



REPORT TO COUNCIL

City of Sacramento

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915 I Street, Sacramento, CA 95814-2604
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Staff Report
November 21, 2006

**Honorable Mayor and
Members of the City Council**

Title: Prevailing Wage Rates: Establish Prevailing Wage Rates and Suspend Competitive Bidding for Interim Janitorial Services.

Location/Council District: All

Recommendation: Adopt a Resolution: 1) Authorizing the City Manager to establish prevailing wage rates for three occupational specialties; 2) Suspending competitive bidding for the Janitorial Services contract to extend existing services, and award two 90 day agreements (from January 1, 2007 to March 31, 2007) to existing service providers of janitorial services; and 3) Authorizing execution of two 90 day agreements (from January 1, 2007 to March 31, 2007) with existing service providers of janitorial services at existing agreement rates.

Contact: Craig Lymus, Program Specialist

Presenters: Gus Vina, Assistant City Manager

Department: Finance

Division: Procurement

Organization No: 1181

Description/Analysis

Issue: In accordance with City Code Chapter 3.56.070, *Prevailing Wage for Certain Services*, the City Manager is authorized to establish the general prevailing wage rate required in City contracts for laundry, janitorial, and window washing services. New prevailing wage rates are required at this time for upcoming bids and contracts.

This staff report recommends that the Mayor and City Council authorize the City Manager to establish the following proposed prevailing wage rates for the following occupational specialties:

- **Janitorial Service** \$11.83 per hr.
- **Window Washing** \$13.49 per hr.
- **Laundry Service** \$11.50 per hr.

The current janitorial services contract will expire on December 31, 2006. The

window washing and laundry service contracts will expire in 2007. Both of these contracts will require rebidding. The prevailing wage rate must be established 120 days prior to the award of the contract in accordance with the City Code 3.56.070. To provide adequate time to issue and award a bid implementing the proposed rates, staff is recommending that the Mayor and City Council authorize the execution of 90 day agreements from January 1, 2007 to March 31, 2007 with the existing janitorial services providers. These interim agreements will exceed the City Manager’s authority of \$100,000 for agreements. Therefore, staff recommends suspension of competitive bidding for janitorial services contracts to ensure the continuation of these services.

Policy Considerations: The staff recommendation is consistent with City Code Chapter 3.56.070, which requires the City to pay a prevailing wage to employees under City contracts engaged in laundry, janitorial, and window washing services. Staff considered the following criteria in development of the proposed prevailing wage rates: fairness, fiscal responsibility, cost effectiveness, and consistency with the intent of the prevailing wage ordinance.

Additionally, City Code (Chapter 3.56) authorizes the suspension of competitive bidding when it is in the best interest of the City. This action requires a two-thirds (2/3) vote.

Environmental Considerations: None

Rationale for Recommendation: In May 2006, the Procurement Services Division conducted a survey of local prevailing wage rates for laundry, janitorial, and window washing services using information obtained from similar contract and wage rates used by the State of California Department of General Services (DGS), the State of California Department of Industrial Relations (DIR) and the Sacramento Housing and Redevelopment Agency (SHRA).

In September 2006, the City’s Department of Human Resources conducted an expanded survey of the Sacramento area laundry, janitorial, and window washing services wage rates. The agencies surveyed included Sacramento County (SC), the State of California, the Departments of General Services (DGS) and Employment Development (EDD), and the Economic Research Institute (EIT).

Based on the data collected, staff recommends that the City’s prevailing wage rates for janitorial, window washing and laundry services be established as follows:

- **Janitorial Service** \$11.83 per hr.
- **Window Washing** \$13.49 per hr.
- **Laundry Service** \$11.50 per hr.

The average of the rates from both surveys exceeds the current City of Sacramento Living Wage (without benefits) rate of \$11.17 per hour and the 2007

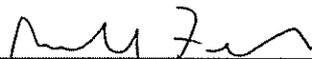
projected minimum rate of \$11.50. The rate for window washing services is higher than janitorial and laundry services due to the nature and inherent risk associated with this work.

In accordance with the City Code 3.56.070, the prevailing wage rate must be established 120 days prior to the award of the contract. The current Janitorial Services contracts will expire December 31, 2006. Staff is requesting that the Mayor and City Council authorize the suspension of competitive bidding for janitorial services contracts and authorize staff to execute 90 day interim agreements (from January 1, 2007 to March 31, 2007) with the existing janitorial services providers. This will allow sufficient time to bid the new contracts after March 31, 2007 using the new prevailing wage rate.

Financial Considerations: Increasing the City's prevailing wage rate for laundry, janitorial, and window washing services will result in estimated increased annual contract costs of \$ 317,351. The cost to execute interim agreements with the existing janitorial service providers at the current agreement rate will be approximately \$189,000. These services are paid from existing department operating budgets. Staff is recommending that future multi-year janitorial, window washing and laundry service contracts include a "wage escalator" clause based on the State of California Department of Industrial Relations (DIR) periodic increases in order to compensate employees for periodic cost of living increases.

Emerging Small Business Development (ESBD): None

Respectfully Submitted by: 
Christopher Stewart, Procurement Manager

Approved by: 
Russell Fehr, Finance Director

Recommendation Approved:


Ray Kerridge
City Manager

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Background

The requirement for a City prevailing wage rate is established in City Code Chapter 3.56.070, *Prevailing Wages for Certain Services*, Ordinance No. 81-003 (January 20, 1981). The City Manager is authorized to establish the general prevailing wage rate in City contracts for laundry, janitorial, and window washing services prior to issuing the bid for these services. This requirement was established to ensure that employees of laundry, janitorial, and window washing services providers are paid a fair wage based on survey information from the Sacramento area. If wage rates are not adjusted periodically, employees of these service providers under City contracts will not be able to maintain an adequate standard of living.

The City Manager is authorized to approve the prevailing wage rate prior to the issuance of bids for these services. In past years, the Procurement Services Division has conducted this required survey to establish the prevailing wage rate. In September 2006, the Human Resources Department assisted the Procurement Services Division with the wage rate survey. Procurement Services will continue to work with the Human Resources Department to ensure reliable and valid survey results.

The combined Procurement Services and Human Resource Department Prevailing Wage rate survey results are as follows:

Prevailing Wage (PW) Contract Costs and Projected Increases

Contract	Current Contract Annual Value	Current PW	Proposed PW	PW % Increase	Est Annual Value with new Rates	Est Annual Cost with new rates
<u>Janitorial</u>						
Pride Ind	\$425,000	\$9.88	\$11.83	19.74%	\$508,895	\$83,895
UBS	\$325,000	\$9.88	\$11.83	19.74%	\$389,155	\$64,155
Western	\$23,000	\$11.07	\$11.83	6.87%	\$24,579	\$1,579
<u>Windows</u>						
Highrise	\$31,140	\$12.00	\$13.49	12.41%	\$35,004	\$3,864
<u>Uniforms</u>						
Mission	\$450,000	\$8.43	\$11.50	36.42%	\$613,890	\$163,890
Totals	\$1,254,140				\$1,571,491	\$317,351

The survey data was collected from Sacramento area agencies including the State of California Department of General Services, the Department of Industrial Relations and Employment Development, the County of Sacramento, the Sacramento Housing and Redevelopment Agency, and the Economic Research Institute. The results were averaged and adjusted to equal or exceed the projected 2007 Living Wage rate of \$11.50 without benefits, and to account for the existing percentage differential of the occupational specialties.

RESOLUTION NO.

Adopted by the Sacramento City Council

Recommendation for Establishing New City Prevailing Wage Rates

BACKGROUND

- A. The requirement for a City prevailing wage rate is established in City Code Chapter 3.56.070, *Prevailing Wages for Certain Services*, Ordinance No. 81-003 (January 20, 1981).
- B. The City Manager is authorized to establish the general prevailing wage rate in City contracts for laundry, janitorial, and window washing services prior to issuance of the bid for these services.
- C. This requirement was established to ensure that employees of laundry, janitorial, and window washing services providers are paid a fair wage based on survey information from the Sacramento area.
- D. The proposed rates are based on an analysis of rates of comparable local and state government agencies.
- E. Current Janitorial Services contracts will expire December 31, 2006. At that time, the contracts will have run their full five year terms.
- F. In the best interests of the City, competitive bidding is suspended to allow time to issue and award a bid for janitorial services incorporating the new prevailing wage rate. In the interim, two 90 day agreements with existing providers will be executed to ensure that janitorial services are uninterrupted.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

- Section 1. The City Manager is hereby authorized to establish the prevailing wage rate of \$11.83 per hour for Janitorial Services.
- Section 2. The City Manager is hereby authorized to establish the prevailing wage rate of \$13.49 per hour for Window Washing Services.
- Section 3. The City Manager is hereby authorized to establish the prevailing wage rate of \$11.50 per hour for Laundry Services.
- Section 4. In the best interests of the City, competitive bidding is hereby suspended for the purchase of janitorial services.

- Section 5. An agreement for janitorial services is awarded to Pride Services with a term of 90 days (on the same terms as Bid No. 1858B) in an amount not to exceed \$107,000. The City Manager is hereby authorized to execute an agreement with Pride Services for janitorial services with a term of 90 days (on the same terms as Bid No. 1858B) in an amount not to exceed \$107,000.
- Section 6. An agreement for janitorial services is awarded to Universal Building Services with a term of 90 days (on the same terms as Bid No. 1858A) in an amount not to exceed \$82,000. The City Manager is hereby authorized to execute an agreement with Universal Building Services for janitorial services with a term of 90 days (on the same terms as Bid No. 1858A) in an amount not to exceed \$82,000.
- Section 7. Future multi-year janitorial, window washing and laundry service contracts will include a "wage escalator" clause based on the State of California Department of Industrial Relations (DIR) periodic increases in order to compensate employees for periodic cost of living increases.

