The Honorable Denise Moreno Ducheny
Chair, Joint Legislative Budget Committee
State Capitol, Room 5035
Sacramento, California 95814

Dear Senator Ducheny:

Pursuant to Item 6440-001-001 of the Supplemental Report of the 2002 Budget Act, I am pleased to enclose the University of California's report to the Legislature for the year 2007 on Contracting Out for Services at Newly Developed Facilities.

If you have any questions regarding this report, Assistant Vice President Debora Obley would be pleased to speak with you. She can be reached by telephone at (510) 987-9112, or by e-mail at Debora.Obley@ucop.edu.

Sincerely,

Robert C. Dynes

Enclosure

cc: The Honorable Jack Scott, Chair
    Senate Budget and Fiscal Review Subcommittee #1
        (Attn: Ms. Amy Supinger)
        (Attn: Ms. Cheryl Black)
    The Honorable Julia Brownley, Chair
    Assembly Budget Subcommittee #2
        (Attn: Ms. Sara Bachez)
        (Attn: Ms. Amy Rutschow)
    Ms. Elizabeth Hill, Legislative Analyst
    Mr. Mike Genest, Director of Finance
    Mr. E. Dotson Wilson, Chief Clerk of the Assembly
    Mr. Gregory Schmidt, Secretary of the Senate
    Ms. Diane Boyer-Vine, Legislative Counsel
    Ms. Sara Swan, Department of Finance
    Mr. Steve Boilard, Legislative Analyst's Office
    Joint Legislative Budget Committee (17)
    Provost Wyatt R. Hume
    Executive Vice President Katherine N. Lapp
    Associate Vice President Judy Boyette
    Assistant Vice President Debora Obley
    Legislative Director Brian Rivas
UNIVERSITY OF CALIFORNIA

Report on Contracting Out for Services at Newly Developed Facilities
Reporting Period: Calendar Year 2007 (1/1/07 - 12/31/07)

Item 6440-001-0001 of the Supplemental Report of the 2002 Budget Act states:

It is the intent of the Legislature that UC carefully monitor the use and effects of contracting out for services at newly developed facilities. In order to assist in an improved understanding of such impacts, UC shall report annually to the fiscal committees of the Legislature no later than January 15 the extent to which it has chosen to contract out for services, the rationale for such decisions, the cost implications of such decisions, the impact on hiring, and the extent to which such hiring and contracting practices are at variance with such practices at existing facilities.

The University of California submits this report in response to the above request of the Legislature. This report covers activities from January 1, 2007 through December 31, 2007 for newly developed facilities defined as those that opened or began operations on or after January 1, 2007.

Campuses and medical centers view contracting out for services as an important supplement to existing Universities’ resources. Maintaining a balance of contract and campus-based services assists locations in maximizing efficiency within resource constraints, while allowing for the introduction of new methods and best practices in service delivery.

The current Guidelines on Contracting for Services at the University of California acknowledge the circumstances under which the University may need to contract for services. Included in the Guidelines is a provision for advance review by the Office of the President for those contracts that may result in the displacement of University staff and that exceed $100,000 per year. The Guidelines also require compliance with the specific provisions of personnel policies and/or collective bargaining agreements that apply to any particular employee group that may be affected.

During calendar year 2007, there were a total of 10 contracts for services at newly developed facilities in the University system. No University staff were displaced at either the campuses or medical centers as a result of this contracting out activity.

Of the 10 contracts for services, one was reported by UC Berkeley for custodial services at the Starr Library; two were reported by UC Davis for ongoing and special events custodial services at their new classroom and lab facilities; one was
reported for UC Irvine for custodial services at an academic facility and their new student center; two were reported by UC Riverside for pest control and waste hauling at their new Student Commons; two were reported by UC San Diego, one for pressure washing and cleaning/sweeping of the Hopkins parking structure located at the Moores Cancer Center, and the other for environmental services at the MRI research building at the UC San Diego Medical Center; one was reported for the UC Santa Barbara University Center for a pizza operation run by the University Dining Services; and one contract for custodial services at an off-campus leased facility was reported by UC Santa Cruz.

No services were reported to be contracted out at newly developed facilities at UC Merced, UC Los Angeles, UC San Francisco or at the UC Office of the President. Brief summaries of these contracts are found in the attached Appendix to this report.
APPENDIX

UNIVERSITY OF CALIFORNIA
Report on Contracting Out for Services at Newly Developed Facilities
Calendar Year 2007

UC Berkeley

UC Berkeley has extended a current custodial contract for the campus libraries to
provide services for the new Starr Library facility. The campus used the business
model that applies to their current custodial contract for the libraries, as they
received no new funding for the services at the new facility and would only be
able to provide cursory service by absorbing the space with the current staff. The
campus wished to remain consistent with contracts, level of service, and security.
They could also provide more efficiency in scheduling custodians since the
libraries are cleaned on the night shift.

UC Davis

UC Davis has one contract in effect for ongoing custodial services for Hopkins
Service Complex (an administrative facility); Gladys Valley Hall (a classroom
facility); and Vet Med 3A (a classroom and lab facility). A second contract is also
in place for providing special events custodial needs for the facilities listed above,
as well as for the Activities/Recreational Center and the Memorial Union.

For ongoing custodial services, the campus primarily utilizes University
employees. Due to the increased workload, sporadic scheduling for special events,
and night shift schedules, the campus decided to contract out for these services at
the new facilities as the campus experienced frequent and unannounced
absenteeism from UC custodial staff. The campus has had ongoing
communications with AFSCME regarding these problems and is working with the
union in developing a plan, once workloads and schedules stabilize, to hire
University custodial staff.

UC Irvine

UC Irvine has contracted out for custodial services at two new facilities: Bren
Hall, which is an academic facility housing research labs, classroom space,
departmental offices, and lecture halls; and the UCI Student Center, which houses
a number of services including the UCI Bookstore, student administrative offices,
student clubs and campus organizations, an auditorium, and conference and
meeting facilities.
Custodial services on campus are also provided by in-house custodians. The determination was made to contract out services at these new facilities based on the fact that the campus does not have the infrastructure or finances to perform these expanded services in-house. After a cost analysis, it was determined that the contract saves the campus $2 million annually.

**UC Riverside**

UC Riverside has two contracts, one for pest control/pesticide spraying and one for waste hauling. Pest control is provided at three newly developed facilities: The Alumni and Visitors Center, Student Commons, and Glen Mor Housing, which comprises a student apartment complex; while contracting out for waste hauling is provided at the Student Commons only.

The campus decided to contract out for pest control/pesticide spraying that only requires part-time work, due to the need for special expertise and certification requirements to do the work. The pesticide spraying requires licensing through the California Department of Pesticide Regulation and for the worker to attend continuing education to maintain the license. It was not financially feasible for the campus to support a less than full-time employee with the cost and requirements of maintaining the license.

Waste hauling is contracted out at the Student Commons only. There is currently no University equipment to handle the pickup and transport of the waste. The campus has only one compactor and it was not practical or financially feasible to purchase separate equipment to service the one additional facility.

**UC San Diego**

UCSD has issued two contracts, one for specialized custodial services involving pressure washing and cleaning/sweeping of the new Hopkins Parking Structure, which is an overnight parking structure located on campus.

A business decision was made to contract for power sweeping services in October 2007 in conjunction with the opening of the new parking structure because the campus did not have the capital outlay for purchasing the necessary specialized equipment for day and night power sweeping services. The equipment utilized includes a power washing/sweeper and trailer for transporting equipment with other peripheral equipment for the work (hoses, tools, etc.) estimated at approximately $120,000.
The second contract is for Hospital Housekeeping Systems (HHS) environmental services at the new MRI Research Building - Hillcrest located at the UC San Diego Medical Center Hillcrest site. The contract is an extension of a pre-existing contract for environmental services at the medical center. The contract calls for management of the environmental services to be overseen by HHS, however, the workforce is comprised of UC San Diego medical center employees represented by the AFSCME Service Unit.

**UC Santa Barbara**

UC Santa Barbara entered into a new lease of space to Domino's pizza. The space is approximately 600 square feet in the campus food court area that was previously occupied by a pizza operation run by the University Dining Services. The space became available after sales for the unit had declined steadily for the past three years.

During fiscal year 2005-06, the existing pizza unit lost over $17,000 in sales compared to the previous year. Net return to the campus dropped by $26,000 which was nearly a 48% decline. It was no longer financially feasible for the campus to continue with a losing trend when the campus could lease the space out for a guaranteed monthly income, plus receive common area maintenance fees and utilities as part of the contract arrangement.

The majority of the employees in the campus food court area were students who were reassigned to other units in the area. No UC employees were displaced. Some food preparation work was performed by UC career employees on a limited basis, and those employees were reassigned food preparation work in other units within the organization. Some units continue to be run by UC employees while other campus units represent branded concepts or specialty food items that require a different level of expertise to operate.

**UC Santa Cruz**

UC Santa Cruz has contracted out custodial services for an off-campus leased facility for administrative staff. Custodial services on this campus are not provided by campus physical plant for off-campus facilities. The services provided are for daytime, sporadic, and off-hour schedules that would be difficult to accommodate with UC employees. At this facility, there is an owner/lease contract arrangement requiring the tenant to also acquire the building’s custodial services.