



CITY OF
**PALO
ALTO**

City Council STAFF REPORT

From: City Manager
Report Type: ACTION ITEM
Lead Department: Public Works

Meeting Date: January 23, 2023

Title

Review and Provide Direction on Wage and Benefits Requirements for Inclusion in a New Janitorial Services Request for Proposal (RFP)

Recommendation

Staff recommends that Council review and provide direction on the wage and benefits requirements for the new Janitorial Services Request for Proposal (RFP).

Executive Summary

Staff is seeking Council direction on wage and benefit requirements for inclusion in a new janitorial services RFP that will solicit proposals to service City facilities. To assist Council in the discussion, options are presented for further input.

- Wage and benefit requirement options:
 - Option 1 City-Determined Wages/Benefits: Total wage and benefits of \$20.84 (estimated)
 - Option 2 PUC Prevailing Wage/Benefits: Total wage and benefits of \$29.98
 - Option 3 PUC + Union Wage/Benefits: Total wage and benefits of \$29.98 or higher
- Adding two additional janitorial job classifications for a total of seven classifications with higher pay requirements for more demanding or highly skilled work

Councilmember Burt and Vice Mayor Stone, through a Colleagues Memo, have recommended that a new janitorial contractor be required to provide PUC prevailing wages and benefits at a minimum and require employees be covered by a collective bargaining agreement.

This item was originally agendaized for Council's November 14, 2022 meeting but was continued. To avoid a gap in janitorial services, Council approved an amendment to extend the current contract by six months. The new contract expiration date is August 31, 2023. Council direction on RFP wage and benefit requirements is critical to proceeding with the RFP. Following the RFP process, staff will bring forward a new contract for Council consideration in spring 2023.

Background

The City's current janitorial services contract expires on August 31, 2023. The contract was for a five-year term beginning in 2017, with six-month extensions approved by Council in June 2022^[1] and December 2022^[2]. Past janitorial contractors struggled to meet the City's contract performance standards. As part of the 2017 procurement, staff placed greater emphasis on meeting performance solutions and adequate staffing levels. As part of the 2017 RFP requirements and evaluation process, staff recognized that emphasis on characteristics such as paying a higher wage and provision of health care and paid time off benefits would support the goals of a more reliable and higher performing work force. The current contractor proposed the highest employee hourly wage, provided paid time off, and health and welfare benefits to their employees. Wages and benefits were included in the contract terms given their importance in determination of the successful bidder. The improvement from previous contractors has been dramatic. The contract custodial staffing has been well-managed by the current contractor, with a significantly improved employee retention rate. Staff receives infrequent to no complaints of service levels, a significant improvement from the daily complaints of missed or poor services experienced with prior service providers.

Discussion

An RFP to solicit responses for janitorial services has been drafted and is ready for issuance pending refinements as directed by the City Council as part of this item. The RFP retains key changes from the 2017 RFP model to eliminate past contractor performance issues and focus on quality and consistency of services by: requiring a minimum level of staffing, requiring a minimum level of management, and requiring a minimum cost for material and supplies to help contractors bid the job more accurately.

In addition to the continuation of 2017 RFP requirements, the current draft RFP specifies two new requirements:

1. Baseline wage and benefit requirements for the contract: This provides a degree of transparency in the proposers' cost structure, clarity of objectives, and hopefully ensures meeting goals of high retention rates as currently have been experienced.

2. Defines two proposed additional janitorial job classifications for a total of seven classifications: This provides higher wage requirements for more demanding or highly skilled work (see Table 1 below).

Wage requirements, referenced as 'City-determined Wages' in Table 1, are essentially a continuation of the wages required by the current contract. For example, the current contract hourly wage for the Custodian classification is \$17.39, while the hourly wage contemplated for the RFP is \$17.50. This figure could be adjusted higher based on CPI. This remains in compliance with the City's minimum wage effective January 1, 2023 of \$17.25 per hour.

Staff has also considered requiring proposers to include alternative pricing based on the California Public Utilities Code (PUC) prevailing wage for Janitor/Cleaner work in Santa Clara County (Attachment A). While the PUC prevailing wage requirements do not legally apply to the City's janitorial services, they can be used to define a standard for wages and benefits for this work in Santa Clara County, albeit only for the single job classification of Janitor/Cleaner.

Concurrently, Councilmember Burt and Vice Mayor Stone have submitted a Colleagues Memo on this topic. The Colleagues Memo recommends that the new janitorial contractor be required to provide PUC prevailing wages and benefits at a minimum and have employees covered by a collective bargaining agreement.

Table 1 provides a comparison of hourly wage options for the new janitorial RFP. The PUC prevailing wage is only defined for "Janitor/Cleaner", so it would apply to all of the custodian classifications that have been defined by the City. If Council directs that wages and benefits be based on the PUC prevailing wage, staff could also develop wage requirements for the classifications other than Custodian, using the PUC prevailing wage for Custodian as a basis. The hourly wage for Union janitorial employees where the wage must be equal to or greater than the PUC prevailing wage is not known, as it would be dependent on specific collective bargaining agreements. Consistent with the current contract, staff expects to include a proposed wage requirement of 3% annual wage increases over the five-year term, or to require increases in alignment with the PUC prevailing wage.

Table 1: Comparison of Janitorial Worker Hourly Wage Options Applicable in May 2023

Classification	City-determined Wages*	PUC Prevailing Wage	PUC + Union Wage
Custodian	\$17.50	\$20.00	\$20.00 or higher
Parking Garage Custodian	\$19.50	\$20.00	\$20.00 or higher
Parks Custodian	\$19.50	\$20.00	\$20.00 or higher
Utility Custodian	\$21.50	\$20.00	\$20.00 or higher
Lead Custodian	\$22.50	\$20.00	\$20.00 or higher
Police Department Custodian	\$25.50	\$20.00	\$20.00 or higher
Supervisor	\$30.50	n/a	unknown

*Classifications and wages developed by staff for the current draft RFP.

In addition to minimum hourly wages, the City's current contract and the PUC prevailing wage require benefits such as time off and healthcare plans. Table 2 compares the total wages and benefits, expressed as an hourly total, for the three potential RFP options. Similar to the hourly wages comparison in Table 1, the wages and benefits for the for Union janitorial employees where wages and benefits must be equal to or greater than the PUC prevailing wage is not known, as they would be dependent on specific collective bargaining agreements.

Table 2: Comparison of Janitorial Worker Custodian Classification Wages and Benefits Expressed on an Hourly Wage Basis Applicable in May 2023

May-23	City-determined Wages/Benefits	PUC Prevailing Wage/Benefits	PUC + Union Wage/Benefits
Hourly Staff Cost Wage	\$17.50	\$20.00	\$20.00 or higher
Sick & Vacation Benefits	\$0.34	\$0.81	\$0.81 or higher
	1-week PTO	5-10 days vacation, 3 days sick	5-10 days vacation, 3 days sick or more

Holiday	\$0	\$0.46	\$0.46 or higher
	no paid holidays	4 holidays	4 holidays or more
Health & Welfare	\$3.00*	\$8.25	\$8.25 or higher
		Only after 24 months of service	After 24 months of service or earlier
Pension	\$0	\$0.30	\$0.30 or higher
	401k optional		
Leadership & Education	\$0	\$0.09	\$0.09 or higher
	other training		
Other Payment	\$0	\$0.07	\$0.07 or higher
		Industry Investigation Fund	
Total Wage & Benefits	\$20.84	\$29.98	\$29.98 or higher
% Increase from “City-determined Wages/Benefits”	n/a	44%	44% or higher

* Estimated based on Health & Welfare benefits provided under current contract.

As demonstrated in Table 2, transitioning to PUC prevailing wages results in an estimated 44 percent increase in labor costs for the janitorial service provider. Transitioning to PUC prevailing wages as a minimum with Union representation results in an estimated minimum 44 percent increase, dependent on the terms of the collective bargaining agreement.

It is possible for staff to proceed with the RFP requesting alternative pricing for more than one level of required wage and benefits. However, should Council direct the RFP to require a collective bargaining agreement, staff would recommend this be stated as a proposal requirement as individual proposers would likely either meet this requirement or not.

Timeline

The current contract expires on August 31, 2023. Once staff receives Council direction on RFP wage and benefit requirements, staff will proceed with the RFP process, and will bring a new contract to Council for consideration in spring 2023.

Resource Impact

Funding for the current contract extended through August 31, 2023 (approximately \$2.5 million annually) was appropriated as part of the Fiscal Year 2023 Adopted Budget, with funding for July and August 2023 subject to the Council's appropriation of Fiscal Year 2024 funding. Based on input from Council regarding the wage and benefits requirements for the RFP, additional funding is expected to be needed and will be requested for appropriation when staff returns to Council to recommend contract award. Adjustments to the funding for this contract will also be recommended for alignment with the approved contract as part of the annual budget process for subsequent fiscal years, subject to the Council's appropriation of funding. Council may also question the comparison of the costs described above with an alternative of providing janitorial services with City employees. A preliminary review indicates that an in-house alternative would cost at least 40 percent higher than the highest cost alternative shown here.

Policy Implications

The City does not have a practice of including discretionary wage and benefit requirements in its solicitations for services. Council direction for this janitorial contract RFP may lead to the conclusion that other services should have similar requirements.

Stakeholder Engagement

Staff is seeking direction from Council on wage and benefits requirements for the new RFP, and will conduct industry outreach based on direction received.

Environmental Review

No environmental review is required.

^[1] City Council Staff Report June 2022 ID# 14161 https://www.cityofpaloalto.org/files/assets/public/public-works/facilities/sr-14161-amendment-to-extend-term-with-swa-services-group-inc_1.pdf

^[2] City Council Staff Report December 2022 ID#14820 <https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/reports/city-manager-reports-cmrs/2022/id.-14820-approval-of-amendment-no.-3-with-swa-services-group-inc.-swa.pdf>

ATTACHMENTS

Attachment A: Prevailing Wage Sheet

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