



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Julia H. Cooper

**SUBJECT:** SEE BELOW

**DATE:** October 16, 2019

Approved

Date

10/16/19

**SUBJECT: SECOND AMENDMENTS TO THE AGREEMENTS FOR JANITORIAL SERVICES WITH ABM INDUSTRIES, INC.**

## RECOMMENDATION

Adopt a resolution authorizing the City Manager to:

- a. Negotiate and execute Second Amendments to the Agreements with ABM Industries, Inc. (ABM) (New York, NY) for janitorial services at citywide facilities, including supplies and related expenses, to extend the terms for up to two additional one-year options through October 31, 2021 for a maximum combined compensation not to exceed \$11,512,078 for the period beginning November 1, 2019 and ending October 31, 2020, subject to the appropriation of funds; and
- b. Negotiate and execute amendments and/or change orders for any unanticipated changes for a total contingency amount not to exceed \$2,500,000, subject to the appropriation of funds.

## OUTCOME

Ensure ongoing janitorial services to maintain a clean and safe environment for visitors, residents, and employees at City of San José facilities.

## BACKGROUND

In November 2011,<sup>1</sup> City Council authorized staff to execute Agreements for the Departments of Environmental Services (ESD), Parks, Recreation, and Neighborhood Services (PRNS), Public Works (DPW), the Office of Cultural Affairs (OCA), and the City of San José Norman Y. Mineta International Airport (Airport) (collectively, the Departments) with GCA Services Group

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<sup>1</sup> November 2011 Council Memo: [http://www3.sanjoseca.gov/clerk/Agenda/20111129/20111129\\_0304.pdf](http://www3.sanjoseca.gov/clerk/Agenda/20111129/20111129_0304.pdf)

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(GCA) for janitorial services. GCA was awarded these contracts through a competitive Request for Proposal (RFP) process.

In September 2017, ABM Industries, Inc. purchased GCA and assumed responsibility for the Agreements. All five (5) Agreements are on their last options which will expire October 31, 2019.

### **ANALYSIS**

Staff is currently developing a new RFP for these services that is targeted for release by the end of December 2019. In the meantime, to ensure that these critical services continue while the RFP and contracting processes are completed, staff has negotiated with ABM to extend the term of the current Agreements. Negotiations with the vendor have focused in two key areas: (1) quality and completeness of services rendered and (2) adequate compensation to allow for a reasonable profit.

The Departments who manage these services have noted a decline in the vendor's quality of service, scope items that have not been completed as required by contract, and an increase in customer complaints over the last two years. The vendor has cited challenges with hiring and maintaining staff due to rising staff costs and insufficient revenues from the City's contracts to properly staff and provide consumable products. The City's Living Wage Policy is applicable for janitorial services and the Living Wage increased by 4.37% effective July 1, 2019. In addition, the vendor is projecting significant cost increases for staff benefits, fuel, and operating supplies.

Due to ABM's organizational structure, the City was required to negotiate with two (2) separate divisions: ABM Aviation Group for the airport contract and ABM's Business & Industry Group for the four other contracts. ABM Aviation has provided a price quote for the airport contract reflecting a 30.7% increase to add one additional annual option term, and ABM's Business & Industry Group has provided price quotes reflecting a 13.3% increase for the City's other four contracts to add one additional annual option. All other terms and conditions of the Agreements remain the same.

Approval of the recommendations in this Memorandum will allow staff to extend the current agreements until new agreement(s) are in place based on the results of the RFP or as other arrangements can be made.

### **EVALUATION AND FOLLOW-UP**

This memorandum will not require any follow-up from staff.

**PUBLIC OUTREACH**

This item will be posted on the City's website for the October 22, 2019 City Council Agenda.

**COORDINATION**

This memorandum has been coordinated with the Departments of Environmental Services; Parks, Recreation, and Neighborhood Services; Public Works; the Office of Cultural Affairs; the Department of Aviation; the City Attorney's Office; and the City Manager's Budget Office.

**COMMISSION RECOMMENDATION/INPUT**

A status update for this item will be provided at the November 14, 2019 Treatment Plant Advisory Committee meeting because the Agreements will be expiring on October 31, 2019.

**FISCAL/POLICY ALIGNMENT**

This action is consistent with the City's Strategic Support objectives to (1) maintain a safe and healthy work environment and (2) maintain City-owned facilities and equipment to ensure public and employee safety and maximize the functionality of the City's assets. This action also supports the Transportation and Aviation priority to operate the Norman Y. Mineta San José International Airport in a safe and efficient manner.

**COST SUMMARY/IMPLICATIONS****1. AMOUNT OF RECOMMENDATION/CONTRACT:**

The following outlines the total Not to Exceed (NTE) compensation recommended for each agreement for the next option period beginning November 1, 2019 and ending October 31, 2020, subject to the appropriation of funds:

Contract	Annual Compensation 18/19 (not including Supplemental Services)	ABM Proposed Annual Compensation 19/20 (not including Supplemental Services)	Dollar Increase	Percent Increase	Supplemental Services	Total Not To Exceed Amount 2019/20
PW - City Hall, Rotunda, PD, Community Centers, Libraries	\$3,849,825	\$4,361,550	\$511,726	13.3%	\$300,000	\$4,661,550
PRNS - City Park Restrooms	835,101	946,101	111,000	13.3%	100,000	1,046,101
WPCP - Water Pollution Control Plant	453,238	513,482	60,244	13.3%	50,000	563,482
OCA - Public Art Collection	15,531	17,595	2,064	13.3%	0	17,595
Airport	3,768,190	4,923,350	1,155,160	30.7%	300,000	5,223,350
<b>Total</b>	<b>\$8,921,884</b>	<b>\$10,762,078</b>	<b>\$1,840,194</b>		<b>\$750,000</b>	<b>\$11,512,078</b>

Departments will pay the vendor equal monthly installments based on these annual fixed contract amounts, assuming all work is satisfactorily performed. Departments will notify the vendor and document any work not performed or not satisfactorily performed, and the vendor shall satisfactorily perform or re-perform the work within a reasonable period of time.

## 2. SOURCE OF FUNDING:

Airport	Non-Personal / Equipment (523)
Environmental Services	Non-Personal / Equipment (513)
Library	Non-Personal / Equipment (001) Non-Personal / Equipment (418)
Parks, Recreation, & Neighborhood Services	Non-Personal / Equipment (001)
Public Works	Non-Personal / Equipment (001)

## **BUDGET REFERENCE**

The table below identifies the funds and appropriations ("APPN") proposed to fund the contract recommended as part of this memorandum.

Fund #	Appn #	Appn Name	Total Appn	Amount for Contract*	2019-2020 Proposed Operating Budget Page**	Last Budget Action (Date, Ord. No.)
523	0802	Non-Personal/Equipment (Airport)	\$45,690,740	\$5,123,350	X-3	6/18/19, 30286
513	0762	Non-Personal/Equipment (ESD)	\$30,134,600	\$563,482	X-77	6/18/2019, 30286
001	0722	Non-Personal/Equipment (Library)***	\$5,899,057	\$591,842	VIII-236	6/18/2019, 30286
418	0722	Non-Personal/Equipment (Library)***	\$1,741,830	\$188,656	VIII-236	6/18/2019, 30286
001	0642	Non-Personal/Equipment (PRNS)	\$26,228,084	\$888,723	VIII-262	6/18/2019, 30286
001	0572	Non-Personal/Equipment (PW)	\$13,911,477	\$3,881,052	VIII-348	6/18/2019, 30286
<b>Total Current Funding Available</b>				<b>\$11,237,105</b>		

\*Underfunded amounts subject to mid-year adjustments through the budgeting process and appropriation of funds.

\*\*The 2019-2020 Proposed Operating Budget was adopted by City Council on June 18, 2019.

\*\*\*Janitorial services for the Library are included in the Public Works contract.

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**CEQA**

Not a Project, File No. PP17-003, Agreements/Contracts (New or Amended) resulting in no physical changes to the environment.

/s/

JULIA H. COOPER

Director of Finance

For questions, please contact Lisa Taitano, Assistant Director of Finance, at (408) 535-7041.