



THE CITY OF SAN DIEGO

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

Date Issued: July 31, 2023

IBA Report Number: 23-20

Response to Request for Analysis of City Security Services

OVERVIEW

On February 6, 2023, our Office received a memorandum from Councilmember Campillo requesting an analysis of the fiscal and operational feasibility of bringing security services under City management. The memorandum requested analysis of the City's annual spending on contractual security services, City facilities served, whether citywide security needs are met, whether other jurisdictions have in-house security services, and the fiscal impact of insourcing security services. This report responds to that request, and we have included the memorandum as Attachment 1 to this report.

BACKGROUND

City departments have a variety of needs for security services to ensure the security and safety of the public, City employees, and City assets. Contractual security guards are hired to secure public-facing facilities such as libraries, parks, airports, and the City Administration Building where City Council and Committee hearings are held. Contractual security guards also protect critical infrastructure assets such as Public Utilities Department (PUD)'s water and wastewater facilities.

To meet various departments' security needs, the City issued a Request for Proposal (RFP) in 2018, which resulted in a Citywide Security Services contract with Allstate Security Services, Inc.¹ The executed contract has a not-to-exceed amount of \$24.9 million, covering then anticipated needs of various City departments for a period of five years. The contract was first amended in 2020 to add security coverage for additional City Treasurer facilities. In early 2023, a second amendment was approved by City Council to increase the contract capacity by \$4.0 million to \$28.9 million. The increase was driven by additional costs associated with living wage increases, additional need for security services to support homelessness initiatives, and new requirements for

¹ Allstate Security Services Inc. is the trade name of Invicta Security CA Corporation.

security guards at the Central Library to carry and administer Naloxone (a medication designed to rapidly reverse opioid overdoses). The 2018 RFP also resulted in a contract of almost \$2.0 million with Able Patrol and Guard² for security services at citywide parks.

In addition to the citywide security contracts discussed above, several standalone security services contracts are in place to meet several departments’ specific needs. These include after-hour security guard services at the Montgomery-Gibbs Executive Airport and the Brown Field Airport; 24/7 security coverage at portable public restrooms in downtown; security coverage at PUD facilities; and patrol guard services at Miramar Landfill. The following table summarizes major security contracts currently in place.

Vendor	Location(s) of Services	Not-to-Exceed Amount	Term/Duration
Allstate Security	Multiple locations citywide	\$ 28,910,721	five years (2019 - 2024)
Securitas Security Services USA, Inc.	PUD water and wastewater facilities	\$ 28,537,842	one year and four one-year renewal options, effective 2020
Six Maritime	Downtown Portable Public Restrooms	\$ 3,000,000	one year and four one-year renewal options, effective 2020
Able Patrol and Guard	Citywide park facilities	\$ 1,933,660	five years (2019 - 2024)
Elite Show Services, Inc.	Montgomery-Gibbs Executive Airport and Brown Field Airport	\$ 315,340	two years, effective 2022
Allstate Security	San Diego Family Justice Center (SDFJC)	\$ 56,600	one year and one one-year renewal option, effective 2022

Note: Security services at Civic Center Plaza and 101 Ash are provided by Guard West Security Services through the Property Management Company (Meissner) the City contracts with.

FISCAL AND POLICY DISCUSSION

Current Citywide Spending on Security Services

The City incurred \$10.4 million on average from FY 2018 through FY 2022 for security services, most of which are for contractual security guard services at various City facilities. We note that these expenditures *do not* include security services costs incurred as part of the Homelessness Strategies and Solutions Department’s (HSSD) overall shelter contracts with program operators, which will be discussed in a later section, as data is not easily accessible during this period. The following table summarizes security services expenditures incurred by departments during the past five years.

As reflected in the table, the City’s overall security services spending trended upwards in recent years. This trend is likely to continue given newly identified security needs in and beyond FY 2023, which are discussed in the *Future Security Services Needs* section below.

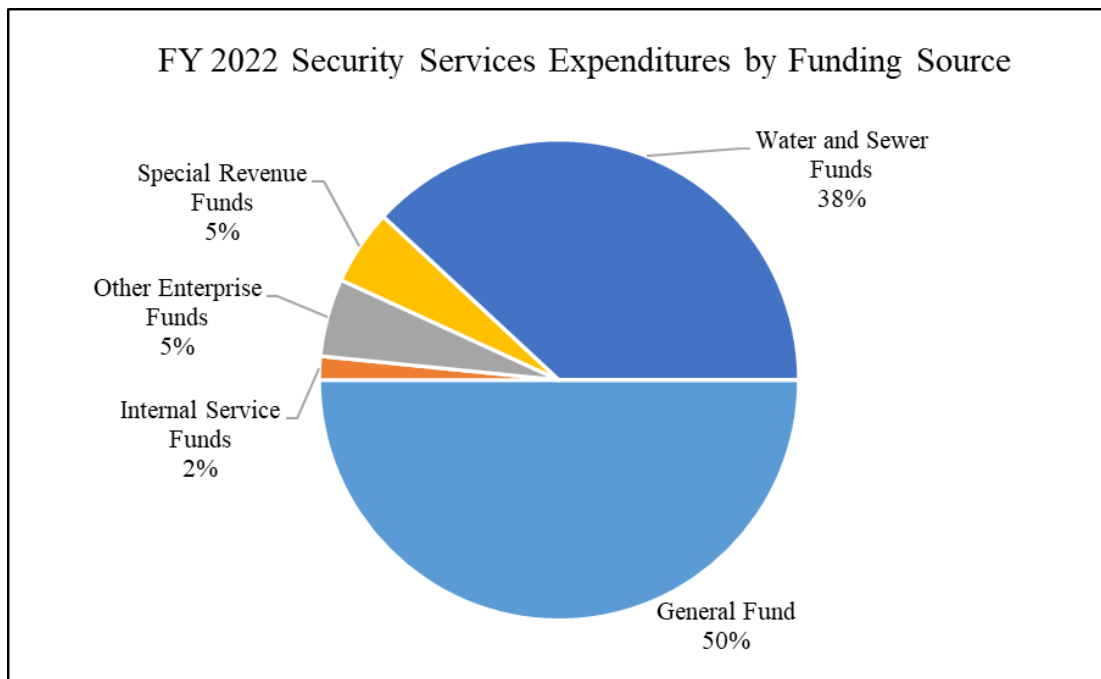
² Able Patrol and Guard is the trade name of Locator Services, Inc.

Department/Facility	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Public Utilities	\$ 3,124,768	\$ 3,643,871	\$ 4,284,580	\$ 3,906,121	\$ 4,118,931
Library	1,246,625	1,591,374	1,647,829	1,966,865	2,314,890
Parks & Recreation	1,418,531	1,535,717	1,819,874	1,994,664	2,042,655
Concourse & Parking Garage	445,735	285,690	374,535	363,240	340,109
Environmental Services	297,566	280,658	376,197	286,066	274,668
Transportation	313,373	295,993	350,718	246,214	235,037
Development Services	165,063	195,734	216,779	158,358	194,084
Airport Management	129,391	82,020	140,932	119,193	185,882
Stormwater	-	-	-	140,625	146,350
City Administrative Building	237,230	244,130	303,718	596,700	487,680
Homelessness Strategies & Solutions ^{1, 2}	-	-	-	1,731,851	28,787
Other Department/Facilities	1,036,938	1,101,864	1,329,245	986,996	446,378
Total	\$ 8,415,220	\$ 9,257,051	\$ 10,844,406	\$ 12,496,893	\$ 10,815,450

Note: 1. The Homelessness Strategies & Solutions Department expenditures exclude security services cost incurred as part of the overall shelter contracts with the program operators.

2. The variance between FY 2021 and FY 2022 Homelessness Strategies & Solutions Department expenditures is largely attributed to security services provided at the Convention Center when the Center was temporarily used to house homeless individuals in during the COVID-19 pandemic.

The General Fund and Enterprise Funds are the largest funding sources for citywide security services expenditures. As reflected in the chart below, in FY 2022, approximately 50%, or \$5.4 million, of the City’s security services expenditures were funded by the General Fund, mainly to support security services at citywide parks and libraries; 38%, or \$4.1 million, were funded by Water and Sewer Funds, to support security services at various PUD facilities; and 5%, or \$568,000, were funded by other Enterprise Funds such as the Refuse Disposal Fund, Airports Fund, and Development Services Fund. General Fund and Enterprise Funds account for over 93% of total security services funding in FY 2022. Remaining 7% of security services expenditures, or \$721,000 were funded by Special Revenue Funds and Internal Services Funds.



Determining Security Services Needs

The City does not have a formalized process to determine security needs. The required level of security services is determined by each department based on a variety of factors, including population served, services offered, incident rates, asset types, asset values, and facility conditions. Departments that offer public-facing services, such as the Library Department and the Parks and Recreation Department, and departments that manage critical assets, such as PUD, generally have higher security standards and greater security service needs than others. As reflected in the table on the previous page, PUD, Library, and Parks incurred the largest security services costs in recent years. Collectively, they account for approximately 71% of the City's total security services spending. In this section, we discussed the specific security needs of these three departments as well as the security needs of the Homelessness Strategies and Solutions Department based on FY 2023 expenditure data.

Library Department

The City's Public Library system currently consists of the Central Library and 35 branch locations, not including the new Pacific Highlands Ranch Library which is anticipated to open in Fall 2024. Security guard service levels at library locations have evolved over the last several years and are largely determined based on need at each location. Library Department management holds a monthly meeting to review security incidents that have occurred at each location and redistributes security guard coverage/hours as-needed to those locations experiencing the highest and most serious incidents. The FY 2024 Adopted Budget includes \$2.7 million for security services for the Library Department.

Currently, 23 of the system's 35 library branch locations are assigned security guard services. Most of these locations have at least one security guard stationed during open hours; those branch locations with the highest number of security incidents, including City Heights, Pacific Beach, and Point Loma, are assigned two to three security guards.

Given the Central Library's size and location, its security requirements are significant. Currently, there are ten security guards (including five armed guards and one Security Supervisor) scheduled during open hours and two roving armed guards that patrol the Central Library's exterior during the hours of 11 p.m. to 7 a.m. Additionally, a Post Commander employed by Allstate Security is assigned to the Central Library to provide security expertise, serve as a liaison between Library Department management and Allstate, and manage security operations at the Central Library. The Library Department estimates that 60-70% of all security incidents involve individuals experiencing homelessness, substance abuse, and/or mental health issues.

In total, the Department estimated that 59.60 security guards, including 4.00 roving positions would be needed across the entire Library System. The Library Department values the presence of armed guards primarily due to their greater level of training and experience, rather than the fact that they carry a firearm. Unarmed guards generally possess minimal training beyond what is required to obtain a State of California Security Guard License. As is discussed later in this report, current service levels are not meeting the reported need of the Library Department, which is seeking an improvement in the overall quality of security guards.

Parks and Recreation Department

The Parks and Recreation Department currently utilizes security guard services at numerous facilities within the Open Space Division, Developed Regional Parks, Community Parks I, and Community Parks II. The table on the right shows a list of facilities where these services are provided. Security services at most sites generally consist of periodic nighttime patrols/inspections between the hours of 9:00 p.m. and 5:00 a.m. and gate opening and closures. Security guards are responsible for inspecting all buildings/structures at each site to ensure they are secure and the surrounding park is safe; any suspicious or unsafe activity observed by a security guard is reported to the Police Department. The Parks and Recreation Department estimates that the security services firms utilized by the Department employ at least 16.00 FTEs to meet current park security service level requirements.

Parks and Recreation Department management meets together with the Chief Park Ranger, who has security expertise, to determine which sites require security services based on the number and severity of incidents experienced throughout the park system. When required, the Chief Park Ranger seeks input from the Police Department. Certain parks that require daytime security services have been identified through this process. These include Colina Del Sol, Memorial, Park de la Cruz, Southcrest, Willie Henderson, and Clay Park.

In addition to parks security, the Parks and Recreation Department is responsible for administering contracts related to various public restrooms which require a security guard attendant. This includes restrooms located in the downtown area (including 101 6th Avenue, 1st and Island, the old Central Library, and the Civic Center restrooms), portable restrooms at the Pacific Beach library, and restrooms at various Open Space sites. Public restroom contracts are expected to transition to the Homelessness Strategies and Solutions Department starting in FY 2024.

The Parks and Recreation Department indicated that use of contracted security is currently meeting its needs. Further, the Department noted that the quality of guards being utilized is adequate for the services being performed.

Public Utilities Department

The Public Utilities Department (PUD) owns and operates over 100 water and wastewater facilities throughout San Diego County, serving City residents and certain other jurisdictions in the region. Given the criticality of ensuring the viability of water and wastewater infrastructure and providing essential services at all times, many of these facilities require 24/7 security coverage. The City

Sites by Parks Division
Open Space
Los Penasquitos Preserve
Tecolote Canyon
Chollas Creek
Mission Trails
Otay Valley Regional Park
Developed Regional Parks
Balboa Park
Mission Bay
Rose Canyon
Shoreline Parks
Presidio Park
Community Parks I
Dusty Rhodes
Kelly Street Park
Linda Vista Park
Robb Field Athletic Area
Community Parks II
Dennis V. Allen Park
Gompers Park
Hawk Pocket Park
Memorial
Mountain View Park
Southcrest
Willie Henderson Park
Adams Recreation Center
Azalea Park
City Heights/Henwood Park
Hollywood Park
North Park Community Park
North Park Mini Park
Park de la Cruz
Teralta Park
Ward Canyon Park
Emerald Hills Park
Encanto Park
Marie Widman Park
Skyline Park

issued an RFP in 2019 for the provision of security services for PUD facilities. The solicitation was held separate from the citywide RFP, consistent with the U.S. Department of Homeland Security guidelines given the need for security guards that are competent in securing critical infrastructure assets. Specifically, PUD requires all security guards to have a minimum of five years of security guard experience with two years in protecting critical infrastructure in non-commercial settings and be able to respond to hazardous material spills at PUD facilities. Based on the diverse security needs of each facility, PUD requires six categories of security guards that include: basic guards at stationary posts; alarm, lead, or supervising guards at the Security Operations Center; mobile patrolling guards with patrol vehicles; and armed guards on an as-needed basis. The required level of competency is overall higher than security guards at other City facilities. We estimated that 117.60 FTEs would be required based on PUD's current contractual guard utilization. The Department indicated that currently PUD's security needs are being sufficiently met and the Department is generally satisfied with contracted security guards services.

Homelessness Strategies and Solutions Department

The City-funded shelter system currently includes 14 shelter sites and 1,784 shelter beds. The majority of City-funded shelters are administered by the San Diego Housing Commission through a Memorandum of Understanding (MOU) with the City that first took effect on July 1, 2010. Under the MOU, the Housing Commission is responsible for generally managing and overseeing contracts with program operators to run the City's shelter programs and provide related services. The Homelessness Strategies and Solutions Department (HSSD) is responsible for coordinating the City's response to homelessness and works with the Housing Commission to address homelessness. According to HSSD, there are two types of security needs for City-funded shelters: (1) operational security related to shelter program operations; and (2) asset-based security to secure the physical shelter site.

Operational security is the security needed to operate a shelter program at a site. Operational security costs are incorporated into overall shelter contracts with program operators as operation costs. Program operators are responsible for staffing security, and operators have discretion over how to approach their security staffing needs. For instance, operators have the flexibility to hire staff who exclusively provide security, hire security staff who also provide some program services or have other responsibilities, or contract out for security services. Operational security needs depend on various factors, including the number and needs of individuals served at the shelter, site-specific features such as the number of entrances and exits, and operator preferences. HSSD considered this existing approach for operational security services to be preferable for meeting security needs.

In contrast to operational security, asset-based security is needed to physically secure shelter sites to prevent damage to the shelter site as a facility, such as vandalism and break-ins. These security guards are not program staff and are not involved in the program operations at the site. HSSD directly contracts for asset-based security for three shelter facilities – the shelter at Palm Avenue, the Old Central Library, and the Travelodge family shelter. HSSD plans to be included in the next iteration of the citywide security services contract with Allstate. According to HSSD, moving asset-based security services in-house would be appropriate if it were more cost effective. The Department also noted potential benefits of shifting security services in-house associated with additional control over training opportunities for security guards (e.g. trauma-informed practices and de-escalation), as well as more accountability and oversight.

In FY 2023, the City funded \$6.9 million and 120.40 full-time equivalent (FTE) positions for operational security services through shelter contracts, as well as two storage center contracts, and \$529,000 and 10.50 FTE positions were directly contracted by HSSD for asset-based security. Since homelessness services are funded through various State and federal grants, we estimate that more than 70% of security costs in FY 2023 for HSSD (including both operational and asset-based security) were supported through grant funds, largely State Homeless Housing, Assistance and Prevention (HHAP).

Major Future Security Needs

Library Department

According to the Library Department, enhanced security for the City's Library System above current service levels is necessary. However, the primary and most immediate need is for higher quality guards (i.e., those with more experience and training) rather than an increased number of guards. Additionally, the Library Department indicated that it would be beneficial to have security guards with a greater level of patron service who are able to build rapport with both youth and adult visitors. This would communicate to patrons that the library is both a safe and inviting place to visit.

Parks and Recreation Department

With the approval of the safe sleeping site to be located at the "O" Lot in Balboa Park, the Parks and Recreation Department anticipates a need for additional security guard services to provide patrols around the exterior of the Balboa Park Administration Building, which is used by Parks and Recreation staff. Aside from this anticipated need, other security guard needs at individual parks may arise. As noted above, these needs are determined based on security incidents that are experienced at park locations, and may shift over time.

Public Utilities Department

PUD anticipates additional spending on security services due to living wage increases which will require a contract amendment to increase the not-to-exceed amount. Moreover, as Pure Water locations come online, the Department will need to increase security guard coverage. Additional coverage may also be required as other areas of concern or issues arise at PUD facilities.

Homelessness Strategies and Solutions Department

HSSD anticipates opening two new safe sleeping sites by the end of the 2023 calendar year. The first site at 20th and B Street (opened in June 2023) has estimated operational security costs of \$406,000 and 9.25 FTE positions. Security costs for a second safe sleeping site at the "O" Lot at Balboa Park (fall 2023) will not be known until the Department initiates the RFP process. The City's Safe Parking sites themselves do not require security guards, but the presence of programs has required additional security for the City Operations Yard at Rose Canyon and, likely, the 20th and B Street sites.

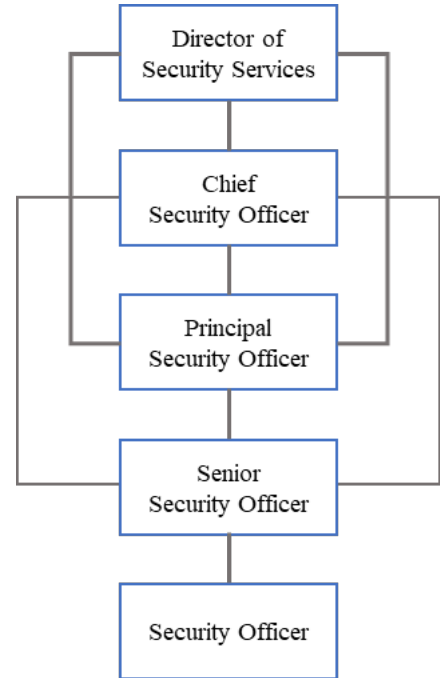
Other Jurisdictions

Several other jurisdictions in the State use a hybrid of in-house security staffing and contractual security services, with varied staffing levels and operational structures. This section discusses security service operations in Los Angeles, where in-house and contractual security staffing are largely centrally managed by the Police Department, and San Jose, where security services are

managed by individual departments. For San Jose, we highlight the hybrid staffing model adopted by its Library Department.

Los Angeles

The City of Los Angeles has had in-house security staff in addition to contractual security guards for decades. Prior to 2012, the City provided security and basic law enforcement services to various City-owned and managed facilities under one department. In 2012, that department merged with the Los Angeles Police Department (LAPD), and the Security Services Division (SECS) was created to consolidate and streamline safety and security services. SECS, overseen by a Police Captain, is responsible for the safety and security of City buildings, facilities, parks, libraries, yards, and warehouses, as well as their employees and visitors. The Division is comprised of three sections: 1) the Civic Operations Section, responsible for staffing security posts throughout the Civic Center area; 2) the Special Operations Section, responsible for security services at libraries, the Los Angeles Zoo, and sanitation facilities; and 3) the Administrative Section, responsible for managing contractual security services, logistics, security technology, and administrative tasks. Staff there indicated that using only in-house security staff would not sufficiently meet citywide demand for security services, especially given challenges with hiring and recruitment.



SECS employs Police Officers and civilian Security Officers who are City employees. Police Officers and Security Officers operate together as a cohesive team. Security Officers could be armed or unarmed, full-time or as-needed, depending on the security needs at assigned posts. Similar to Police Officers who are required to complete rigorous training at the Police Academy, all Security Officers attend a Security Officer Academy that covers courses such as laws of arrest, Penal Code Section 832 regarding firearm qualifications, low speed driving, de-escalation, and arresting control. The Academy training is followed by a six-month Field Training Program during which Security Officers rotate among different sections within the Division to gain experience at various posts. According to SECS management, the training program is what sets Security Officers apart from contractual security guards. Security Officers are able to provide a higher quality of service and are typically assigned to facilities with higher incident rates or higher security need priorities along with Police Sergeants. The table below summarizes the class specification and salary range of the Security Officer title series.³ The chart above shows the internal promotion opportunities for in-house security staffing.

³ Pay rates reflected in the table do not include pension and other fringe benefits.

Class Title	Annual Salary Range
Security Officer	\$45,434 to \$66,461
Senior Security Officer	\$48,650 to \$71,117
Principal Security Officer	\$54,204 to \$79,281
Chief Security Officer	\$58,401 to \$92,080
Director of Security Services	\$101,643 to \$126,282

San Jose

The City of San Jose uses a combination of Security Officers employed by the City and contracted security guards. It does not have a centralized department or division responsible for managing security services. In-house Security Officers are spread across several City departments including Library, Airport, Public Works, and Transportation, with assignments determined and supervised by management in respective departments. The San Jose Library Department currently has four Senior Security Officers, one Security Officer Supervisor, and one part-time Security Officer.⁴ San Jose’s FY 2024 Proposed Budget provides four additional Senior Security Officers, bringing the total number of in-house security staff to 9.5 positions. The staffing level is largely driven by a system-wide Security Assessment that was conducted by a security services contractor two years ago; this included a condition rating for each of the City’s 25 library branches based on industry standards. The Security Assessment recommended 10 in-house security staff supplemented by contractual security guards to ensure adequate coverage.

According to San Jose Library Department management, in-house Security Officers play an instrumental role in maintaining consistent security practices at library branches and in coordinating with the Police Department when emergencies occur, including maintaining incident reports, ensuring surveillance footage is properly handled, and security updates are relayed to executive management in a timely manner. This has helped relieve the burden on library staff whose classifications do not entail handling security measures and who may not be adequately trained in dealing with security incidents. All in-house security staff are required to go through initial and on-the-job training with a focus on de-escalation. The Department also relies on in-house security staff to provide trainings to contractual guards, as part of the mandatory contractual requirements, to improve the quality of services of contractual staff. Staff indicated that given the limited number of in-house security positions budgeted, the Department also uses contractual guards in branches with high incident rates. The presence of contractual security guard also serves as a visual and physical deterrent.

Cost of Insourcing and Operational Feasibility

One critical consideration of whether to insource is the relative cost of the in-house service compared to the contractual cost. In 2019, the Purchasing and Contracting Department (P&C) analyzed the cost to establish a Security Services Division in the City. At that time, it was estimated that creating a Security Services Division with 198.00 FTE (182.00 FTE security positions and 16.00 FTE managerial and administrative positions) would cost \$18.5 million in Personnel Expenditures and \$3.7 million in Non-Personnel Expenditures for a total cost of \$22.2 million in

⁴ The office title of the Security Officer at San Jose Library Department is Resource Officer.

FY 2020.⁵ The cost estimate included \$0.6 million one-time cost for vehicle purchases, and the remaining \$21.6 million was estimated to be ongoing cost, including salary and fringe of security guards, management, and administrative staff; overtime; general ongoing Non-Personnel expenses such as office supplies and non-discretionary spending (e.g., information technology costs); and annual training, equipment, uniform, and certification costs. In contrast, the actual citywide spending on security services was approximately \$10.8 million in FY 2020, roughly half of the estimated cost of providing security services in-house.⁶

The 2019 analysis was based on the estimated need of each department at that time. To provide an updated estimate, we reassessed City departments’ current security needs based on current contractual guard utilization through citywide and other major security contracts. For HSSD, we only included asset-based security needs (10.50 FTE) the Department is hoping to incorporate into the citywide security contract. Operational security services (120.40 FTE) that are currently provided through shelter contracts are not included, as these would likely continue to be provided through individual shelter operator contracts.

Without accounting for HSSD’s operational security needs, we conservatively estimated that it would cost the City at least \$25.6 million to hire 286.86 FTE to meet current needs, as summarized in the table on the next page. For comparison, we projected that the City would incur \$11.2 million in FY 2023 for contractual security services, based on average year-over-year actual spending changes over the most recent five years.⁷ Based on our estimates, in-house staffing would have cost the City on average \$14.4 million a year more than contractual services.⁸ We estimate that funding sources required to support in-house security services will largely mirror the funding breakdown for contractual services, with approximately 46% of funding from the General Fund, 46% from Water and Sewer Funds, and 9% from other funding sources. The table below summarizes estimated FY 2023 in-house and contractual expenditures by funding source. Major components and underlying assumptions of our cost estimate are discussed in this section.

	General Fund	Water and Sewer Funds	Other Funds	Total
Estimated FY 2023 In-house Expenditures	\$11,692,127	\$11,667,688	\$2,216,456	\$25,576,272
Estimated FY 2023 Contractual Expenditures	\$5,556,665	\$4,069,588	\$1,582,838	\$11,209,091
Variance	\$6,135,462	\$7,598,100	\$633,618	\$14,367,180

⁵ The 2019 cost estimate excludes PUD security needs.

⁶ The \$10.8 million actual cost incurred citywide includes PUD security spending. Without PUD, the actual cost is \$6.7 million in FY 2020.

⁷ When estimating FY 2023 contractual expenditures, we excluded costs incurred by HSSD (\$1.7 million in FY 2021 and \$29,000 in FY 2022), but included estimated contractual costs of \$529,000 associated with asset-based security needs in FY 2023.

⁸ As mentioned earlier, our estimate does not include HSSD’s operational security needs. If these needs were to be met by in-house security staff, the estimated in-house expenditure for HSSD operations would be \$11.7 million. In comparison, the estimated contractual cost is \$6.9 million, \$4.8 million lower than the in-house cost.

Personnel	Number of FTE	FY 2023 Salary	FY 2023 Fringe ⁴	Salary & Fringe per Position	Total Salary & Fringe
Direct Staff					
Security Guard	216.00	\$ 47,375	\$ 18,076	\$ 65,451	\$ 14,137,460
Senior Security Guard	54.00	\$ 55,581	\$ 19,891	\$ 75,472	\$ 4,075,487
Security Guard Supervisor	9.00	\$ 66,563	\$ 22,761	\$ 89,324	\$ 803,920
Indirect Staff					
Program Manager	1.00	\$ 135,901	\$ 77,821	\$ 213,722	\$ 213,722
Program Coordinator	4.00	\$ 117,525	\$ 50,273	\$ 167,798	\$ 671,192
Admin Aide II	2.11	\$ 58,961	\$ 46,205	\$ 105,166	\$ 222,117
Payroll Specialist II	0.75	\$ 54,555	\$ 41,897	\$ 96,452	\$ 71,898
Total FTE and Personnel Expenditures	286.86				\$ 20,195,797
Non-Personnel					Estimated Cost
Ongoing Training					\$ 139,613
Uniforms and Equipment ¹					\$ 167,536
Other ongoing NPE ²					\$ 3,899,181
Total NPE					\$ 4,206,330
Start-up Expenditures		Estimated Unit		Estimated Cost per Unit	Estimated Cost
Vehicle ³		14		\$ 36,000	\$ 504,000
Initial Training and Certification ¹					\$ 670,145
Total Start-up Expenditures					\$ 1,174,145
		Total Estimated FY 2023 In-house Expenditures			\$ 25,576,272
		Total Estimated FY 2023 Contractual Expenditures			\$ 11,209,091
		Variance			\$ 14,367,180

¹ Based on internal and external benchmarking.

² Based on information technology and supplies costs incurred by other City departments.

³ Assuming Nissan Leaf or Chevy Bolt will be purchased for patrol vehicles.

⁴ Fringe rates for direct staff are based on estimated fringe costs for new hires based on the current fringe benefit plan. Fringe rates for indirect staff are based on average FY 2023 fringe costs of corresponding positions.

Estimated Direct Staffing Level

To estimate the level of in-house security staffing that would be required to meet departments' current security needs, we reviewed the scope of services of the existing contract agreements and requested updated estimates from major departments utilizing the contracts. The following table summarizes the estimated number of in-house security guards that would be needed by facilities, which is the equivalent of the number of guards provided under the current contracts. This estimation assumes that each security guard would work 40 hours per week for 2,080 hours a year. It *does not* factor in any additional staffing that would be needed to cover lunch breaks, sick leave, family leave, vacation, and other absences; and any as-needed staffing that would be required to account for employee turnover and special assignments. Departments' future security needs are also *not* factored in. Therefore, as a conservative estimate, the City would require a minimum of 270.00 FTE security guards, excluding supervisor positions, to meet current security needs of City departments. Of this amount, we assume that 80% (216.00 FTEs), are entry-level Security Guards and 20% (54.00 FTEs), are Senior Security Guards. We also estimate that 9.00 FTE Security Guard Supervisors are needed for departments that require more than 20 Security Guards for a 1:20 supervisor to guard ratio. In total, we estimated that the City would need to hire 279.00 FTE direct security staff to meet current needs. Our estimate includes 97 more security positions compared to the 2019 P&C estimate (182.00 FTE). The difference is largely attributed to the inclusion of PUD

security needs for its water and wastewater facilities, representing 117.60 FTE in our cost estimate. PUD security needs were not accounted for in the 2019 P&C estimate as the Department is not included in the citywide security contract. Given the considerable contractual security costs incurred by PUD, we included the Department in our in-house security guard estimates. To make a fair comparison, we also factored in contractual costs incurred by PUD.

Facilities	Estimated Security FTEs
Water and wastewater facilities	117.60
Central Library and Branch Libraries	59.60
Citywide Parks Facilities	16.00
Downtown Portable Public Restrooms	12.88
Homelessness Initiatives	10.50
101 Ash	8.40
City Administration Building	6.85
Miramar Landfill, Environmental Services Operations Station	6.55
20th and B Street	6.40
Concourse & EVJ Parkade	5.50
Civic Center Plaza	5.39
Development Services Center	5.20
Civic Center Public Restroom	4.20
Montgomery-Gibbs and Brown Field Airport	3.16
Office of the City Treasurer	1.00
Family Justice Center	1.00
Subtotal Security Guards and Senior Security Guards	270.23
Water and wastewater facilities	6.00
Central Library and Branch Libraries	3.00
Subtotal Security Guard Supervisors	9.00
Total Direct Security FTEs	279.23

Estimated Indirect Staffing Level

Indirect staff include managerial and administrative positions necessary to support in-house security service operations. The 2019 analysis assumed that a Security Services Division would be established and embedded in one single department. It was estimated that 11.00 FTE managerial and administrative positions and 5.00 FTE Dispatcher positions would be needed to support 182.00 FTE Security Guard and Security Guard Supervisor positions. Given City departments have diverse security needs, as discussed in the *Determining Security Services Needs* section, we took a different approach from 2019 estimate and assumed that security guards would be housed in various City departments instead of one centralized department. This decentralized structure could have higher operational efficiency by utilizing departments’ existing managerial and administrative resources. For departments with significant needs for security services such as PUD and Library, we estimated that one Program Manager and one Program Coordinator would be needed for every 100 and 40 security guards respectively. Furthermore, we estimated PUD would need additional Administrative Aide II and Payroll Specialist II positions based on the current administrative staff to all staff ratio at PUD. For remaining departments, we assumed that the additional managerial and administrative duties could be absorbed by existing staff. Compared to the 2019 estimate, our estimate includes 8.14 FTE fewer indirect staff.

Estimated Pay Rates

To estimate salaries for in-house Security Guards, we reviewed the classification and pay rates of other jurisdictions in the state that hire Security Guards as City employees. We then made cost-of-living adjustments to those pay rates and calculated the average annualized salaries by commonly used security staffing titles, as reflected in the table below.

City	Title	Hourly Rate	Cost-of-Living Adjustment	Adjusted Hourly Rate	Adjusted Annual Salary
Los Angeles	Security Officer	\$21.84	0.9548	\$20.86	\$43,380
San Jose	Security Officer	\$25.85	0.9631	\$24.90	\$51,784
San Francisco	Security Guard Step 1	\$27.75	0.8136	\$22.58	\$46,961
Security Officer - Average Adjusted Hourly Rate/Salary				\$22.78	\$47,375
Los Angeles	Senior Security Officer	\$23.39	0.9548	\$22.33	\$46,451
San Jose	Senior Security Officer	\$31.58	0.9631	\$30.42	\$63,263
San Francisco	Security Guard Step 5	\$33.70	0.8136	\$27.42	\$57,030
Senior Security Officer - Average Adjusted Hourly Rate/Salary				\$26.72	\$55,581
Los Angeles	Principal Security Officer	\$26.06	0.9548	\$24.88	\$51,753
San Jose	Supervising Security Officer	\$40.62	0.9631	\$39.12	\$81,373
Supervising Security Officer - Average Adjusted Hourly Rate/Salary				\$32.00	\$66,563

Other Cost Considerations

In addition to the direct costs of salaries and fringe benefits for City employees providing security services, the City would also incur indirect costs to bring security services in house. Our cost estimate factors in certain indirect costs including indirect staff, training and certification, uniform and equipment, and vehicle purchase cost; however, the following costs are not fully accounted for in the estimated \$25.6 million in-house costs. If the Council is interested in moving forward with insourcing, a more detailed analysis of costs in these areas should be evaluated:

- **Facilities Cost:** While some departments might be able to absorb any space needs within existing footprints, departments with significant needs for security personnel may need to provide additional space and amenities for in-house security guards or associated managerial and supportive staff. Associated leasing, capital improvements, or land acquisition cost need to be assessed.
- **Lifecycle Maintenance Cost of Capital Assets:** Any newly leased or constructed facilities and patrol vehicles will require lifecycle maintenance funding.
- **Overtime:** overtime costs are incurred to help maintain a desired staffing level due to vacancies and absences. Given the challenges with hiring qualified security officers experienced by other jurisdictions, the City could incur significant overtime costs for in-house security services if the vacancy rate is high.
- **Workers' Compensation Cost:** As an employer, the City is required by State laws to provide employees with medical and wage replacement benefits when an injury occurs on the job.⁹ The Workers' Compensation Insurance Rating Bureau of California (WCIRB) estimated that the pure premium rate, defined as the amount of losses an insurer can expect

⁹ The City's Workers' Compensation Program is self-insured. The City also purchases excess workers' compensation insurance coverage above its self-insured retention rate.

to pay in benefits due to workplace injuries as well as the cost for adjusting and settling workers' compensation claims, is \$8.32 per \$100 payroll for public agency employees providing security services.¹⁰ This could amount to additional \$320,000 based on our existing estimate without factoring the administration cost.

KEY CONSIDERATIONS

As discussed previously, bringing security services under City management requires considerable resources that would exceed the City's current spending on contractual services. While the cost of insourcing is a major consideration, we also discuss other important considerations – including benefits and drawbacks of insourcing – in this section.

Benefits of Insourcing

Direct Oversight of Security Guards Training

As part of the citywide security contract agreement, all security guards must possess State-issued permanent Guard Cards and complete State-approved Penal Code Section 832 courses related to firearm qualifications, or similar training reviewed and approved by the City. Additionally, the City requires the following training requirements be met for basic, upgraded, and armed security guards:

Basic Security Guard
<ul style="list-style-type: none"> • Patrol vehicle driving • Fundamental customer service skills, basic logs and reports skills • Laws and regulations governing security industry • Knowledge of common and acceptable patrol techniques • Operation of two-way radio operations • Fundamental skills for interaction with SDPD officers and City personnel • Experience with fire protection and alarm systems
Upgraded and Armed Security Guard (in addition to requirements above)
<ul style="list-style-type: none"> • Advanced fire detection, suppression, and life safety training • Proficiency in crowd control • Extensive customer service relations training • Property theft reduction • Advanced understanding of powers of arrest • CPR training • Advanced training in emergency procedures

The second amendment to the contract with Allstate Security added the requirement that all security guards serving in any library location must have training in the administration of Naloxone in accordance with State law.

¹⁰ This rate applies to classification that includes park and facility maintenance, landscape, snack bar and vending operations, lifeguards, security and similar activities in support of the facility. More detail can be found at <https://www.weirb.com/class-search/municipalstatepublic-agency-0>

While the contractor is responsible for ensuring that training requirements are met, the City does not have control over the quality of the training as it is left to the contractor to determine the content and format of training. Furthermore, based on the contract agreement, the contractor is not obligated to provide training records, except for copies of Guard Cards and proof of Penal Code Section 832 courses. Notably, Library Department staff requested training records from the contractor several times but failed to obtain such records. Without proper documentation and a mechanism for City oversight, there is little assurance that training requirements are met to the City's desired level of quality. Additionally, the City has limited ability to request the contractor to provide additional training to security guards without inclusion of a provision in the executed contract. For instance, the Library Department expressed that they would like to have Library security guards complete additional training in de-escalation given increased library security incidents, but is unable to require the contractor provide this training for its employees as it is not required in the contract agreement. As a result, contractual security guards may not be adequately trained to meet an individual department's operational needs.

We also note that when the City amended the contract with Allstate Security to add Naloxone training and administration requirements, the contractor requested to increase the hourly rates given the additional obligations. In contrast, with in-house security staffing, the City would have more control and direct oversight over the content, technique, and quality of the training. The City would have the opportunity to develop a centralized and standardized training program for its security officers to improve the quality of security services. While the City would still incur costs to provide training to its employees, it would be able to ensure additional trainings are provided in a timely manner. Additionally, the incremental cost to offer additional training to in-house staff would likely be lower than increased contractual hourly rates.

Community Relationship

Community engagement is a central part of an effective security system. Good relationships between security guards and the community can substantially contribute to the overall safety and security of a facility. City departments routinely experience high turnover in the personnel provided by contractual security services. At some library branches, turnover is so frequent that a new security guard is assigned each day. As a result, it is often challenging for contractual staff to understand the specific security needs at any given location, or to build long-term trusting relationships with the community and client departments. In-house security staff would be better positioned to build relationships with affected communities and to coordinate with other City department staff, such as the Police Department, to enhance security services. Management at the San Jose Library Department commented that in-house security staff are able to build rapport with the community and that this relationship helps reduce security incidents.

Quality of Security Services

The quality of security services is directly associated with the training and experience of security staff and the relationship with and knowledge of the community. In a contractual setting, while the City could set the personnel standards for security guards as part of the contract agreement, direct decisions on hiring, training, and performance reviews are made by the contractor. With in-house staffing, the City could ensure that better qualified applicants are hired, and ensure all training requirements are met. Management could directly supervise in-house security staff to ensure services are aligned with department needs. Well-trained and experienced security staff are also more capable of adapting to changes and exercising proper discretion when handling unusual

situations. Management at Los Angeles Police Department Security Services Division stated that wherever security is a high priority, the preference is to assign in-house security staffing rather than contractual guards to ensure the highest quality of security services.

Drawbacks of Insourcing

Higher Cost

The main drawback of insourcing is cost. As discussed in the *Cost of Insourcing and Operational Feasibility* section, we estimated that had the City hired in-house security personnel, an additional \$14.4 million in expenditures could have been incurred in FY 2023 to meet the City's current security needs.¹¹ When accounting for space needs, ongoing asset maintenance, workers' compensation, and overtime, the actual cost could be higher.

Vacancy Issues

A notable concern with insourcing security services is the potential impact that persistent citywide vacancies could have on meeting essential security needs. For many years, high vacancy levels have been a chronic problem across City departments, including the San Diego Police Department which is currently experiencing significant sworn staffing retention issues. As previously discussed by our Office, lengthy hiring processes and uncompetitive compensation levels have been challenges to hiring and retention across many City departments in the past (see [IBA Report 23-08 Review of the FY 2024 Proposed Budget, Key Citywide Issues Section: Departmental Vacancies](#) for more information). Although the City is making progress addressing these issues through recent salary increases and hiring process improvements, the City could still face challenges hiring and retaining in-house security guards. These vacancies could result in security vulnerabilities and risks if the City were to exclusively rely on City-employed security officers and was unable to properly staff essential security needs. Given this, some level of contracted security guard coverage may be necessary even if most security services were provided in-house. Recruiting and retention issues were mentioned by the LAPD Security Services Division, which had an approximately 33% vacancy rate among security officer positions as of late-May 2023. The San Jose Public Library also noted difficulty in filling its vacant Senior Security Officer positions with qualified candidates.

Adequacy of Existing Contracted Services

Despite the previously mentioned limitations, contracted security services appear to be generally meeting department needs. According to the Purchasing and Contracting Department, no issues or complaints about the contracted citywide security services were serious enough to cause Purchasing and Contracting to consider corrective action or contract termination. For City-funded homeless shelters, HSSD identified several benefits to maintaining the current practice for operational security whereby program operators are responsible for security staffing. First, as previously mentioned, the current approach allows program operators staffing flexibility should they want to integrate security staff into shelter programming and operations. Second, if operational security at shelters were to be staffed by City employees, there could be uncertainties

¹¹ The variance in cost can be attributed to several factors. For instance, based on our cost estimate, \$5.6 million out of \$25.6 million estimated total cost, or 22%, are associated with fringe benefits. Contractors may not provide the same level of benefits to their employees and thereby incur lower labor costs. Additionally, contractors may be able to leverage economies of scale to provide services more efficiently.

in the line of reporting, specifically whether City security staff would report to the program operator and/or HSSD.

Flexibility

Contractual security services transfer the burden of recruitment and hiring from the City to the security service firm. When new security needs arise, departments can request additional contractual security guards, avoiding the lengthy hiring process and the risk of not having security guards brought quickly onboard. Similarly, when security services are no longer needed at certain facilities, the City has the flexibility to scale back contractual staff. This flexibility also extends to the employee dismissal process. For instance, if contracted security staff are not meeting job expectations or are negligent in their duties, security service firms can often act more swiftly to correct the situation and pursue potential dismissal. Management from San Jose Library Department noted that they prioritize contractual guard assignments based on incident rates, and the flexibility of contractual guards helps the Department meet temporary security needs. With fully in-house security personnel, the City's ability to increase or reduce staffing level could be more limited.

Recommended Approach

As noted above, there are both benefits and drawbacks associated with bringing security services under direct City management. While utilizing City employees to provide security services would give the City greater control with respect to how well Security Guards are trained, and could increase the overall quality of security services provided, it would also significantly increase security costs, transfer the burden of recruitment and hiring from the security service firm to the City, and reduce operational flexibility to adjust service levels as security needs change.

Additionally, based on discussions our Office had with the various City departments for this report, only the Library Department indicated that the current approach of solely relying on contracted security was not meeting their needs. All other Departments - including PUD, HSSD, and Parks and Recreation - were largely satisfied with current services and did not anticipate a significant benefit from utilizing in-house security. For this reason, **our Office recommends that contracted security should continue for all departments besides the Library Department.**

To ensure contractual security guards are able to meet City departments' increasing demands for higher quality security services, and to hold security services firms more accountable to contract requirements, we highlight the following areas for considerations:

- For departments with critical security needs such as the Library Department, **a formal security risk assessment may be warranted to determine the risks and vulnerabilities, and the required level of security staffing to mitigate these risks.** While departments generally have a good understanding of their security needs, a formal security assessment could provide a more objective means of determining security needs based on security goals, facility conditions, incident rates, and staff qualifications.
- **It is important to include a clause in the contract agreement to allow the City to access and inspect Security Guard training records.** This would help ensure contractual guards have the right competence to meet the City's security needs.

For the Library Department, moving towards a hybrid model, similar to the City of San Jose which employs both City staff and contracted security guards, may be warranted. As noted earlier, the Library Department is seeking improvement in the overall quality of security guard services. Employing some in-house security staff could meet this need by allowing the Department to determine the specific training levels, roles and responsibilities for the positions. As noted by the City of San Jose, in-house City security staff could also serve to train and guide contracted security guards on the unique needs for library security (i.e., providing both safety and patron service) thereby increasing the quality of security services systemwide. If the Council chooses to move in this “hybrid” direction, our Office recommends an incremental approach that begins with the addition of a lead position specifically responsible for system-wide security operations. Additionally, a formal security risk assessment should be conducted by a contractor that is familiar with the unique needs of a public library system to determine existing risks and vulnerabilities and the required level of in-house and contracted security staffing.

CONCLUSION

The decision to bring in security services under City management requires consideration from multiple perspectives and a thorough assessment of tradeoffs. On one hand, insourcing can help improve service quality. The City would have greater control over security guard training and the hiring of security staff. In-house staff could better understand City departments’ operations, and may be more likely to build long-term relationships with the community served. On the other hand, the cost of hiring in-house staff is anticipated to be significantly higher than contracted services. Even without taking into account certain costs such as facilities, asset maintenance, and overtime, the estimated cost of insourcing is estimated to exceed contracting costs by \$14.4 million. We also identified the vacancy issue as a notable concern with insourcing, as well as potential concerns about the ability for the City to rapidly adapt to shifting security needs.

Given that the difference in cost between in-house and contractual security service is considerable, we recommend continuing with contractual services for most City departments. For the Library Department, an incremental hybrid approach could be considered, starting with the addition of an in-house lead position to manage and coordinate library system-wide security operations, accompanied by continued contractual guard services. A formal security risk assessment could help determine the optimal in-house and contractual staffing level.

Our Office appreciates the opportunity to analyze this issue and would like to thank staff from various departments for assisting in our research and providing responses to our questions. We continue to be available to assist Council with any future next steps.



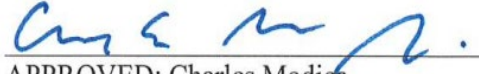
Ruixin Chen
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Amy Li
Fiscal & Policy Analyst



APPROVED: Charles Modica
Independent Budget Analyst

Attachment 1: Councilmember Request Memorandum




**OFFICE OF COUNCILMEMBER RAUL A. CAMPILLO
THE CITY OF SAN DIEGO
SEVENTH DISTRICT**

MEMORANDUM

DATE: February 6, 2023

TO: Charles Modica, Independent Budget Analyst

FROM: Councilmember Raul A. Campillo 

SUBJECT: Request for analysis of City security services

On January 10, 2023, the City Council approved a second amendment to its Citywide security service contract with Invicta Security CA Corporation (dba Allstate Security). The contract amendment was initiated to accommodate increased service needs at multiple City facilities, including libraries and homeless facilities, and to ensure training be provided for security personnel at the Central Library to carry and administer Naloxone (Narcan). It also provided an adjustment to compensation levels, to ensure compliance with the City's Living Wage Ordinance. With this approved amendment, the full cost for this contract is \$28,910,721 over five years, expiring in June 2024.

The safety of City employees and patrons at City facilities is of the utmost importance, and the security services provided under this contract are essential to City operations. Security personnel shoulder a large responsibility for visitors that enter City facilities with unique and diverse challenges, and must typically coordinate their services with mental health service providers and City employees to respond to serious situations.

Given the key service provided to the City through this contract, as well as the separate contract with Able Patrol and Guard, I am hereby requesting that your Office analyze the fiscal and operational feasibility of bringing these services under City management. In particular, I am interested in finding out what the City, on average, spends annually on contracted security services; which City facilities are served; what service levels are provided and whether Citywide

needs are met; what opportunities exist for internal promotions for current security personnel; whether other relevant jurisdictions have security services provided by its own City employees; and what the estimated fiscal impact would be should the City of San Diego hire security personnel as benefitted employees, including what funding sources would be impacted.

I appreciate the assistance of your Office in reviewing this matter. Should you have questions, or require more information, do not hesitate to contact my staff directly.

Cc: Michael Simonsen, Chief of Staff, Councilmember Raul A. Campillo
Jillian Kisse, Deputy Director, Office of the IBA

RAC/sl