 officers. The facility must be able to accommodate the following functions.

- Locker rooms with large lockers (18" X 21 1/2" X 72").
- Public reporting area.
- Juvenile processing area.
- Adult processing area (with bathroom).
- Officer report writing area.
- Briefing room.
- Training room.
- Investigation and task force area.
- One public bathroom (ADA equipped).
- Kit and supply room.
- Two officer and employee bathrooms (Male/Female) to accommodate 4 persons each with one stall meeting ADA requirements.
- A minimum of two showers.
- Kitchen/dining area.
- Weight room/work-out area.
- Watch Commander/Watch Sergeant office or area with room for a radio link.
- Station Commander's office.
- Support staff work and records area.

Industry standards for operating police stations is measured at 81 Sq. Ft. per person. To meet the above requirements, each station will need to contain 16,200 Sq. Ft."

These facility needs are described in detail in the Transit Police FY 95-99, Five Year Strategic Plan. This document articulates Transit Police needs and aspirations over the next few years; it also clearly illustrates that many

assertions in the MTA Cost Proposal submitted to the CPA are spurious at best. For example, while the proposal minimizes future costs, the Five Year plan points out that, "The department will need to dramatically expand facilities to support the scope of services and personnel expansion associated with this plan."

The new facilities identified in the Five Year plan are the same ones described by the Transit Police Department (TPD) in this cost comparison. Yet, for these same facilities significantly greater facilities costs are projected.

Total costs identified in the Five Year plan for these facilities alone is \$7,425,000, yet the data presented to the CPA firm for this comparison claims that only \$ 1.7 million is needed. A comparison of varying facility cost claims by TPD management is provided in the following table.

	Presented to CPA	Five Year Plan
Valley Station	\$585,000	\$900,000
South Flower St.	\$370,000	\$360,000
Century Blvd.	\$756,000	\$2,520,000
Washington/Figueroa	lease	\$2,520,000
Wash./Fig. Warehouse	lease	\$1,125,000
Total	\$1.7 million	\$7.4 million

Additionally, regarding 1900 S. Figueroa the Five Year plan claims that "negotiations are underway to acquire the additional warehouse to accommodate projected expansions for the central area station". This facility is rated for 350 sworn personnel at a total nominal cost of \$2,520,000. The warehouse upgrade is slated to accommodate up to 200 sworn at a nominal cost of \$1,125,000.

Based on our extensive collective experience in the construction and renovation of police facilities, we feel Transit Police facilities cost are understated at best. After consultation with County facilities planners, we have determined that the 1994 costs for a new 15,000 Sq. Ft. police facility with no jail/holding area or service building would amount to a minimum of \$5,500,000 per facility.

This prototypical facility, housing 140 sworn and 35 civilian personnel, is comparable to those envisioned for MTA service. No land acquisition costs are included. Also, jail/holding area costs are excluded. If jail/holding capabilities are added, as is the case in the Five Year plan, costs would increase.

Given our experience and the projections contained in the Transit Police Five Year plan, we are confident that facilities costs are systematically deflated in the Transit Police costs submitted to the CPA firm.

Equipment

In the information provided to the CPA firm it appears that Transit Police equipment needs were de-emphasized. Yet, various equipment needs (many of which entail significant cost) are detailed in the five year plan. These equipment needs include:

- Mobile digital terminals (presumably for each vehicle)
- Vehicle locator system
- Geomapping system
- Bar Code Tracking system (for evidence management)
- Automated Fingerprint Information System (AFIS)
- Computers for mobile command post
- Microfilm record storage system
- AutoCITE (handheld citation computers)
- In-car video cameras (presumably for each marked vehicle)
- Equipment for a Police Evidence Laboratory
- Equipment, specialized tools and supplies for a Disaster Response Team (heavy rescue capable)
- Equipment for a Command & Control Communications Coach
- Photocopiers

Considering the gaps between projected costs anticipated in the five year plan and those represented to the CPA firm, we feel definitive and accurate cost data is lacking. Our collective experience in providing the necessary equipment to support police operations led us to believe that MTA Transit Police costs are severely understated.

Communications

Communications is another major cost consideration which we believe has been significantly underemphasized by Transit Police management. At the onset of this cost comparison, detailed descriptive information regarding communications infrastructure and capabilities were requested. Despite this requirement, no related costs were identified by TPD management. At our insistence, communications issues were subsequently incorporated into TPD cost assertions. Nevertheless, we believe true communications needs and cost factors are still significantly under-reported.

The Transit Police currently have exclusive access to one

radio channel and claim shared access to three others. They repeatedly asserted that this was sufficient for expanded operations. Radio communications needs were subsequently restated, identifying the need for a \$4 million dollar upgrade. This upgrade includes only voice capabilities and does not include digital capabilities which are envisioned in the five year plan.

As a result of scrutiny placed on their communications/radio cost and capability assertions TPD management acknowledged a need for 16 voice radio channels for projected FY 99 services. Ironically, they still claimed a \$4 million dollar cost--the same cost claimed for a four channel system. In their "new" radio needs statement it is claimed that four channels can be extended to provide the equivalent of sixteen channels through the implementation of multiple site directional antenna and by taking advantage of geographic separation (known as terrain masking). Nowhere in this assertion is it explained how shared access channels could be fully expanded in this manner.

After consultation with telecommunications experts at the L.A. County Internal Services Department (ISD) we feel that these assertions are problematic at best. Regarding terrain masking, ISD analysts have advised us that this concept needs to be supported by RF-contour maps illustrating predicted radio coverage in order to be meaningful. Only after an analysis of these factors together with an estimate of small-cell configuration can estimates of costs be developed for system needs.

In their extensive design and operational experience, ISD officials feel that terrain masking in the L.A. basin is extremely difficult if not impossible. The L.A. basin provides few topographical barriers to radio signals, rendering a system such as that envisioned by the TPD nearly impossible to engineer. Even if the TPD can develop such a capability, we feel their costs are severely understated.

For example, TPD claims it can upgrade radio capabilities from one (or four) channel(s) to sixteen channels for about \$4 million. The New York City (NYC) Transit Police are currently in the process of implementing a similar expansion from five to fifteen channels with an interim cost of approximately \$25 million in 1991 dollars.

The design and implementation costs for the New York City upgrade were \$1 million alone. Portable radio cost per unit are purportedly \$950 each for TPD, comparable NYC units cost \$1,750 each. NYC's computer aided dispatch (CAD) system costs were slated at \$10.5 million (TPD's are claimed to be less than \$1 million). New York City Transit Police provide

coverage to 248 square miles in four of NYC's five boroughs. Overall, New York City encompasses approximately 304 square miles, while Los Angeles County encompasses nearly 4,000 square miles. It would seem that covering this vast, more geographically complex area would minimally require a similar, if not a more complex radio infrastructure.

Based on this information and local experience, it truly appears that Transit Police radio needs and costs were artificially suppressed to ensure a lower cost bid.

Benefits and Pay Parity

The cost comparison correctly identifies fringe benefits as the major cost center contributing to cost differences. Transit Police fringe benefits cost \$17.5 million (\$12,944 per employee) versus \$31.3 million for LASD/LAPD combined (\$26,201 per employee). Retirement contributions were identified as comprising a major component of this differential since TPD only contributes about 5.4 percent to employee pension/retirement benefits. Both LAPD/LASD contribute higher proportions.

We believe it is naive if not unreasonable to expect this difference to remain stable. As the TPD becomes more mature increased personnel costs (pay and benefit parity) must be expected. Transit police in New York have had parity with the New York Police Department for years and transit police in Washington, D.C. and Philadelphia (WMATA & SEPTA respectively) enjoy higher pay rates than their local counterparts.

These increased costs can be expected in part due to growing specialization, the demand for new or expanded facilities, enhanced organizational independence, and greater organizational complexity. Mature transit police organizations typically perform more tasks in-house, replicating external support functions. Interestingly, the TPD five year plan implicitly acknowledges this very trend--yet this trend is concealed in cost assertions forwarded to develop this comparison.

Other areas where Transit Police personnel costs are artificially deflated are detective costing and average police officer salary. Regarding detective cost, the Transit Police assert that the detective function will be provided by a combination of dedicated detectives and patrol officers with a collective average of two to four years police experience.

Combining "detectives" with patrol officers to determine the cost of the detective functions allows a lower cost bid in

this area. Yet, in our experience it is unrealistic. Employees performing the same function can reasonably expect and are likely to seek detective pay. Also, the length of detective tenure is likely to increase as the department stabilizes, limiting the ability to allocate costs along lower pay steps.

Similarly, officer salaries are pegged at lower pay steps in Transit Police cost assumptions. This can be expected to change. As the Transit Police become more organizationally mature, a higher proportion of officers will enjoy greater time in grade. As transit police officer tenure increases, so will average pay since more officers will fill higher pay steps.

Considering these factors, the current cost gap resulting from pay and benefit differences can be expected to diminish significantly in the near term.

Conclusion

Overall, the Transit Police claim minimal costs for providing FY 99 service, while their very own five year plan has identified numerous cost items essential to operating a significantly larger police operation than that currently functioning. Despite identifying these enhanced needs in the strategic plan it appears that definitive cost data for many essential Transit Police activities have been eliminated from consideration in this cost comparison.

We strongly believe that accurate disclosure of anticipated costs for communications and housing, together with an intensive investigative audit of Transit Police cost assertions would have shown that the actual costs associated with maintaining a separate transit police force are significantly greater than the costs presented by the Transit Police Department in this comparative exercise.

ATTACHMENT B

MANAGEMENT RESPONSE - MTA TPD



February 22, 1994

Sharon K. Papa
Chief of Police

Los Angeles County
Metropolitan
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Authority
Transit Police
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Michael J. deCastro
Senior Manager
Thompson, Curtis, Bazilio & Associates, P.C.
4400 MacArthur Boulevard, Fifth Floor
Newport Beach, California 92660

Dear Mr. deCastro:

MTA staff has reviewed your draft regarding the transit security cost comparison study submitted on February 16, 1994. We have the following comments:

- . Page 4, item 3. -- We disagree with the increase in our costs for a prospective cost increase for booking fees for LAPD. The cost submittal request document rules clearly call for costs to be submitted based on fiscal year 1993 actual data (in the absence of obvious changes). LAPD has **never** charged us a booking fee, we have never received any notification that they are even considering such a fee, and we therefore have no factual basis at this time for a belief that we shall ever be charged such a fee.
- . Page 7, 4. -- While your report is factually correct, I believe what we have here is a structural difference between how MTA TPD and LAPD/LASD are organized and present their costs. TPD has **every** non-sworn support person in the entire department included, while LAPD and LASD appear to have included only the **direct** support personnel. This is not a question of "right" or "wrong," only two different ways of properly presenting costs. As a result, however, two things happen:
 - .. The total number of MTA TPD civilians appears to be much larger than the total number of LAPD plus LASD civilians
 - .. Since the MTA TPD civilians include higher compensated civilians, while the LAPD/LASD "direct" civilians are primarily lower-

compensated positions, the average MTA TPD civilian compensation appears higher

What is really happening is that many of the costs that MTA TPD includes in this cost item are shown as General & Administrative costs by LAPD and LASD -- neither of these two cost items can really be compared directly without reference to the other. The above points should be disclosed so it is clear to readers what they are reviewing. It would also be useful to show the following schedule:

(million's)....	
	<u>MTA TPD</u>	<u>LAPD/LASD</u>
Support Personnel Salaries	\$ 6.6	\$ 3.7
General and Administrative	<u>4.8</u>	<u>9.2</u>
Total Support, General and Administrative Costs	<u>\$11.4</u>	<u>\$12.9</u>

I believe that this schedule provides a clear comparison of the relative costs of the two parties for these two items.

. Contract administration costs -- MTA will incur very significant costs in administering a \$111 million-a-year contract, which, over a period of time, would be the largest contract in the history of MTA and one of the largest, if not the largest, ever entered into by any local government entity anywhere. According to U.S. Office of Management and Budget Circular A-76, "Performance of Commercial Activities" Part IV - Cost Comparison Handbook," page IV-37, for a contract of this size, MTA should assign 24 employees to contract management and oversight. At an average compensation (including employee benefits) of \$60,000 per year, this amounts to \$1,440,000 per year in additional costs to the MTA if a contract is awarded to LAPD/LASD. OMB Circular A-76 is the specific Federal guidance for costing of administration of contracts with outside agencies to provide services.

. Marginal costs -- Certain MTA costs that were allocated to MTA TPD in our cost submittal will not be reduced if MTA TPD ceases to exist. The MTA PD

Michael J. deCastro
February 22, 1994
Page 3

cost submittal identifies and quantifies these costs as totaling \$609,631.

These costs should be subtracted from the MTA TPD fully-allocated cost submittal to show the cash expense difference between the MTA TPD and the LAPD/LASD cost submittals.

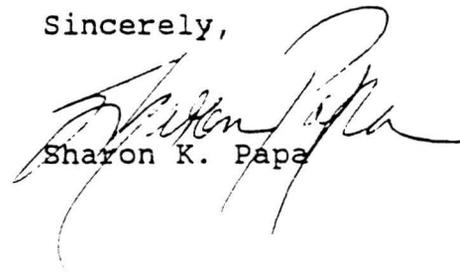
The changes we propose above result in the following cost comparison:

	<u>LAPD/LASD</u>	<u>MTA TPD</u>
Adjusted Total Cost Estimate*	\$110,786,332	\$86,891,913
LAPD Booking Fees		(540,000)
LAPD/LASD Detectives	(unknown)	
Contract Administration	<u>1,440,000</u>	<u> </u>
Total Fully- Allocated Costs	112,226,432	86,351,913
Marginal Costs Adjustments	<u> </u>	<u>(609,631)</u>
Marginal Costs	<u>\$112,226,432</u>	<u>\$85,742,282</u>

* From TCB & Assc. Draft Report, Appendix

We enjoyed working with you and your staff on this project. The effort spent on this project is appreciated because it clearly validates the significant cost savings maintaining the MTA Police.

Sincerely,



Sharon K. Papa