

Memorandum



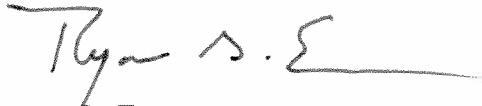
DATE June 11, 2010

TO Honorable Members of the Budget, Finance & Audit Committee: Jerry R. Allen, Chair; Ann Margolin, Vice Chair; Delia D. Jasso, Vonciel Jones Hill, David A. Neumann, Ron Natinsky

SUBJECT **Temporary Industrial Labor Contract for Sanitation Services**

Attached is the briefing requested on the topic of Temporary Industrial Labor Contract for Sanitation Services. This briefing will be presented by both Sanitation Services and Business Development and Procurement Services to the Budget, Finance & Audit Committee on Monday, June 14, 2010.

Please let me know if you need additional information.



Ryan S. Evans
First Assistant City Manager

Attachment

C: Honorable Mayor and Members of the City Council
Mary K. Suhm, City Manager
Deborah A. Watkins, City Secretary
Thomas P. Perkins, Jr., City Attorney
Craig D. Kinton, City Auditor
Judge C. Victor Lander, Administrative Judge
Jill A. Jordan, P.E., Assistant City Manager
A.C. Gonzalez, Assistant City Manager
Forest E. Turner, Assistant City Manager
Jeanne Chipperfield, Chief Financial Officer
Mary Nix, Director, Sanitation Services
Ade Williams, Director, Business Development & Procurement Services
Helena Stevens-Thompson, Assistant to the City Manager

Temporary Industrial Labor Contract for Sanitation Services

Briefing to the Budget,
Finance and Audit
Committee

June 14, 2010



Executive Summary

- Sanitation Services uses a temporary labor contract to supplement City staff of 468 employees with 190 contract positions daily
- Council to consider a new contract for temporary industrial labor on the June 23, 2010 agenda
- Seeking Committee recommendation to approve upcoming agenda item

Background

- Sanitation has long benefited from temporary labor contracts
 - Supplements permanent work force
 - Provides flexibility for seasonal needs and changing operations
 - Reduces cost-of-operations
 - Capitalizes on availability of a low-cost labor force
 - Cost savings passed on to rate payers

Background (cont'd)

- Day-Labor contracts used over past 13 years
- Normally set up as 36-month master agreements
- Four other contracts preceded current vendor
- Day-Labor source proven to be readily available through various economic climates

Background (cont'd)

- **Aug 2007:** Council discussed the concept of incorporating a wage minimum provision on city contracts
 - Fed. min. wage was **\$5.85/hr** at the time
- **Nov 2007:** Business Development and Procurement Services solicited a Day-Labor bid – with a “**city wage**” option
 - 1) Contract cost based on market rates (fed. min. wage)\$9,874,183
 - 2) Alternate bid based on a “**city wage**” of \$8.16/hr \$11,391,081
 - \$8.16/hr: City’s lowest part-time rate
- Alternate 2 increased the contract price by 15.4%
 - \$1,516,898 more than Alternate 1
- Council authorized Alternate 1 bid, based on market wages

Background (cont'd)

- May 7, 2008: briefing to full Council
 - Current wage provisions for City contracts
 - Addressed the four primary types of labor-related contracts
 - janitorial services
 - temporary labor
 - security services
 - construction projects
 - Discussed practices for each contract type to determine whether or not to consider a wage requirement above federal minimum wage
- Council directed the removal of all wage requirements (other than Federal minimum wage) and allowed for the market to establish the contractor's wages to employees

Current Temporary Labor Contract

- Began contract in March 2008 (CR#07-3488)
 - 36-month agreement for \$8,795,286
 - Amended in Feb 2010 to add funds of \$2.2M, due to fed. min. wage increases
 - Total contract amount is \$10,994,107
 - Sufficient funding to October 2010
- Pay rates changed over the contract term:

Contract period	City pays to Vendor:		Vendor pays to Laborer:		Fed. min. wage increases	Pay increase %	City-wide merit changes
	Reg	OT	Reg	OT			
03/01/08 to 07/23/08	\$7.59	\$11.38	\$ 5.85	\$ 8.78	-	-	-
07/24/08 to 07/23/09	\$8.29	\$12.44	\$ 6.55	\$ 9.83	\$0.70	12%	0%
07/24/09 to 07/23/10	\$8.99	\$12.44	\$ 7.25	\$10.88	\$0.70	11%	0%

Note: Day laborers pay increased 23% over past two years, while citywide merits were suspended.

Current Temporary Labor Contract

- Current contract will consume funds by Oct 2010
- Transition to next vendor requires time to:
 - Set up insurance, bonding, training
 - Rehire current work force, supplement with new staff
 - Establish employee timekeeping practices, check dispersal, scheduling and invoicing methodologies
 - Acquire and install any necessary equipment (i.e., time clocks)
 - Coordinate hand-off of service from current vendor to new vendor without loss of service
- Contract transition: 4 to 6 weeks

Proposed Temporary Labor Contract: *Specifications*

- Company Min. Experience Requirements
 - 3 years experience providing labor to organizations of 600 or more staff
 - 2 years experience placing temporaries in public sector jurisdictions
- Summary of Contract Requirements
 - Meet all state and federal rules and regulations
 - Pay all contract employees at least the federal minimum wage for all hours up to 40 per week
 - Requires overtime pay of “time and a half” for all hours over 40 per week
 - Vendor can pass along increases from any federal minimum wage hikes during the life of the contract
 - All temporary employees must be at least 18 years old
 - Provide employees that are physically able to work, dressed appropriately and safely outfitted, and who are trained properly to perform labor related activities

Proposed Temporary Labor Contract: *Specifications, cont.*

- Provide safety equipment “as needed”, such as:
 - High visibility safety vest
 - Eye protection and/or splash proof goggles
 - Hearing protection
 - Respiration devices (such as 3M brand 8210 or equal)
 - Hard hats
 - Leather gloves
 - Rain suits (pants and coat w/hood)
 - Back braces
 - Disposable neoprene gloves (chemical resistant) for the landfill and environmental spill team crews, in addition to the gloves listed above
 - Any additional personal protection supplies needed

City Protections

- Vendor must maintain insurance coverage for the contract term:
 - Workers Compensation
 - \$500,000 per accident, policy aggregate \$500,000
 - Commercial General Liability Insurance
 - \$500,000 per occurrence, \$1,000,000 general aggregate
 - Business Automobile Liability Insurance
 - \$500,000 per occurrence
- Vendor must provide a 25% Payment-and-Performance bond prior to commencing service
- Contract includes a “termination for convenience” clause, giving ten days notification to the vendor

Procurement Process

- **March 11 & 18, 2010:** Request-for-Bids advertised
 - Also, 565 electronic notices were sent by the City's web-based procurement system, as part of the vendor notification process
 - And notifications were sent by the Business Development and Procurement Services' ResourceLINK Team (RLT) to 25 chambers of commerce, and 2 advocacy groups (DFW Minority Business Council and Women's Business Council – Southwest)
- **March 25, 2010:** Pre-Bid conference
 - 28 companies represented
 - 8 of those attending submitted a bid
- **April 22, 2010:** Bids closed
- **April 23, 2010:** Bids opened and read publicly

Temporary Labor Bids

- Of 8 bids, *All Temps1 Personnel* is lowest responsive bidder

Company Name	Hourly City Bill Rate	Total Bid Amount
All Temps1 Personnel	\$9.72	\$11,264,012
Results Staffing	\$10.72	\$12,422,861
Labor Ready Central	\$10.85	\$12,666,219
CTJ Maintenance, Inc.	\$11.73	\$13,593,298
Express Employment Prof.	\$12.78	\$14,810,090
AmeriTemps		Non-responsive**
Lift Rising		Non-responsive*
Tolman Building Maint., Inc.		Non-responsive*

- 8.12% increase over the previous contract

** AmeriTemps was deemed non-responsive for not submitting required bid security.

* Both bids from Lift Rising and Tolman Building were deemed non-responsive for not meeting specifications.

Low bidder: *All Temps1 Personnel*

- City staff reviewed the bid from ***All Temps*** to ensure compliance with all bid specifications including required experience, compliance with the City's Business Inclusion and Development policy and the required insurance affidavit
 - ***All Temps*** is a M/WBE certified company through North Central Texas Regional Certification Agency and will sub-contract 23.8% of the contract with a certified M/WBE company, TBey and Associates
 - ***All Temps*** is a Dallas-based vendor
 - Recommended contract award will be 100% M/WBE
- City staff met with ***All Temps*** to ensure a clear understanding of the contract terms

Low bidder: *All Temps1 Personnel*

Experience

- **All Temps** has demonstrated experience and has provided City-verified references for the following:
 - Standard Parking (D/FW Airport) -- from 2007 – Present
 - Contract Amount - \$5,000,000
 - Bus drivers (requires commercial drivers licenses)
 - City of Houston --- from 1999 – 2007
 - Contract Amount - \$400,000
 - Clerical and general labor
 - Bombardier Transportation --- from 2005 – Present
 - Contract Amount - \$5,000,000
 - Train recovery and warehouse staffing
 - University of Texas at Dallas --- from 2005 – Present
 - Contract Amount - \$125,000
 - Clerical and accounting staff

Low bidder: *All Temps1 Personnel*

Employee Benefits

- ***All Temps*** offers the following additional benefits not required in the City's specifications
 - Employee evaluation at 90 days with opportunity for up to 2% pay increase
 - Employee and family health benefits available at employee cost, immediately upon hire
 - Six paid holidays per year, following completion of 1,500 hours worked
 - 40 hours of vacation pay, following completion of 1,500 hours worked
 - Referral bonus to contract employees who refer candidates who are hired by ***All Temps***
 - Employee direct deposit
- None of the above are provided in the current Day Labor contract

Recommendation

- Day Labor provides an efficient and effective means to meet the daily service needs for Sanitation. This practice should be continued.
- Award the Temporary Industrial Labor contract on council agenda of June 23, 2010
- Request support of the committee members to the agenda item

APPENDIX: Wage Option Considerations

	Current Vendor ¹	Proposed Vendor ² (All Temps 1)	Living Wage (single) ³	Living Wage (couple) ³	City Laborer II ⁴
Pay Rate to Vendor					
Regular	\$8.99	\$9.72	\$11.35	\$15.97	\$14.78
Overtime	\$13.49	\$14.58	\$17.03	\$23.96	\$22.17
Pay Rate to Laborer					
Regular	\$7.25	\$7.25	\$8.88	\$13.50	\$11.25
Overtime	\$10.88	\$10.88	\$13.32	\$20.25	\$16.88
Annual Cost to City					
Reg Hours	\$3,639,007	\$4,432,514	\$5,175,827	\$7,282,639	\$6,739,976
OT Hours	\$406,820	\$679,428	\$793,365	\$1,116,303	\$1,033,122
Total	\$4,045,828	\$5,111,942	\$5,969,192	\$8,398,942	\$7,773,098
Difference from proposed vendor	na	-	\$857,250	\$3,287,000	\$2,661,155
SAN Fee impact:					
			\$0.30	\$1.15	\$1.01

See next page for footnotes to this chart

APPENDIX: Wage Option Considerations

Notes:

- 1) Current vendor's contract expires in Oct 2010. All values shown reflect current year projections through Sept 2010.
- 2) Proposed vendor figures assume a uniform pay rate throughout FY11, starting in Oct 2010. Proposed vendor may begin contract work as early as July 2010.
- 3) Living wage values are based on *living wage calculations* for Dallas County area*. Pay rates to "living wage" vendor under the "living wage scenarios" reflect the application of the All Temps1 overhead cost of \$2.47/hour.
- 4) City Laborer option is based on:
 - a) employing an equal number of permanent city Laborer II positions for each of the current vendor's Day Laborer positions;
 - b) assumes a fully-burdened city overhead cost;
 - c) does NOT include hidden costs of: hiring and replacing laborers with high turnover rate; training costs, probable increases in workers compensation premiums.

* *Living Wage* calculator from the 2010 Pennsylvania State University study and website on "Poverty in America," Dr. Amy Glasmeier, <http://www.livingwage.geog.psu.edu/>