

Temporary Labor Contract for Sanitation Services

Briefing to the Finance,
Audit and Accountability
Committee

November 20, 2007



Background

- Sanitation Services utilizes a temporary labor contract that supplements their 488 person staff with 130 contract positions daily to perform the following duties:
 - Collect bulky brush, residential recycling and garbage
 - Work at the transfer stations and the landfill
 - Assist in environmental and special service duties
- Sanitation Services experienced higher than anticipated usage of temporary labor due to the Federal minimum wage increase (07/24/07) as well as the addition of residential recycling and collection of debris from spring storms

Background (cont'd)

- On 08/22/07, Council authorized a 25% increase to the Temp. Industrial Labor Contract with Recana
 - Funds allowed time for new bid process
 - Funds will be exhausted the first week of December 2007
- Based on Councilmembers' discussion of contract wages and potential of incorporating a "living wage" provision, the Mayor requested the City Manager bring the issue to a committee

Procurement Process

- Based on the Council discussion, Procurement Services modified specifications and required vendors to include a two tier bid:
 - Based on vendor paying hourly rate to their employees of at least the Federal minimum wage
 - Based on vendor paying hourly rate to their employees of at least the “Dallas’ Min. Wage”
- “Dallas’ Min. Wage” is based on the City’s lowest part-time rate of \$8.16 per hour

Federal Minimum Wage Schedule

- Current Federal minimum wage effective 7/24/07 - \$5.85
- Scheduled increase of \$ 0.70 each year for the next two years
 - 7/24/08 – \$6.55
 - 7/24/09 – \$7.25

Requirements

- Like previous bids, specifications required the contractor to pay at least the Federal minimum wage to employees
 - Included a provision to increase the hourly rate (amount the City pays to vendor), by the exact amount, as the Federal minimum wage increases during the term of the agreement
- While the specifications include specific language increasing the minimum wage, the total bid was based on the current Federal minimum wage

Bids

- We received the following bids for this service

	Federal Min. Wage	Dallas' Min. Wage
CTJ Maintenance	\$8,795,266	\$11,391,081
Tolman Building	\$10,372,077	\$13,848,621
Grove Employment	\$12,394,444	\$13,616,075
Peoplecorp	\$12,885,611	\$17,023,086
All Temps	\$12,936,575	\$12,936,575
DiverseStaff	\$12,943,694	\$14,508,138
Eurostaff	\$17,122,553	\$17,122,553

Considerations

- The apparent low bidder for both groups is CTJ Maintenance, a certified M/WBE through North Central Texas Regional Certification Agency
- CTJ's bid price is based on the current Federal minimum wage rate (\$5.85) for the entire thirty-six month period
- For comparison purposes, we have estimated the number of hours that will be used based on the anticipated Federal minimum wage rate increases that are scheduled for the term of the agreement
 - As Federal minimum wage increases the City rate paid to the vendor will increase by the exact amount of increase

	Adjusted Federal Min. Wage	Dallas' Min. Wage	Difference
CTJ Maintenance	\$9,874,183	\$11,391,081	\$1,516,898

Considerations (cont'd)

- The difference between the Federal Minimum wage rates and the Dallas' Min. Wage is \$1,516,898 over the term of the contract
- Sanitation's FY 07-08 budget and rates were established with the assumption of Fed. Min wage
- Neither Sanitation budget nor the rate are set to support the Dallas' Min. Wage bid

Considerations (cont'd)

- With the desire to remain at full cost recovery for Sanitation Services, authorizing the Dallas' Min. Wage bid price would then require the following steps:
 - Council must approve a monthly Sanitation fee increase of \$0.17 per household starting January '08
 - Increase the Sanitation FY 07-08 budget by \$339,424

Considerations (cont'd)

- Authorizing the low bid, which is based on the Federal minimum wage bid price, maintains the budget estimates for Sanitation's usage – requiring no increase in the SAN rate during the contract period
- Current year budget amount for this work is **\$252,653** more than the low bid
- The difference in “budget vs. bid amounts” may be managed by either:
 - **reducing the SAN rate in FY08 by \$0.12 starting in January 2008, an action requiring an ordinance change;**
 - or***
 - **Retaining the funds as reserves to be applied to unforeseen events requiring additional labor**
 - Storm damage cleanup – as occurred in May 2007
 - Increases in daily workload as routes are extended for growth in recycling and garbage

Next Steps

- Secure Finance, Audit and Accountability approval for the action item placed on the November 28, 2007 Council agenda
 - Award a thirty-six-month contract to CTJ Maintenance in the amount of \$8,795,266
 - Based on the Federal minimum wage provision
- Recommend citywide policy discussion and direction on future labor related contracts