

Late Backup

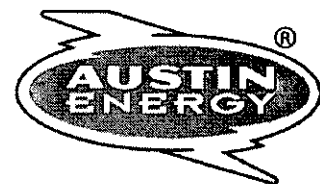
Item #57  
Revised

# Austin Energy Janitorial Services Contract Report

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Contract versus City Source

March 20, 2012



## **Executive Summary**

On March 1, 2012, a Recommendation for Council Action was submitted to Austin City Council to authorize the award, negotiation and execution of a 24-month requirements service contract with American Facility Services (AFS) to provide janitorial services at various Austin Energy locations in an estimated amount not to exceed \$1,057,024, with three 12-month extension options not to exceed \$2,959,667.

The proposed contract is comprised of two packages: Package "A" which includes Town Lake Center, Kramer Lane C, D and E, St. Elmo Service Center, Energy Control Center, Back-up Control Center and the Customer Care Walk-In Branch; and Package "B" which includes the Combined Transportation and Emergency Communication Center (CTECC). Package "B" takes into account that Austin Energy shares space in the CTECC with other state and county agencies and as such is responsible for only a portion of the cost of janitorial service. The contract will provide janitorial services including labor, supervision, supplies and equipment.

Before approval for the full contract would be exercised, Council requested that Austin Energy (AE) explore available options with respect to how janitorial services are provided to its facilities. Specifically, Austin Energy staff was directed to review whether the City of Austin's Building Services Department (BSD) would be a viable alternative to using a contractor for Austin Energy's janitorial needs. To meet Council's directive, the Building Services Department (BSD) conducted an audit of Austin Energy facilities. The purpose of which was to determine scope and cost if BSD were to be a competitive alternative to AFS for providing janitorial services.

Based upon our analysis, we have determined that American Facility Services is the best option for providing janitorial services to Austin Energy facilities due to its lower cost to the City as well as its ability to provide services without delay in ramping up staff and on-boarding. Our analysis also found that being a City employee offers the best benefit options for the employee. However, it comes at a significant cost to the City. On a competitive bid basis, contracting with AFS will save the City approximately \$1.3 million over 5 years.

## **Background**

Austin Energy has used a contractor to provide janitorial services for its locations for the past 18 years. American Facility Services has been the contractor for the past five years. The contract with AFS expired on February 28<sup>th</sup>, 2012 and has been extended until March 31<sup>st</sup>, 2012 pending Council approval of renewal. The proposed contract has a Package "A" for AE Facilities Management (FM) and a Package "B" for the CTECC. It also includes funding for future services at the power and chiller plants. Currently, services for these locations are on a separate contract which expires in December 2012. Upon expiration, Austin Energy intends to combine the two existing contracts. Consequently, the RCA includes a request for contract authorization estimated at \$80,000 annually for these two plant locations and any other potential facilities which may require these services in the future.

Table 1

Summary of AFS Janitorial Services Contract - 5 year Term		
Package "A"	\$ 341,232	
Package "B"	\$ 107,280	
Power/Chiller Plant	\$ 80,000	
<b>Total Base Cost:</b>	<b>\$ 528,512</b>	
Original 24-mo term	\$1,057,024	
Base year + 10%	\$ 581,363	1 <sup>st</sup> extension option
Base year + 20%	\$ 634,214	2 <sup>nd</sup> extension option
Base year + 30%	\$ 687,066	3 <sup>rd</sup> extension option
<b>Total Contract Cost</b>	<b>\$2,959,667</b>	

As shown in Table 1, the cost for the base year and second year remains the same at \$528,512 each for a total of \$1,057,024 for the first 24 months. The total 5-year contract cost is \$2,959,667, which includes a 10% contract escalation for each of the three extensions. This total is the not-to-exceed cost reflected in the RCA prepared for authorization.

Upon consideration of contract approval, the question was raised as to why a contract of this dollar amount would be designated a "No-Goals" MBE contract. The Small & Minority Business Resources (SMBR) Department reviews City Procurements above the City Manager's spending authority in order to determine the appropriate goal setting for the City projects. These assessments are determined by reviewing the project's specifications to identify potential scopes of work, estimated dollar value and MBE/WBE availability. Historically, janitorial services contracts do not provide sufficient subcontracting opportunities that would allow for MBE/WBE goal setting. Janitorial services are estimated at 100% of the primary scope of work required on City contracts. Based on these findings, SMBR determined that setting no goals is feasible for this janitorial service contract. Consequently, the proposed contract is designated a "No-Goals" MBE contract as per the AE Purchasing Department.

### Scope of Services

Table 2 below shows a comparison of service offerings for American Facility Services versus the Building Services Department. The proposed AFS contract would employ 17 workers and include all required transportation, equipment, cleaning and paper products. The service periods per campus are intended to meet each location's specific service level requirement. In most cases, normal janitorial work hours are 7 am - 4 pm. However, certain locations require adjusted work schedules due to extenuating factors,

such as public access or meetings. AFS is able to meet these additional scheduling requirements without additional cost per the terms of the contract.

**Table 2**

<b>Scope of Work Items</b>	<b>Contract (AFS)</b>	<b>City of Austin (BSD)</b>
Daily cleaning	✓	✓
Building Waste Stream Management	✓	✓
Single Stream Recycling	✓	✓
Monitor volume of recycling and land fill waste	AE	✓
Promotion of recycling and waste reduction programs	AE	✓
Reduction in plastic bag liners to landfill	*	✓
All employees trained with <u>Green Seal 42</u> certification	✓	✓
All cleaning products <u>Green Seal 37</u> certified	✓	✓
Walk-off mat cleaning and placing	✓	✓
Minor plumbing repairs and Re-lamping	AE	✓
Flexibility for special projects and emergency response	✓	✓
After-hours cleaning of TLC Call Center	✓night	✓day
After-hours cleaning of service centers at Kramer and St. Elmo	✓night	✓day
Assembly and meeting room set-up (i.e. monthly EUC meetings)	✓	

✓ - Item is provided

AE - Item is provided by AE Facilities

\* Adheres to City policy

As an entity of the City of Austin, the Building Services Department is internally staffed and fully equipped with transportation, equipment, cleaning and paper products. Normal janitorial hours are 6 am – 3 pm. Under a BSD driven scenario, 12.5 employees would be utilized to provide janitorial service during these hours. Accommodating the same hours provided by AFS would entail additional labor costs and possibly overtime. However, according to BSD, a change in operational hours would be unnecessary as they are able to provide the same level of service as AFS under their own scheduling model.

Both American Facility Services as well as BSD meet all City requirements for sustainability and environmentally responsible product use.

## Cost of Service

The Building Services Department conducted an assessment of AE facilities. The purpose of these site visits was to determine scope and cost if BSD were to bid competitively for janitorial duties of all AE facilities instead of using the proposed contractor. The five-year estimated cost to provide janitorial services to the Package "A" and Package "B" sites listed previously, in addition to the pending plant locations, is outlined in Table 3 below. As shown, the cost of labor and benefits for 17 AFS employees is significantly lower than the cost for 12.5 employees provided by BSD. Total cost for American Facility Services is approximately \$2.9 million versus \$4.2 million for BSD, a savings of nearly \$1.3 million over five years.

**Table 3**

Cost Items (Package A and B)	Contract (AFS)	City of Austin (BSD)
Number of employees required to support work load	17	12.5
Cost of labor and benefits	\$376,512	\$606,510
Cost of materials and supplies	\$72,000	\$82,851
Capital costs (one time cost during first year)	\$0	\$25,000
Operations/Maintenance costs for vehicle	\$0	\$2,300
Cost for Facility Addition (AE Power Plant)	\$80,000	*\$80,000
Cost for first year (includes one-time capital)	\$528,512	\$796,662
Cost for second year	\$528,512	\$804,281
Cost for third year	\$581,363	\$842,304
Cost for fourth year	\$634,214	\$882,863
Cost for fifth year	\$687,066	\$926,175
<b>Total Five Year Cost</b>	<b>\$2,959,667</b>	<b>\$4,252,284</b>
<b>Cost Differential</b> (between Contract and BSD scenarios)		<b>\$1,292,617</b>

\* Estimated BSD cost for the additional scope

## **Benefits and Compensation**

What drives the difference in cost between AFS and BSD is labor and benefits. Our findings indicate that the cost of labor is lower for AFS than BSD; however, benefits can differ significantly.

AFS and the City of Austin's BSD both offer employee benefits such as social security, workers compensation and Medicare as mandated by law. The City of Austin, however, provides a variety of competitive benefits to their employees that include: health insurance, life insurance and retirement at a reasonable cost. AFS also offers health care insurance, but the premium is paid by the employee. In most cases, employees do not elect to enroll in health insurance coverage with their company because of the cost. In comparison, health insurance is provided at no cost for the City of Austin employee. However, while benefits are more cost effective for the City employee versus AFS, the cost of these benefits are more expensive for the City. For the City employee making \$23,192 a year (a salary aligned with COA living wage initiative of \$11.15 an hour), the cost to the City for providing a benefits package totals \$7,055 annually per employee.

## **Findings**

There is a significant savings associated with using the proposed contract for custodial services. Over the 5-year term of the proposed contract period, it would cost \$1.3 million more to utilize the Building Services Department. The additional cost associated with the BSD proposal is due to higher labor and benefits costs. Furthermore, Austin Energy understands that BSD would require six months to staff, train and equip adequately to meet this additional workload. This would mean that at a minimum, AE would have to extend the existing janitorial contract six months while BSD mobilizes.

## **Recommendation**

Due to the higher cost involved and the lag-time required by BSD to mobilize, AE recommends that Council approve the proposed contract with American Facility Services.

## PACKAGE A

YEAR 1		Based on Avg. Rate of BSD staff			2012 Costs Only						
Job Title		Annual Salary	# of new FTEs	Total Salary	6.2% FICA	1.45% Medicare	8% Retirement	\$11,263 Insurance	Total w/benefits	# of pp's	Required
Tlc	Building & Grounds Asst	27,539	4.00	110,156	6,830	1,597	8,812	45,052	172,447	26	172,447
Tlc	Building & Grounds Lead	31,400	1.00	31,400	1,947	455	2,512	11,263	47,577	26	47,577
Kramer C&D	Building & Grounds Asst.	27,539	1.00	27,539	1,707	399	2,203	11,263	43,112	26	43,112
St. Elmo	Building & Grounds Asst	27,539	2.00	55,078	3,415	799	4,406	22,526	86,224	26	86,224
Kramer E	Building & Grounds Asst.	27,539	1.00	27,539	1,707	399	2,203	11,263	43,112	26	43,112
CC Walk-In	Building & Grounds Asst	27,539	0.00	0	0	0	0	0	0	26	0
ECC	Building & Grounds Asst	27,539	0.00	0	0	0	0	0	0	26	0
BUCC	Building & Grounds Asst.	27,539	0.00	0	0	0	0	0	0	26	0
	Building & Grounds Supervisor	37,098	1.00	37,098	2,300	538	2,968	11,263	54,166	26	54,166
Totals		261,271	10.00	288,810	17,906	4,188	23,105	112,630	446,638		446,638
Custodial Supplies/Equipment											58,871 15% of B&G Asst./lead Labor
Vehicle				Previous				Previous			25,000
Total				Salary	FICA	Medicare	Retirement	Insurance	Total		\$530,509
				plus 3%	6.2%	1.45%	8%	plus 10%	w/benefits		
YEAR 2	Labor Total		10.00	288,810	17,906	4,188	23,105	123,893	457,901		
	Custodial Supplies/Equipment								68,685	15% of B&G Asst./lead Labor	
	Vehicle Operations and Maintenance Cost								2,300		\$528,886
YEAR 3	Labor Total		10.00	297,474	18,443	4,313	23,798	136,282	480,311		
	Custodial Supplies/Equipment								72,047	15% of B&G Asst./lead Labor	
	Vehicle Operations and Maintenance Cost								2,300		\$554,657
YEAR 4	Labor Total		10.00	306,398	18,997	4,443	24,512	149,911	504,260		
	Custodial Supplies/Equipment								75,639	15% of B&G Asst./lead Labor	
	Vehicle Operations and Maintenance Cost								2,300		\$582,199
YEAR 5	Labor Total		10.00	315,590	19,567	4,576	25,247	164,902	529,881		
	Custodial Supplies/Equipment								79,482	15% of B&G Asst./lead Labor	
	Vehicle Operations and Maintenance Cost								2,300		\$611,664