



MAY 31 2007

MEMORANDUM FOR ASSISTANT REGIONAL ADMINISTRATORS

FROM: WILLIAM H. MATTHEWS *William H Matthews*
ASSISTANT COMMISSIONER - PV

SUBJECT: Pricing Policy Clarification #21 - Security Charges

The attached pricing policy clarification provides guidance on security charges based on the Memorandum of Agreement (MOA) between Department of Homeland Security (DHS) and U. S. General Services Administration (GSA) effective June 1, 2006.

The policy clarification was drafted in coordination with the Office of Real Property Asset Management's Building Security and Policy Division, Regional Pricing Points of Contact (POC's) and the Pricing Network. A copy of this policy clarification is being provided to the Regional Pricing POC's for dissemination within each Region.

If you have questions regarding this policy clarification, please contact the National Pricing Points of Contact, Beth Lemanski at 202-501-3277, David C. Baker at 202-595-4648 or Kelly Juarez at 202-595-4649.

Attachment

cc: Assistant Commissioners, Regional PT Directors, Regional Pricing POC's

Effective Date: May 22, 2007

Purpose: Pricing Policy Clarification #21 on Security Charges based on the Memorandum of Agreement (MOA) between Department of Homeland Security (DHS) and General Services Administration (GSA) effective June 1, 2006.

Existing Desk Guide Language:

Pricing Desk Guide Section 2.2.3 Tenant Improvements and Section 3.2.6, Security Charges, contains the current policy on security charges.

Clarification:

Delete the following language from Section 2.2.3: "Security systems and features within tenant space are part of tenant improvements; specialty security systems and features for the entire building requested by tenants (usually through the building security committee) are neither building shell nor tenant improvements. They are a separate capital investment in the property and charged to agencies as part of the building specific security charge." This language is located in the last box of the Typical Tenant Improvements table on page 2-10.

Delete the existing language in Section 3.2.6 in its entirety and replace it with the following clarification.

3.2.6 Security Charges

Sections 102 (b) and 422 of the Homeland Security Act of 2002, Public Law 107-296, transferred the Federal Protective Service (FPS) from the General Services Administration (GSA) to the Department of Homeland Security (DHS). Consistent with the Act, FPS provides security and law enforcement services to facilities under the custody and control of GSA through a Memorandum of Agreement (MOA). The current MOA became effective June 1, 2006. As such, Basic Security and Building-Specific Security are provided and billed to customer agencies by FPS. However, two types of building-specific security are provided and billed to customer agencies by PBS: mandatory security fixtures funded by GSA in federally owned space and by the lessor in leased space; and mandatory security equipment funded by GSA in federally owned space as part of a prospectus-level project. Tenant-specific security is funded directly by the tenant with a Reimbursable Work Authorization (RWA) to GSA or Security Work Authorization (SWA) to FPS depending on the type of security provided.

Basic security costs and building-specific costs are calculated and billed as discussed below. As stated in the MOA Section 8, Services Provided by GSA, Item A2, Billing Support Services: "*All customer questions and concerns regarding security charges on the FPS bill will be directed to FPS for action, with the exception of those issues specific to space measurement (i.e., square footage), which will be handled by GSA. Questions regarding amortized security fixture charges on the PBS customer bill will be handled by GSA.*"

Basic Security Charge

As stated in the MOA Section 11, Pricing Provisions for Security Services, Item A, Basic Security: “*Basic security charges are billed by FPS to all tenants in GSA-controlled space. FPS is responsible for notifying agencies of this rate. GSA will pay FPS the basic security rate for GSA occupied space, vacant space in occupied buildings and out-leased space. Basic security for vacant buildings is to be provided and funded on a case-by-case basis as determined between the regional FPS and PBS offices.*” The basic security charge is developed by FPS and approved by the Office of Management and Budget (OMB).

As outlined in the MOA Section 7, Services Provided by FPS, Item A, Basic Security: Basic security includes the following:

- Law enforcement - patrol and response, criminal investigations
- Mega Center operations - alarm monitoring and dispatch
- Building security assessments and pre-lease security surveys- identification of risks and countermeasures
- Security consultation – new construction, major Repair & Alteration projects, leasing
- Building Security Committee (BSC) participation
- Security assistance – Occupant Emergency Plans (OEPs), Continuity of Operations Plan (COOP) planning
- Contractor background suitability determinations

Building-Specific Security

Through security surveys and consultations provided under Basic Security, FPS recommends building-specific countermeasures, including contract guards, security equipment, and security fixtures which mitigate security vulnerability. These countermeasures will be implemented, as appropriate, in coordination with the BSC (which includes Federal tenant agency representatives, an FPS representative, and GSA representatives). Refer to Appendix D in the DHS-GSA MOA for a graphic depiction of the countermeasure decision process, and the attached Appendix E, Tables 1 through 4, from the MOA for a depiction of the funding, execution and maintenance of security countermeasures.

Building-Specific Security Charge - FPS

As stated in the MOA Section 11, Pricing Provisions for Security Services, Item B1, Building-Specific Security, with the exception of building specific amortized capital charges (addressed later in this clarification), all “*Building-specific security charges are billed by FPS based on the program costs of FPS for each building or complex and are prorated to each tenant by their total occupied space in the building or complex. FPS is responsible for notifying tenant agencies of these charges. GSA will pay FPS only for building-specific security in GSA occupied space, vacant space in occupied buildings and out-leased space. Building-specific security for vacant*

buildings is to be provided by FPS and paid by GSA on a case-by-case basis as determined between the regional FPS and PBS offices.”

Building-specific security includes contract guards and security equipment. Equipment is defined per the MOA Section 7, Services Provided by FPS, Item B, Building-Specific Security, 2, Security Equipment, as “...a security-related item that is not part of a building and is easily removable from the building. Security equipment includes, but is not limited to, x-ray machines, magnetometers, closed-circuit television systems and cameras, and intrusion and duress alarm systems. FPS will be responsible for project execution, maintenance, and repair of security equipment.” The only exception is in federally owned space: If the equipment cost is over the prospectus limit, or provided as part of a prospectus-level project, then GSA funds, installs and recovers the cost of the equipment (see below). After the equipment is installed and accepted by the Government, custody is transferred to FPS. The PBS bills for the initial capital expense as Building Specific Amortized Capital (BSAC) and the FPS bills for maintenance and repair or replacement through the FPS security billing process.

Building Specific Amortized Capital Charge - GSA

BSAC charges are neither building shell nor tenant improvements. They are a separate capital investment in the property and are charged to agencies on their PBS rent bill. These charges are for security fixtures funded by GSA in federally owned space and by GSA or the lessor in leased space. These charges are also for security equipment funded by GSA as part of a prospectus-level project in federally owned space. Maintenance and repair of security fixtures in federally owned space is also part of the BSAC charges.

Security fixtures are provided by GSA and funded by GSA or RWA. As stated in the MOA Section 7, Services Provided by FPS, Item B, Building-Specific Security, 3, Security Fixtures: “A security fixture is defined as a physical security measure that is part of the building or attached and not easily removable from the building. Security fixtures include, but are not limited to, vehicular barriers such as bollards, gates, pop-up and arm gates, doors, locks, garage doors, parking lot fencing and gates, guard booths (both attached to the building and free standing), and blast-resistant windows. Card readers that serve solely as a locking mechanism at the building entrance are also considered fixtures.” Window glazing and progressive collapse are also examples of security fixtures. “GSA will fund security fixtures determined to be mandatory on a prioritized, funds available basis. GSA or the building’s lessor will provide project execution, maintenance, and repair of security fixtures.” Optional security fixtures are subject to approval by the BSC and funded by RWA.

BSAC charges are to be separately priced, identified in the Occupancy Agreement and billed separately as Building Specific Amortized Capital. All assignments within the building will receive the same rate prorated over the amount of space they are assigned. Refer to Pricing Policy Modification #13. Application of Tenant Improvement Allowances in the section titled “Application of OMB Circular A-11,

Appendix B to Specific Space Actions” for additional security guidance. That section covers the rules and processes for each space or project type as it relates to the value of features and enhancements that are built or added for the Government’s unique needs or special purposes and relate directly to security fixtures.

BSAC – Owned

The capitalization threshold for building specific fixtures adheres to PBS’s accounting policy regarding the capitalization threshold for operating equipment. This currently is \$50,000. If PBS’s capitalization threshold changes then the threshold for building specific fixtures will be adjusted accordingly. Security improvements over the \$50,000 threshold are treated as follows:

1. For security equipment (funded by GSA in a prospectus-level project) that is not integrated into the building structure (e.g., magnetometers, x-ray machines, cameras), the amortization period is 5 years.
2. For real property security fixtures added to an existing building, the amortization period is 10 years for those items installed as part of a minor repair and alteration project; 20 years for those installed as part of a major repair and alteration project.
3. For real property security fixtures erected when the building is first constructed, the amortization period is 30 years.

Real property security improvements under the \$50,000 threshold include repair and maintenance of security fixtures and are billed as a maintenance cost component of BSAC. They are not amortized; however, they are tracked over the actual year installed and then recovered over the following year at a flat rate per month. For example, a \$7,200 improvement yields \$600 a month.

The amortization rate for BSAC charges is the 10-year Federal Financing Bank rate, plus 12.5 basis points, which is the same rate used for amortizing tenant improvements.

The BSAC charge has the potential to change annually if security items are added during the year. It is set by PBS at the beginning of each fiscal year. Once the amortization period and cost for current security items are set, they remain until the period has expired. As new security items are added to the building, PBS will add those items to the bill the following year. The maintenance portion of this security charge may also vary from year to year. The amortized capital security charge will therefore be a varying, but permanent part of the customer agency’s rent.

BSAC – Leased

The BSAC charges for leases are to be negotiated with the lessor and if funded by the lessor are identified separately from the shell and tenant improvement costs. The lessor is also responsible for maintenance of security fixtures and equipment. These security costs will be billed to the customer on the BSAC billing line.

Security fixtures and equipment funded by GSA in a lease will be recovered via the rent on the BSAC billing line following the same logic as the owned improvements. Equipment is funded by GSA only within prospectus-level projects. If the item is greater than \$50,000 it will be amortized using the same criteria identified above. In cases where the cost is less than \$50,000, the cost of the item and any maintenance costs will be recovered over the following year at a flat rate per month.

Tenant-Specific Security

As stated in the MOA Section 7, Services Provided by FPS, Item C, Tenant-Specific Security: *“Tenant-specific security includes additional, reimbursable services and equipment for agencies to meet their HSPD-12 requirements, which include card readers and contractor background suitability determinations. Tenant-specific security also includes other requirements, such as agency-specific contract security guards and the design, purchase, installation, and maintenance of optional security equipment and fixtures. When resources permit, FPS (or GSA for fixtures) may provide these types of services upon receiving funds from the requesting agency. When the work is accomplished by FPS, it will coordinate with the GSA Property Manager and will make any necessary repair to tenant space or the building caused by, or incidental to, installation, maintenance, repair, and replacement of security equipment.”*

For more information regarding security items requiring funding by tenant agencies refer to Pricing Policy Modification #13. Application of Tenant Improvement Allowances in the section titled “Application of OMB Circular A-11, Appendix B to Specific Space Actions”.

The following tables can be found in the DHS-GSA MOA effective June 1, 2006 – Appendix E. The tables clearly identify specific responsibilities and funding sources for security fixtures and equipment in federally owned and leased space.

Table 1: Federally Owned Space

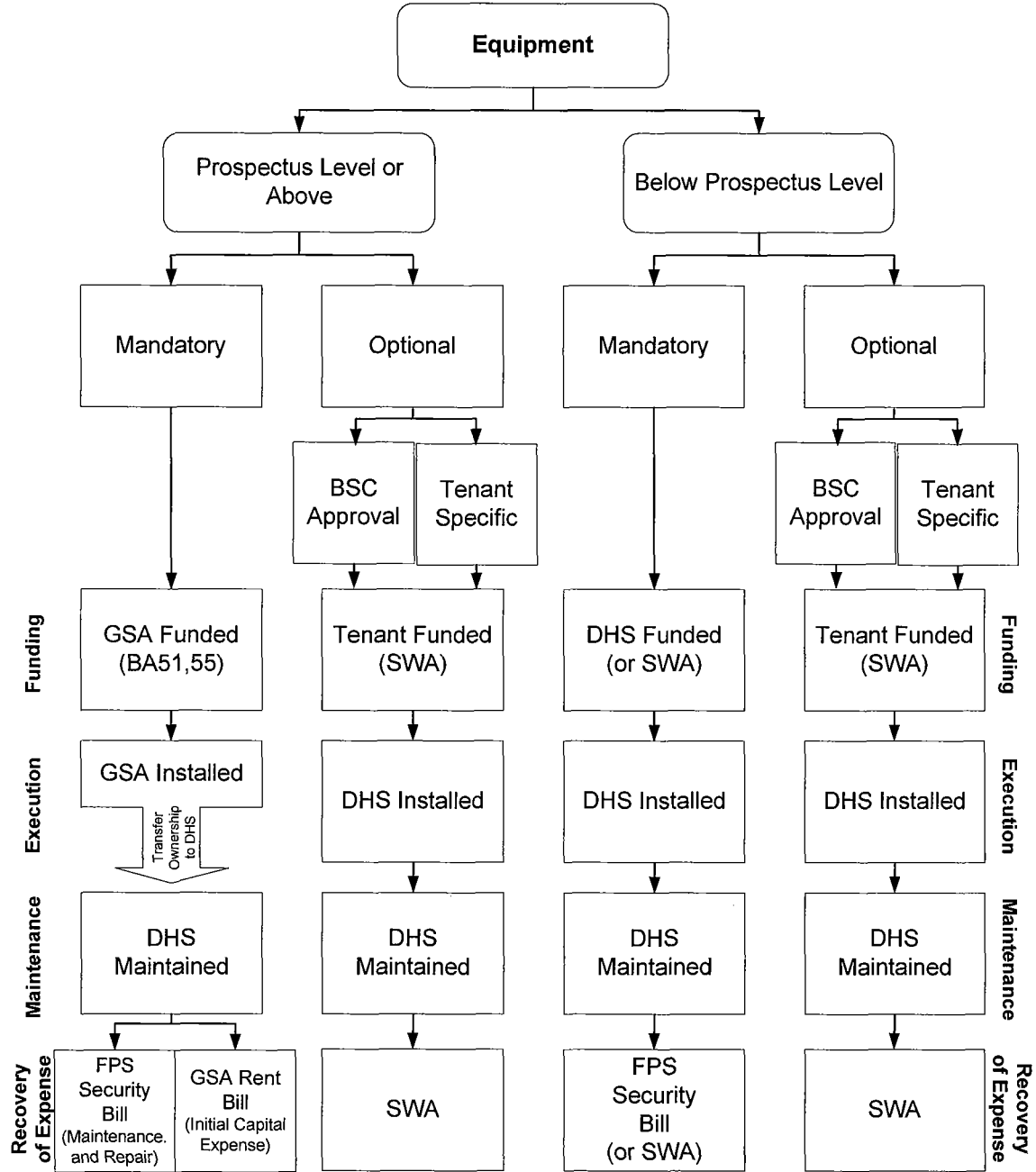


Table 2: Federally Owned Space

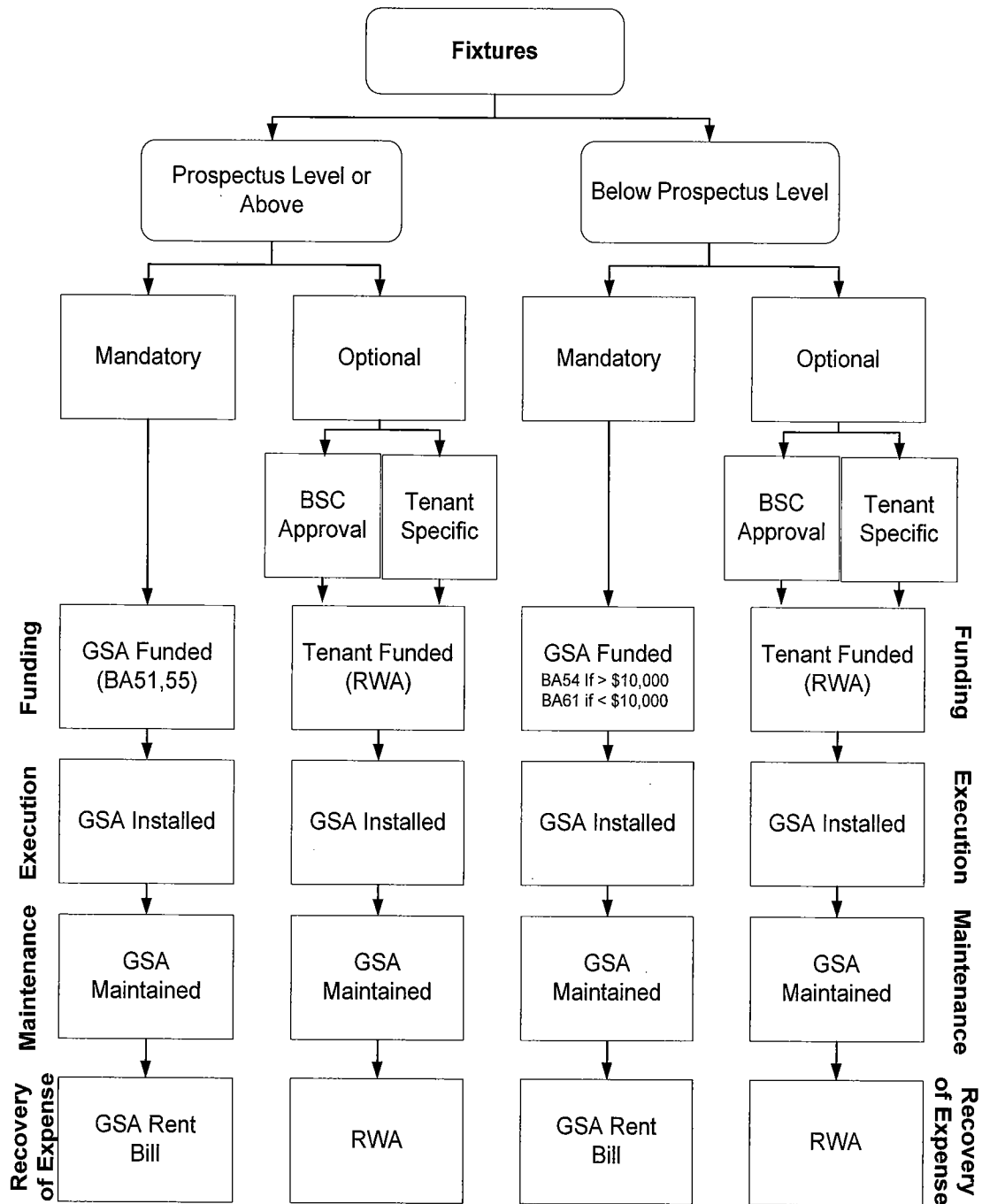
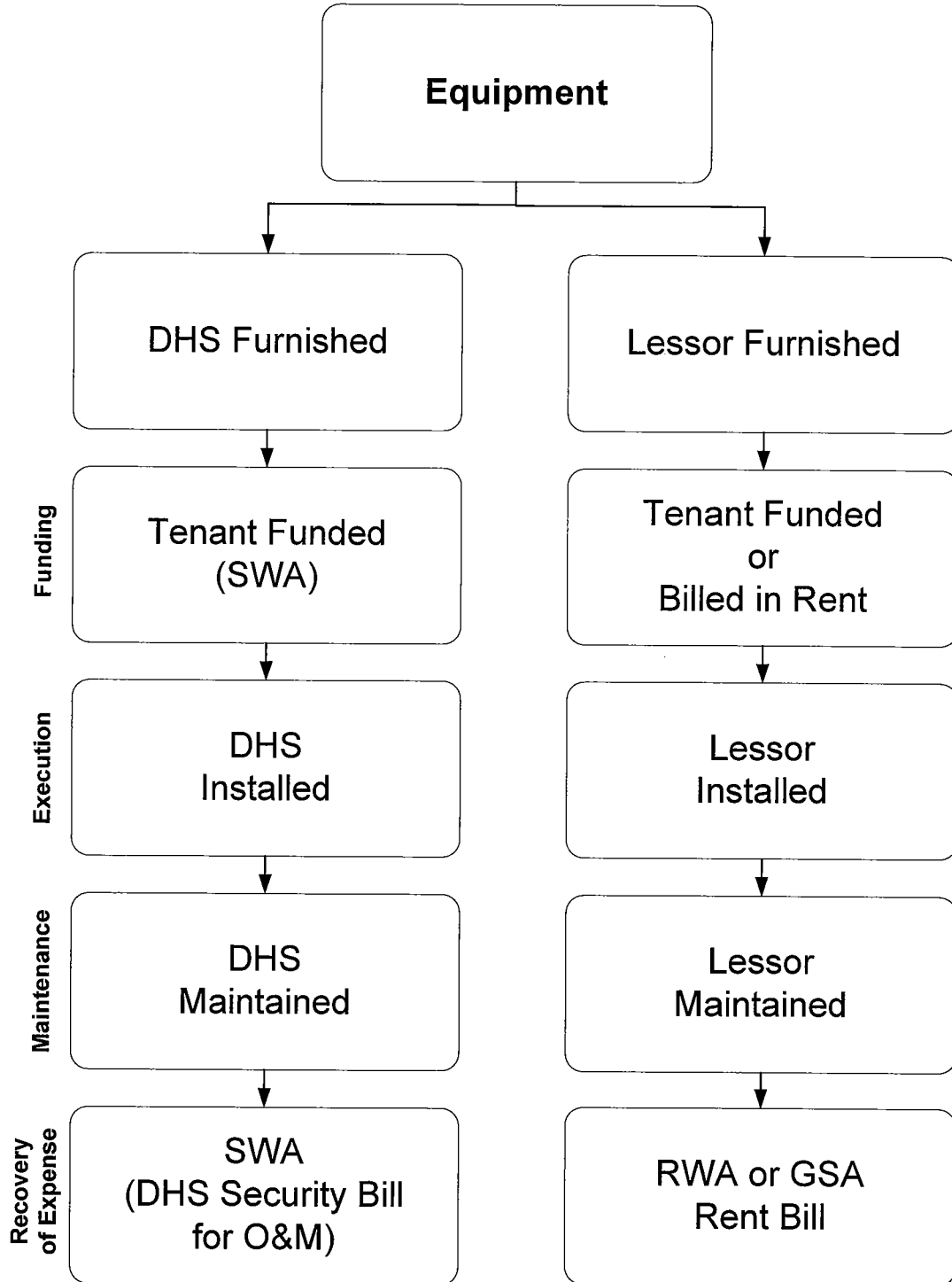
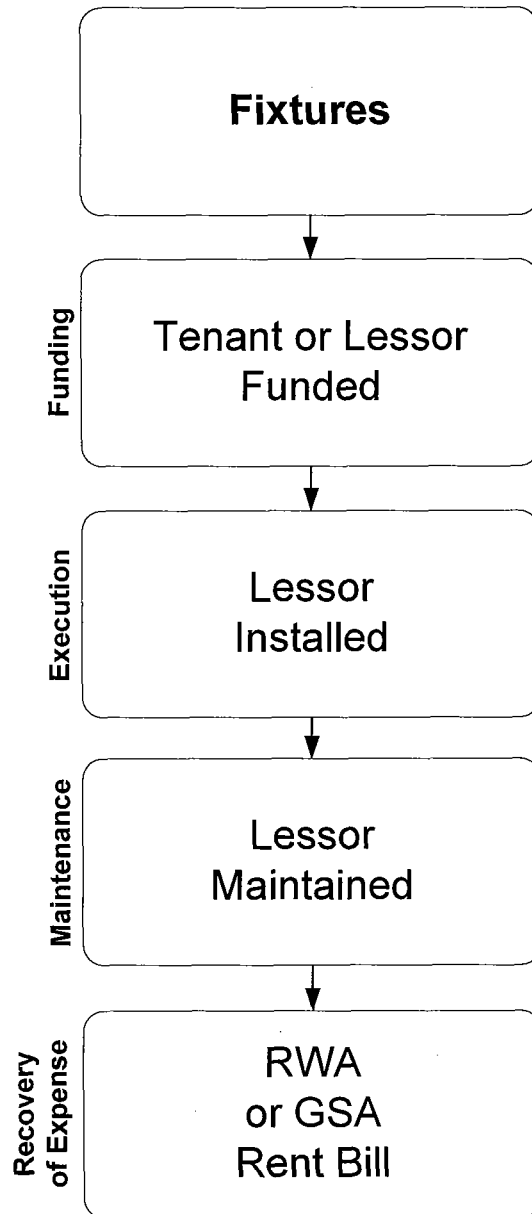


Table 3: Federally Leased Space



Note: This table applies to new leases only. In existing leased space, the BSC may request equipment from FPS and GSA. Funding will be by RWA or SWA. Installation will be negotiated with the lessor.

Table 4: Federally Leased Space



Note: This table applies to new leased space only. In existing leased space, the BSC may request fixtures from FPS and GSA. Funding will be by RWA or included in the rent at the discretion of the GSA Contracting Officer. Installation will be negotiated with the lessor.