



## CITY OF MOUNTAIN VIEW

**MEMORANDUM**

Public Works Department

**DATE:** April 28, 2015

**TO:** City Council

**FROM:** Michael A. Fuller, Public Works Director

**VIA:** Daniel H. Rich, City Manager

**SUBJECT:** Janitorial Costs for Fiscal Year 2015-16

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**PURPOSE**

In June 2013, the City Council directed staff to contract with a janitorial firm that pays union-scale wages, and to contract with a union-represented firm within two years. The employees of the City's current janitorial firm, SWA, are not represented by a union. SWA's owner has expressed a willingness to become a union-represented firm and has submitted pricing for Fiscal Year 2015-16 both with union-scale wages and with full union representation. With union-scale wages, the cost for Fiscal Year 2015-16 is 18 percent higher than Fiscal Year 2014-15, and with full union representation, the cost is 56 percent higher. In light of the significant cost increase associated with the union-represented scenario, staff requests that Council confirm the previous direction regarding union representation. This memo presents some of the factors associated with both scenarios.

**BACKGROUND**

The City contracts for janitorial services for all its facilities. Services include after-hours cleaning and restocking of supplies as well as daytime services of "day porters" to provide cleanings as necessary, restocking supplies, room setup, and other services. The City's janitorial contract is complex due to the wide variety of services and facilities. Some are traditional office space (City Hall); some are seven-days-per-week public facilities (Library, Community Center); and the Police/Fire Administration Building is a secure, 24/7 facility.

The City used the same janitorial firm, GCA, from 2002 until September 2012, when GCA withdrew from the contract. GCA's employees were represented by Service Employees International Union (SEIU). An interim contract was executed with a nonunion firm while the City prepared to request proposals for janitorial services.

The City required proposers to provide pricing both with and without union-scale wages, and the results were presented to Council on June 25, 2013. Council directed staff to contract with a firm that pays union scale wages and within two years contract with a firm that is represented by the SEIU. Union-scale wages are established in an agreement between SEIU and Bay Area janitorial firms whose employees are represented by the union (SEIU Contract).

In August 2013, the City contracted with SWA for janitorial services.

### **ANALYSIS**

The SEIU Contract includes provisions such as wages, benefits, discipline, grievances, and working hours. The “Master Wage Rate” for the Bay Area for the year beginning May 2015 will be \$14.24 per hour. Under the current contract with the City, SWA is transitioning up to that wage rate and is currently paying \$11 to \$12 per hour to most employees. The SEIU Contract includes a provision allowing an employer taking over a nonunion account to start employees at a lower wage and transition up to the Master Wage Rate, which is what SWA is currently doing.

SWA provides day-to-day services under the base contract and special event setup on an as-needed basis. An example of a special event is a rental at the Community Center and can occur during normal working hours or on evenings and weekends. To provide the City Council with a comparison of the cost of a nonunion contract with union-scale wages (Scenario 1) and a union-represented contract (Scenario 2), SWA prepared pricing for the base contract for Fiscal Year 2015-16 under both scenarios and an examination of the impact to the cost of special events for Fiscal Year 2015-16.

### **Base Contract**

Costs for the base contract under both scenarios are higher than current costs because SWA is transitioning up to the SEIU Master Wage Rate, and labor legislation requires that SWA provide additional sick leave and increased health benefits. A brief summary of costs for various categories of wages and benefits is shown in Table 1.

**TABLE 1**  
**BASE CONTRACT COSTS**

	<b>Current</b>	<b>Scenario 1 Nonunion with Union Pay Scale</b>	<b>Scenario 2 Union</b>
<b>Hourly Staff Costs</b>			
<b>Wage</b>	\$11.00+	\$14.24	\$14.24
		SEIU Master Wage	SEIU Master Wage
<b>Sick and Vacation Benefits</b>	<b>\$0.06</b>	<b>\$0.20</b>	<b>\$0.88</b>
	1 sick day and no paid vacation.	3 sick days and no paid vacation per new labor laws.	3 sick days and one-to three-week vacation depending on seniority.
<b>Health and Welfare</b>	<b>\$1.50</b>	<b>\$2.02</b>	<b>\$7.03</b>
		Increased health benefits pursuant to Affordable Care Act.	Health Benefits pursuant to SEIU contract. Costs likely to increase with SEIU contract renewal.
<b>Pension</b>	-	-	<b>\$0.24</b>
	-	SWA to provide 401k plan with no administrative cost to employee.	SEIU provides defined benefit pension for qualifying employees.
<b>Leadership/Education/Industry</b>	-	-	<b>\$0.03</b>
	-	SWA proposes education cost reimbursement plan for ESL, computer, and utility skills. Cost not available.	Funds SEIU education program.
<b>TOTAL</b>	<b>\$12.56</b>	<b>\$16.46</b>	<b>\$22.42</b>
<b>Monthly Billing</b>	<b>\$47,423</b>	<b>\$56,623</b>	<b>\$71,884</b>
<b>Annual Cost (Base Contract)</b>	<b>\$569,074</b>	<b>\$679,474</b>	<b>\$862,602</b>
<b>% Increase vs. Current</b>	-	<b>19.4%</b>	<b>51.6%</b>

Both scenarios for Fiscal Year 2015-16 include the Master Wage rate of \$14.24, but the union scenario includes a more generous benefits package required by the SEIU agreement. The base contract (not including special cleanings and setups) for the nonunion scenario is \$679,474, and the union-represented scenario is approximately \$183,000 higher at \$862,602.

### Special Events

As with the base contract, the cost for special events is impacted under the nonunion scenario by the higher wage rate and increased vacation benefit. The cost under the union-represented scenario is impacted significantly by the work rules in the SEIU Contract, including payment of a minimum of 4 hours if the event is not during normal working hours and overtime for weekends (1.5 times normal salary) and holidays (2 times normal salary). Under the nonunion scenario, SWA pays a 2-hour minimum and no overtime.

Special event costs vary from month to month, so to estimate the costs under both scenarios for Fiscal Year 2015-16, SWA applied the wages and work rules under both scenarios for special events that occurred during the period July through October 2014.

Based on that analysis, SWA projected increases in special cleaning costs are as follows:

	<b>Current*</b>	<b>Scenario 1 Nonunion with Union Pay Scale</b>	<b>Scenario 2 Union</b>
Average Monthly Billing	\$3,500	\$4,729	\$11,179
% Increase vs. Current	-	35.1%	219.4%
* Estimated for Fiscal Year 2014-15			

### Summary of Costs

Based on the analysis of the base contract and the estimated percentage increases applied to historic special event billings, the total estimated costs for janitorial services for Fiscal Year 2015-16 compared with current costs are as follows:

	<b>Current</b>	<b>Scenario 1 Nonunion with Union Pay Scale</b>	<b>Scenario 2 Union</b>
Base Contract	\$569,074	\$679,474	\$862,602
Special Events	\$42,000	\$56,748	\$134,148
Janitorial Materials and Supplies (nonvendor-related)	\$25,000	\$25,000	\$25,000
Contingency	\$54,000	\$54,000	\$54,000
<b>Total</b>	<b>\$690,074</b>	<b>\$815,222</b>	<b>\$1,075,750</b>
<b>% Increase vs. Current</b>	<b>-</b>	<b>18%</b>	<b>56%</b>
<b>Cost Increase vs. Current</b>	<b>-</b>	<b>\$125,148</b>	<b>\$385,676</b>

## **RECOMMENDATION**

Because of the significant cost increase associated with Scenario 2, staff recommends continuing to contract with SWA requiring union-scale wages but not requiring SWA to sign on to the SEIU contract. This action would provide a wage increase to \$14.24 to SWA's employees and increased vacation and health-care benefits required by law.

The recommended budget increase for janitorial services of \$219,000 includes \$125,000 (rounded) for the base contract, special events, and materials and supplies, consistent with the Scenario 1 pricing.

The recommended increase also includes a placeholder of \$94,000 for possible service enhancements. To reduce costs, over the years the City has reduced the frequency of activities such as deep-carpet cleaning, floor polishing, and other activities that are outside the day-to-day activities of the janitorial service provider. The City is currently negotiating for these services, and a final amount, not to exceed \$94,000, will be included in the Proposed Budget recommendation for Fiscal Year 2015-16.

MAF/3/PWK

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