



**PUBLIC WORKS DEPARTMENT**

CITY HALL

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**CITY COUNCIL STAFF REPORT**

Meeting: January 24, 2017

Subject

2015 Contractual Janitorial Services – Project No. 2015-23, contract amendment.

Recommended Action

Staff recommends Council take the following actions:

1. Authorize the City Manager to execute an amendment (Attachment A) to the current janitorial services contract to provide for increased contractor compensation due to the adoption of City's Minimum Wage Ordinance (Ordinance No. 2151); and
2. Adopt Draft Resolution amending approved FY 16/17 Operating Budget by an additional amount of \$35,000 for janitorial services (Attachment B).

Discussion

On June 16, 2015, at the conclusion of a formal bidding process, Council authorized a contract award to IMPEC Group, Inc. (Contractor), for janitorial services. The term of the awarded contract was for three years, with an option to extend the term year to year for up to five years total. The schedule of bid prices for the awarded contract was itemized among scopes of work for twenty various City facilities. The bid prices for these various City facilities were lump sum and inclusive of all labor and materials necessary to complete the janitorial services specified in the contract. Due to the routine and reoccurring nature of janitorial work, prevailing wage requirements do not apply to this awarded contract.

In 2015, when these services were subject to the formal bidding process, the applicable minimum wage was \$9 per hour and scheduled to become \$10 per hour beginning January 2016. Subsequently, the State of California has authorized legislation to increase the minimum wage to \$10.50 per hour beginning January 2017 and \$11 per hour beginning January 2018. With adoption of the City's Minimum Wage Ordinance No. 2151, this wage in Cupertino is now scheduled to increase to \$12 per hour beginning January 2017, \$13.50 per hour beginning January 2018 and \$15.00 per hour beginning January 2019. Per the terms of the awarded contract, IMPEC Group, Inc. may request a change in

compensation due to unforeseen factors not caused by their negligence. The scheduled increases in minimum wage applicable to employers within Cupertino qualifies for a change in Contractor compensation.

The Contractor has submitted a request for increased compensation of \$35,000 for the time period of January 1 through June 30, 2017 due to the increase in minimum wage to \$12 per hour. For the remaining term of the three year agreement (July 1, 2017 through June 30, 2018), the contractor has requested an additional \$93,000 annually. The current contract provides for a consumer price index (CPI) change in compensation beginning the third year of the agreement. The \$93,000 amount includes increased compensation for the minimum wage increasing to \$13.50 on January 1, 2018 and for a 3% CPI adjustment.

Per the 1996 lease agreement between the City and County of Santa Clara, the City is reimbursed for all janitorial costs associated with the library. Staff has advised the County that these costs are anticipated to increase. In FY16/17 the reimbursement amount will be approximately \$193,000.

Staff has evaluated this request with the observed Contractor staffing levels at each facility and recommends that an amendment to the contract be authorized to increase Contractor compensation for the remaining term of contract through June 2018. Similar to the original contract, the amendment provides the City the option to extend the contract on a year to year basis beyond 2018.

#### Sustainability Impact

No sustainability impact.

#### Fiscal Impact

In the FY16/17 operating budget, approximately \$593,000 was budgeted for janitorial services. With the increase recommended in calendar year 2017, an additional \$35,000 is needed in the various FY16/17 operating accounts that fund janitorial services. The FY17/18 operating budget will include a request to fund janitorial services for approximately \$720,373.

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Prepared by: Roger Lee, Assistant Director of Public Works

Reviewed by: Timm Borden, Director of Public Works

Approved for Submission by: David Brandt, City Manager

Attachments:

A - Draft Amendment

B – Draft Resolution to amend FY 16/17 Operating Budget