



AGENDA REPORT

Meeting Date: April 7, 2015
Item Number: E-11
To: Honorable Mayor & City Council
From: Chad Lynn, Assistant Director of Public Works Services
Daniel E. Cartagena, Senior Management Analyst
Subject: AMENDMENT NO. 1 TO AN AGREEMENT BETWEEN THE CITY OF BEVERLY HILLS AND ABLE BUILDING MAINTENANCE CO. FOR CUSTODIAL MAINTENANCE SERVICES
Attachments: 1. Agreement

RECOMMENDATION

Staff recommends that the City Council approve Amendment No. 1 to the agreement between the City of Beverly Hills and ABLE Building Maintenance Company ("ABLE") for custodial maintenance.

INTRODUCTION

The City provides building maintenance services to 70 buildings and structures with a total area of 3,200,000 sq. ft. The City contracts with ABLE to provide custodial maintenance service to 41 of the City's public buildings, park facilities, parking structures and City's commercial buildings.

In 2010, after a competitive selection process, the City of Beverly Hills entered into an agreement with ABLE to provide janitorial maintenance services and supplies to these buildings and structures. The City's agreement outlines the services that are provided on a daily, weekly, monthly, bi-monthly, annual and bi-annual basis with some work performed seven days a week. Highlights of the services ABLE provides are:

- Day Porters Service at public building, commercial lease buildings and park facilities
 - Responsible for the daily, weekly and monthly general cleaning and restocking of supplies to buildings
- Vacuuming of carpet
- Sweeping & mopping of floors
- Removing trash and dusting offices
- Annual Carpet Cleaning
- Annual window washing - Interior and exterior windows

- Day Porter Service at parking structures
 - Responsible for the daily, weekly and monthly general cleaning and restocking of supplies to Parking Structures
 - Walkways and stairwells
 - Elevator lobbies
 - Garage Power Sweeping
 - Cleaning of bathrooms in structures

The term of the existing agreement (# 340-10) is one (1) year with four, one (1) year options. The City has exercised all of the (1) year optional extensions and the agreement will expire on June 30, 2015. Based on the satisfactory performance of the current vendor and concerns related to the stability of the current marketplace, including the costs associated with health and welfare, negotiations and renewal of private sector employee collective bargaining agreements, the state's minimum wage increases and the regional considerations related to living wage legislation, staff is proposing an extension of the current agreement until there is more stability in the marketplace to bid and award a new long-term agreement.

DISCUSSION

Over the next 18 months the building maintenance industry will be addressing issues that have direct impacts related to labor costs. In discussions with potential bidders, it has been communicated to the City that agreements longer than two years represent uncertainty and risk for vendors bidding long-term agreements.

In January 2015, the state's minimum wage was increased to \$9.00 per hour. A second increase is scheduled to take place in January 2016 to \$10.00 per hour. Based on the current average hourly rate of employees under this agreement, the recent increase to the minimum wage does not have an immediate impact on its labor costs. Regionally, there are discussions of living wage legislation that consider moving wage from \$9.00/\$10.00 per hour to \$15.25 by 2019, which would have direct impacts on the hourly rates of employees under this agreement. Furthermore, there is concern that negotiations related to the renewal of the collective bargaining agreements within the industry will consider preservation of the "premium gap" between the current minimum wage, the proposed living wages and the current compensation negotiated through collective bargaining agreements for the industry.

On February 12, 2015, staff presented the market considerations and a proposal to extend the current agreement to the City Council/Public Works Liaison Committee (which included Councilmembers Brien and Mirisch). Limited information was available at the time with respect to the vendor's potential proposal, however, the committee concurred that it is best to extend the current agreement, and staff received direction to negotiate terms of the extension.

Staff worked with the current service provider to consider short-term options while the current market forces stabilize and bidding for a long-term agreement can be executed. The vendor has agreed to a one-year extension, with an additional one-year optional extension, at the discretion of the City, with the same terms and conditions as the existing agreement and a 2% escalator based on the current agreement consideration. The City has the sole discretion to exercise the optional renewal, providing maximum flexibility related to the timing of bidding and award of a new long-term agreement through fiscal year 2016/2017. Additionally, based on City Council priorities, staff is working to improve the appearance of public properties. As part of this initiative, staff has also negotiated the option to add additional services and/or increase the current levels of service. This includes the increase in frequency of window washing, carpet cleaning, and spot cleaning of public parking facilities. The contingency and additional optional service of \$125,000 in FY 2015-16 and \$127,500 for FY 2016-17 will fund the optional additional services and unplanned, unscheduled and on-call demands for maintenance.

Options

If the City Council wishes for this contract to be taken out for competitive bid rather than extend the current agreement for the recommended term - one-year extension, with an additional one-year optional extension - it is still recommended that the agreement be extended at this time to ensure continuity of service while conducting the bidding process.

The current agreement provides that the City may terminate with 5 days' notice, allowing the City to maintain current services while immediately preparing and conducting the bidding and award process. If directed, staff anticipates a bid can be drafted and circulated by June 2015, with recommendations for award by August 2015.

Staff does not recommend this option based on the information related to the current market and the risks faced by vendors related to long-term projections. Based on discussions with potential vendors, the City would likely receive proposals with pricing and labor rates set to expire in April 2016, start-up costs and time & material costs with lower volume discounts or amortized over shorter contract periods normally associated with multi-year agreements, accompanied with variable rate increases and/or service limitation provisions to mitigate the risk of long-term uncertainty. The result would be a contract based on pricing and cost instability transferred to the City. This would be in place of standard escalators or more conventional links such as the Consumer Price Index or known/predictable collective bargaining agreements. By maintaining the current agreement, the City is controlling the cost of services based on costs and escalations set in 2010 for the next one to two years.

FISCAL IMPACT

The City's current cost for building maintenance service is \$1,497,212.

Extension FY 2015-16

•	Baseline Contract (2%)	\$1,527,155.79
•	Optional Additional Service and Contingency	<u>\$ 125,000.00</u>
	Sub-Total	\$1,652,155.79

Extension FY 2016-17

•	Baseline Contract (2%)	\$1,557,698.90
•	Optional Additional Service and Contingency	<u>\$ 127,500.00</u>
	Sub-Total	\$1,685,198.90

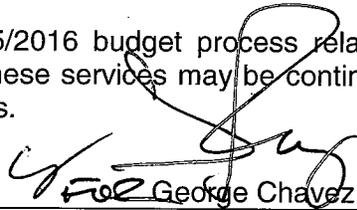
Total \$3,337,354.69

The proposed extensions will increase the total of the not-to-exceed amount of the original 5-year agreement from \$6,806,250 to \$10,143,604.69.

Substantial Funding for this agreement is available as part of the current operating budget within the Facilities Maintenance Fund. The standard escalation provided for this agreement has been 5% on an annual basis appropriated through the annual budget process. Provided the standard escalation is approved as part of the 2015/2016 budget process, no additional funding will be required for the current services.

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An additional \$30,000 has been requested as part of the 2015/2016 budget process related to the requested service level and frequency increases. Execution of these services may be contingent upon appropriation of these funds as part of the budget approval process.


George Chavez
Approved By

Council will be advised if agreement is not signed by Tuesday.

Attachment 1

AMENDMENT NO. 1 TO AN AGREEMENT BETWEEN
THE CITY OF BEVERLY HILLS AND ABLE BUILDING
MAINTENANCE CO. FOR CUSTODIAL MAINTENANCE
SERVICES

This Amendment No. 1 is to that certain Agreement, dated August 17, 2010, between the City of Beverly Hills, a municipal corporation ("City") and Able Building Maintenance Co. ("Contractor"), and identified as Contract No. 340-10, a copy of which is on file in the Office of the City Clerk ("Agreement"), and which was extended by letters dated May 23, 2011, May 29, 2012, May 9, 2013 and May 30, 2014, pursuant to Paragraph 1, Subpart A of Section 8 of the Agreement for custodial maintenance services.

R E C I T A L S

- A. City entered into the Agreement with Contractor to provide custodial maintenance services.
- B. City previously extended the Agreement through June 30, 2015.
- C. City desires to amend the Agreement to further extend its term through June 30, 2016, with an option to extend for one additional year through June 30, 2017, provide for additional services commencing July 1, 2015 through the term of this Amendment, and provide compensation to Contractor for such services.

NOW, THEREFORE, the parties agree as follows:

Section 1. Paragraph 3 of the Agreement entitled "PERFORMANCE PERIOD" shall be amended to read as follows:

"3. PERFORMANCE PERIOD. Contractor shall commence Work after execution of the Contract, as provided in the Notice to Proceed. The term of the Contract shall be extended through June 30, 2016, unless extended pursuant to Section 8 – Scope of Services, Part A, Section 1 – Term of Contract, or unless terminated by City as provided in paragraph entitled "Termination of Work" of Section 4. General Specifications."

Section 2. Paragraph 4 of the Agreement entitled, "PAYMENT SCHEDULE" shall be amended to read as follows:

"4. PAYMENT SCHEDULE.

(a) Fiscal Year 2014-15. For fiscal year 2014-2015, City shall pay Contractor as full consideration for the satisfactory performance by Contractor of all Work required under this Contract the sum of \$124,767.63 per month, for a total annual cost of \$1,497,211.56.

(b) Fiscal Year 2015-16. For fiscal year 2015-2016, City shall pay Contractor as full consideration for the satisfactory performance by Contractor of all Work required under this Contract the sum of \$127,262.98 per month, for a total annual cost of \$1,527,155.79.

In addition, in consideration of adding additional optional services as outlined in Section 5 of this Amendment No. 1, and as contingency funds for unanticipated work outside of the Scope, City shall pay Contractor the sum of up to \$125,000 per year for such additional services and contingencies as may be requested by the City.

(c) Fiscal Year 2016-17. For fiscal year 2016-2017, City shall pay Contractor as full consideration for the satisfactory performance by Contractor of all Work required under this Contract the sum of up to \$136,176.13 per month, for a total annual cost of up to \$1,634,113.58.

In addition, in consideration of adding additional optional services as outlined in Section 5 of this Amendment No. 1, and as contingency funds for unanticipated work outside of the Scope, City shall pay Contractor the sum of up to \$127,500 per year for such additional services and contingencies as may be requested by the City.

(d) Contractor shall submit an itemized statement to City for its services performed in the prior month, which shall include documentation setting forth in detail a description of the services rendered including the cost per item. City shall pay Contractor the amount of such undisputed billing within thirty days of receipt of same."

Section 3. Paragraph 1 of Subpart A of Section 8 of the Agreement entitled "Term of Contract" shall be amended to read as follows:

"1. TERM OF CONTRACT. The Scope of Services (Scope) will govern the performance of services noted within, for a period of one (1) year with six (6) optional annual extensions, for a total contract term of up seven (7) years. This Contract shall become effective on execution of the Agreement for services and Notice to Proceed and shall expire on the anniversary of the Notice to Proceed unless renewed. City reserves the right to extend the contract term by Agreement beyond the expiration date; however, the City does not imply that the contract, as written, or the resulting Agreement for services, will necessarily be extended. Notwithstanding anything contained herein to the contrary, upon notice to the contractor, City may terminate the Work or any part thereof immediately for cause."

Section 4. Paragraph 2 of Subpart A of Section 8 of the Agreement entitled "Prices" shall be amended to read as follows:

"2. PRICES. Contractor expressly states that prices shown in this Contract shall be considered firm for the duration of any extensions to the agreement. Escalation provisions shall be the maximum dollar amount and a maximum percentage amount due upon extension of this agreement.

ESCALATION CLAUSE

It is understood and agreed that the prices shown throughout this document shall apply throughout the term of the issued purchase order and any extensions thereof. Should this Contract extend beyond the first year, the following percentage for escalation of costs, shall be applied to the first year base bid, as indicated.

Effective:	One year from date of original contract			
Year Two FY 2011-12:	Escalation:	Add 5%	\$5,132.33	increase per month
		total cost:	\$107,778.99	per month
Effective:	Two years from date of original contract			
Year Three FY 2012-13:	Escalation:	add 5%	\$5,388.94	increase per month
		total cost:	\$113,167.93	per month
Effective:	Three years from date of original contract			
Year Four FY 2013-14:	Escalation:	add 5%	\$5,658.39	increase per month
		total cost:	\$118,826.32	per month
Effective:	Four years from date of original contract			
Year Five FY 2014-15:	Escalation:	add 5%	\$5,941.32	increase per month
		total cost:	\$124,767.63	per month
			\$1,497,211.56	annually
Effective:	Six years from date of original contract			
Year Six FY 2015-16:	Escalation:	add 2%	\$2,495.35	increase per month
		total cost:	\$127,262.98	per month
			\$1,527,155.79	annually
	Optional Additional Services and Contingency:	Up to	\$125,000.00	annually

Effective	Seven years from original contract date			
Year Seven FY 2016-17:	Escalation:	add 2%	\$2,545.26	increase per month
		total	\$129,808.24	per month
		cost:	\$1,557,698.90	annually
	Optional Additional Services and Contingency:	Up to	\$127,500.00	annually

Section 5. ADDITIONAL SERVICES/CONTINGENCY. The City has the option of adding additional services to the Scope of Work such as, but not limited to, an additional carpet cleaning per year, and additional window cleaning per year, weekly garage sweepings, and other building maintenance services as may be requested by the City from time to time, at prices agreed upon in advance by the City and Contractor. The maximum cost for such additional services shall not exceed \$125,000 for fiscal year 2015-16. Such additional services shall be included in the costs set forth in this Contract for fiscal year 2016-17, at an amount not to exceed \$127,500. The City shall provide written notice to Contractor if it decides to exercise the option for additional services.

Section 6. Except as specifically amended herein, the Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement the ____ day of _____ 2015 at Beverly Hills, California.

CITY OF BEVERLY HILLS
A Municipal Corporation

JULIAN A. GOLD, M.D.
Mayor of the City of Beverly Hills, California

ATTEST:

_____(SEAL)
BYRON POPE
City Clerk

CONTRACTOR: ABLE BUILDING
MAINTENANCE CO.

MARK LANGERMANN
Vice President

JEFF WOFFORD
Chief Financial Officer

[Signatures Continue]

APPROVED AS TO FORM:

LAURENCE S. WIENER
City Attorney

APPROVED AS TO CONTENT:

MAHDI ALUZRI
Interim City Manager

GEORGE CHAVEZ
Director of Public Works Services

KARL KIRKMAN
Risk Manager