

Memorandum



CITY OF DALLAS

DATE October 16, 2015

TO The Honorable Mayor and Members of the City Council

SUBJECT Wage Floor: Service Contract Evaluation Criteria Revisions

On Wednesday, October 21, 2015, the City Council will be briefed on Wage Floor: Service Contract Evaluation Criteria Revisions. The briefing is attached for your review.

Please let me know if you need additional information.

A handwritten signature in blue ink that reads "Jeanne Chipperfield".

Jeanne Chipperfield
Chief Financial Officer

Attachment

c: A.C. Gonzalez, City Manager
Warren M.S. Ernst, City Attorney
Craig D. Kinton, City Auditor
Rosa A. Rios, City Secretary
Daniel F. Solis, Administrative Judge
Ryan S. Evans, First Assistant City Manager

Jill A. Jordan, P.E., Assistant City Manager
Joey Zapata, Assistant City Manager
Mark McDaniel, Assistant City Manager
Eric D. Campbell, Assistant City Manager
Sana Syed, Public Information Officer
Elsa Cantu, Assistant to the City Manager



Wage Floor: Service Contract Evaluation Criteria Revisions

City Council Briefing October 21, 2015

Purpose

- Propose a process to implement evaluation criteria for certain contract employees' rate of pay
- Review impacted contracts and anticipated renewal dates
- Discuss draft resolution to encourage a wage rate of \$10.37/hr.

Background

- On September 2nd and 16th, a wage-floor briefing was included on the Council's agenda for discussion
 - Items were not discussed and therefore no public feedback was received
- Based on a number of Councilmembers' requests to move forward after the briefings, the City Manager instructed staff to work on an implementation plan for the evaluation criteria option

Previous Options

- Option 1 - Council can establish a wage floor policy on contracts awarded by the City (excluding construction contracts)
 - Request for Bid or Proposal process can be utilized to contract for impacted services
- Option 2 - Establish evaluation criteria for requests for proposals (RFPs) that considers, among other important factors, a vendor's approach to employee pay rates and other related considerations
 - Option to accomplish the goal of increased wages to service contract employees

Option 2- Modify Evaluation Criteria for Proposals

Option 2 – Modify Evaluation Criteria for Proposals

- Of the 4 evaluation criteria (Cost, Approach, Experience, Business Inclusion and Development), Planned Approach is the section within the vendor's proposal to demonstrate a creative solution to the City's needs
- Planned Approach has a number of subsections for proposer to explain:
 - Specific details on how to provide service and innovative ways to improve the quality of service to the City and citizens
 - Hiring/staffing plan to include methods to minimize turnover and increase productivity, efficiency, and quality
 - Rate of hourly pay for employees directly working on City contracts
 - Covered contract employees will include all employees, including sub-contractors, directly assigned to the City's contract

Option 2 – Modify Evaluation Criteria for Proposals

- City uses a 100 point scale for proposal evaluation purposes today

Criteria	Current	Recommended
Cost	30	35
Planned Approach	30	35
Experience and Capabilities	25	15
Business Inclusion and Development	15	15

Proposed Implementation

1. Pass Council resolution to express commitment to promote and strongly encourage businesses wanting to do business with the city to pay their workers a living wage of no less than \$10.37 per hour
2. Modify specifications & educate the vending community
3. Award contracts
4. Evaluate effectiveness of new resolution to meet goal of improving the quality of service delivery through higher wages
5. Make revisions or amendments to policy, as needed

Proposed Implementation (cont'd)

- What type of contracts will be included?
 - Service contracts where significant levels of staffing is required (e.g. janitorial, temporary labor, grounds maintenance)
 - Total of 19 contracts with a total value of approximately \$50M/year will be impacted over a 5 year period as they are renewed

Proposed Implementation (cont'd)

- Monitoring and enforcement
 - Affidavit stating rate of employee pay will be required to be submitted with proposal and will be included in final contract execution
 - Right to audit payroll upon request – consistent with Love Field concession contracts
 - Non-compliance with terms of the contract is a breach of contract
- Time line
 - Specifications will be modified with revised evaluation criteria immediately for all upcoming service contracts after passage of resolution
 - Evaluation of results 1 year after first contract awarded, including vendor feedback

How many lower wage employees work on City contracts?

- City contracts currently do not include language that requires contractors to identify their rate of pay or the number of employees assigned on City contracts
 - Contracts include provisions to pay at least the Federal minimum wage

How will the potential contract price increases be managed?

- As with any contract brought forward for Council consideration, analysis is made on the cost increase/decrease compared to the previous contract and projected budget
- Many factors contribute to the final cost to the City today and we anticipate the same level of analysis to be done on a contract-by-contract basis going forward
- Example:
 - Proposal is above the allocated budget for the service, staff will evaluate the service levels currently required (reduce mowing cycles, change frequency on janitorial services, etc.)
 - Request vendor input on alternate ways to perform same level of service

Potential Fiscal Impact

- Impact could vary significantly due to the number of variables (rate of pay, proposed approach, competition, etc.)
- Anticipated maximum is listed in the chart below and was used in previous discussions on this topic.
- Applying 43.03% differential on upcoming contracts, would cost an estimated \$3 million in FY16, based on contracts assumed to have employees in the lower end of the pay scale
 - Impact was calculated using direct service contracts such as janitorial, grounds maintenance and temporary labor contracts
 - The estimated \$12 million dollar increase will be phased in over a five-year fiscal year period as contracts are renewed

	FY 2016	FY2017	FY 2018	FY 2019	FY 2020
Estimated Increase	\$3M	\$11.9M	\$12.2M	\$12.3M	\$12.7M
Estimated Impacted Employee (FTE)*	429	1,704	1,747	1,761	1,818

*Calculated based on the estimated contract increase divided by hourly differential (43.03% + FICA or \$3.358/hr.) divided by 2080 (full-time equivalent)

Current Labor Contract 90 Day Outlook

- The 90 day outlook is included on the following pages. In summary, we have a total of 9 labor contracts in varying stages as follow:
 - 1 contract – Advertised to the vending community – OPEN
 - (1) Grounds maintenance
 - 3 contracts – Evaluation phase - CLOSED
 - Event set-up - Convention Center
 - Janitorial services – Convention Center
 - Yard waste grinding – Sanitation
 - 5 contracts – Specification Development - not advertised to community
 - (4) Grounds maintenance
 - (1) Janitorial service

Upcoming Labor Contracts- Advertised/Evaluation Phase

Description	Solicitation Type	Term (years)	Approx. Contract Amount	Status	Billing Structure	Anticipated Council Date	Comments
Grounds, maintenance - PKR, EBS, AVI	Bid	4	\$3.3M	Advertised	Per location	Dec - Jan 2016	
Event set-up at Kay Bailey Hutchison Convention Center	Bid	5	\$2.9M	Recommendation	Per hour	10/28/2015	Recommend bid rejection on 10/28/2015 agenda.
Janitorial services at Kay Bailey Hutchison Convention Center	Proposal	5	\$22M	Recommendation	Per hour	10/28/2015	Proposer stated minimum employee pay \$9/hr.
Yard waste grinding	Bid	3	\$1.7M	Evaluation	Finished product	11/10/2015	Proposer stated minimum hourly rates exceed \$10.37/hr.
Grounds Maintenance – TXDOT Properties	Bid	3	\$9.5M	Evaluation	Per Location	Nov-Dec 2015	
Grounds, maintenance - Litter pickup for Parks	Bid	4	\$8.7M	Evaluation	Per location	Dec 2015	

Upcoming Labor Contracts – Specification Development (30-90 days)

Description	Solicitation Type	Term (years)	Approx. Contract Amount	Anticipated Advertisement	Billing Structure	Anticipated Council Date
Grounds Maintenance - DPD	Bid	3	\$275K	60 days	Per Location	Feb-16
Grounds Maintenance - DFD, HOU, STS	Bid	3	\$150K	60 days	Per Location	Feb-16
Grounds Maintenance/Levees - Hensley Field, SAN	Bid	3	\$1.1M	60 days	Per Location	Feb-16
Janitorial Service - OCA	Bid	3	\$3M	90 days	Per Location	Mar-16

Upcoming Labor Contracts – Specification Development (90-120 days)

Description	Solicitation Type	Term (years)	Approx. Contract Amount	Anticipated Advertisement	Billing Structure	Anticipated Council Date
Temporary Day Labor-Citywide	Proposal	5	\$15M	120 days	Hourly	TBD
Temporary Labor-clerical and professional	Proposal	3	\$21M	120 days	Hourly	TBD
Labor, Stagehand	Proposal	3	\$800K	120 days	Hourly	TBD
Temporary Industrial Labor-Sanitation Services	Proposal	3	\$15M	120 days	Hourly	TBD
Temporary Labor- IT Professionals	Proposal	3	\$4M	120 days	Hourly	TBD

Upcoming Labor Contracts – Specification Development (4-5 years)

Description	Solicitation Type	Term (years)	Approx. Contract Amount	Anticipated Advertisement	Billing Structure	Anticipated Council Date
Janitorial Services - Oak Cliff Municipal Center	Proposal	5	\$700K	2020	Per Location	TBD
Janitorial Services - DFR	Proposal	5	\$175K	2020	Hourly	TBD
Janitorial Services for DWU,WIC,TWM	Proposal	5	\$2.2M	2019	Hourly	TBD
Central utility plant maintenance for Love Field (to include facility inspections, maintenance and repairs)	Proposal	4	\$2.3M	2020	Per Location	TBD

Council Resolution in Support of Higher Wages

Council Resolution in support of higher wages

- Citizens expect city to spend its limited resources effectively to meet the needs of the citizens served
- Economic studies have shown that paying wage rates at or near the federal minimum wage fosters higher turnover, absenteeism, and lackluster performance while paying a “living wage” raises productivity and decreases turnover, which improves the quality of the work and the overall quality of the project
- Resolution is intended to promote better quality and increase the reliability of services procured for the City by promoting higher productivity, quality and retention of employees working on city service contracts
- Resolution will be included in all procurement documents as reference to the Council’s desire to improve quality by increasing wages on service contracts

Summary

- Evaluation criteria option should encourage higher wages on contracts traditionally staffed with employees paid less than \$10.37/hr.
- Unlike the low bid process, proposal process promotes creativity from vendors to meet the needs of the City
- Council resolution encourages higher wages on City contracts by providing policy direction to staff and the vending community
- Impact of policy will be reviewed periodically and modified, if the intended results are not achieved

Appendix – Draft Resolution

October 21, 2015

WHEREAS, the City of Dallas is committed to promoting an acceptable standard of living for working families and individuals in the City; and

WHEREAS, the economic viability of such families and individuals in the City is necessary to keep Dallas thriving with a strong workforce, healthy families, and improved quality of life; and

WHEREAS, the City awards many contracts to private firms to provide services to the public and to City government; and

WHEREAS, the City has found that the procurement of contract services by the City has on certain types of contracts resulted in wage payment by the service contractors to their employees that are at or just slightly above the federal minimum wage; and

WHEREAS, studies have shown that paying wage rates at or near the federal minimum wage tends to inhibit the quantity and quality of services rendered by such employees; and

WHEREAS, economic studies have shown that paying wage rates at or near the federal minimum wage fosters higher turnover, absenteeism and lackluster performance, while paying a “living wage” has raised productivity and decreased turnover which improves the quality of work provided and improves the overall quality of a project; and

WHEREAS, a study by the Economic Policy Institute has shown that living wage laws have small to moderate effects on municipal budgets; and

WHEREAS, the City recognizes that the Massachusetts Institute of Technology Living Wage Calculator for Dallas County reflects that a “living wage” for an individual is \$10.37 per hour; and

WHEREAS the City recognizes the benefits for service contractors to provide a level of employee compensation that will improve the level and quality of services rendered to the City, and therefore intends to strongly encourage businesses wanting to do business with the City to pay their workers a living wage of no less than \$10.37 per hour;

NOW, THEREFORE,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DALLAS:

Section 1. That the City Manager, or his designee, is authorized to set guidelines and develop a competitive procurement process using employee compensation as an evaluation factor, in combination with other factors in the overall approach, to encourage and support service contractors who choose to pay a wage of \$10.37 per hour or more for employees assigned to work on certain City contracts in order to obtain increased work quality and better services to the City on such City contracts.

Section 2. That this resolution shall take effect immediately from and after its passage in accordance with the provisions of the Charter of the City of Dallas and it is accordingly so resolved.

DRAFT