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December 3, 2019


The Honorable Holly J. Mitchell
Chair, Joint Legislative Budget Committee
1020 N Street, Room 553
Sacramento, California 95814

Dear Senator Mitchell:

Pursuant to Section 92611.9 of the Education Code, enclosed is the University of California's annual report to the Legislature on *2019 Contracting Out for Services at Newly Developed Facilities*.

If you have any questions regarding this report, Associate Vice President David Alcocer would be pleased to speak with you. He can be reached by telephone at (510) 987-9113, or by email at David.Alcocer@ucop.edu.

Yours very truly,


Janet Napolitano
President

Enclosure

cc: Senate Budget and Fiscal Review
The Honorable Richard D. Roth, Chair
Senate Budget and Fiscal Review Subcommittee #1
(Attn: Ms. Anita Lee)
(Attn: Ms. Jean-Marie McKinney)
The Honorable Kevin McCarty, Chair
Assembly Budget Subcommittee #2
(Attn: Mr. Mark Martin)
(Attn: Ms. Carolyn Nealon)
Ms. Jennifer Troia, Joint Legislative Budget Committee
Ms. Erika Contreras, Secretary of the Senate

The Honorable Holly J. Mitchell
December 3, 2019
Page 2

Ms. Tina McGee, Legislative Analyst's Office
Ms. Amy Leach, Office of the Chief Clerk of the Assembly
Mr. E. Dotson Wilson, Chief Clerk of the Assembly
Mr. Jeff Bell, Department of Finance
Mr. Chris Ferguson, Department of Finance
Ms. Rebecca Kirk, Department of Finance
Ms. Tina McGee, Legislative Analyst's Office
Mr. Gabriel Petek, Legislative Analyst Office
Ms. Jennifer Pacella, Legislative Analyst Office
Mr. Jason Constantouros, Legislative Analyst Office
Interim Executive Vice President and Chief Financial Officer Paul Jenny
Executive Vice President and Chief Operating Officer Rachael Nava
Senior Vice President Claire Holmes
Acting Vice President Cheryl Lloyd
Associate Vice President David Alcocer
Associate Vice President and Director Kieran Flaherty
Chief of Staff to the Chief Financial Officer Brad Werdick
Manager Jennifer Brice

UNIVERSITY OF CALIFORNIA

2019 Contracting Out for Services at Newly Developed Facilities Reporting Period: Calendar Year 2019 (1/1/19 - 12/31/19)

Section 92611.9 of the Education Code states:

It is the intent of the Legislature that the University of California carefully monitor the use and effects of the contracting of services at newly developed facilities. In order to assist in an improved understanding of such impacts, the university is requested to report annually to the fiscal committees of the Legislature, on or before January 15 of each year, the extent to which it has chosen to contract for services, the rationale for those decisions, the cost implications of those decisions, the impact on hiring, and the extent to which the hiring and contracting practices are at variance with the 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, 2019 through December 31, 2019 for newly developed facilities defined as those that opened or began operations on or after January 1, 2019. On November 14, 2019 the UC Board of Regents approved a new policy generally prohibiting the use of contracted employees for covered services except under exigent and limited circumstances when an outside contract is a solution of last resort. Implementation of this policy has begun and will apply to the 2020 Contracting Out for Services at Newly Developed Facilities report.

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

Certain limits apply to when the University can contract for services. Considerations that must be taken into account are:

- compliance with applicable Business and Finance Bulletins governing service contracts and professional agreements,
- compliance with requirements of personnel policies,
- compliance with collective bargaining agreements,
- business and financial necessity,
- level and quality of service required (including special skills and expertise),
- impact on the local business community, and
- impact on the core University functions of teaching, research, service, and patient care.

University collective bargaining agreements often specifically set limits on contracting for services. These limits vary by bargaining unit and by contract. Generally, the applicable contractual provisions allow for contracting out as long as it does not displace any University employees; when displacement is unavoidable, the collective bargaining agreements generally require the University to make available another position for which the employee is qualified at the same location, same salary, and same hours. For example, in the two AFSCME contracts (Service and Patient Care Technical), UC is precluded from contracting out where UC's sole objective is to save money on the wages and benefits that it would otherwise be paying to University employees in the absence of the contract. The University's contracts with AFSCME provide a non-exhaustive list of examples where contracting is

appropriate. Those examples include the need for special services and equipment; the need for special expertise or efficiencies; the need to provide short-term, temporary staffing in order to meet operational or business needs; where the services are performed at facilities that are not owned or operated by UC or where a UC owned facility has been leased or transferred to a third-party; when UC leases a facility and the services are performed by the landlord; and where the facility where the contract is to be performed is outside a 10 mile radius of the contracting campus, medical center, or laboratory. Other circumstances may also be allowable depending on the collective bargaining agreement.

For those contracts that may result in the displacement of University staff and that exceed \$100,000 per year, advance review by the Office of the President is required prior to any contracting commitments.

During calendar year 2019, there were a total of eight (8) contracts for services at newly developed/ leased facilities in the University system. Additionally, one location reported 24 newly leased facilities that included predetermined services in the overall lease agreement. No University staff was displaced at the campuses or medical centers as a result of this contracting out activity.

The 8 contracts for service at newly developed facilities for 2019 are as follows:

- At UC Davis, one newly developed/leased facility has 1 contract in place for janitorial services.
- At UC Irvine, four newly developed/leased facilities have 4 contracts in place for janitorial services.
- At UC Los Angeles, one newly developed/leased facility has 1 contract in place for janitorial services.
- At UC Merced, one newly developed/leased facility has 1 contract in place for facility and staff office moving services.
- At UC Santa Cruz, one newly developed/leased facility has 1 contract in place for janitorial services.

Brief summaries of these contracts for service are found in the attached Appendix to this report.

No services were reported to be contracted out at newly developed facilities at Agriculture and Natural Resources (ANR), UC Berkeley, UC Riverside, UC San Diego, UC San Francisco, UC Santa Barbara, and UC Office of the President.

At UC Los Angeles, 24 newly leased facilities included predetermined services (such as ground maintenance, building maintenance, and janitorial/ custodial services) as part of the overall lease:

- 9675 Brighton Way #424, Beverly Hills, CA 90210
- 2725 W Alameda Ave #100, Burbank, CA 915050
- 4910 Rivergrade Rd #200, Irwindale, CA 91706
- Plot Number 3/005 Flat Number 12, Lilongwe, Area 3 Malawi
- 750 W 7th St #270/U270, Los Angeles, CA 90017
- 911 Broxton #100/200/300, Los Angeles, CA 90024
- 5745 W Century Blvd #200, Los Angeles, CA 90045
- 1101-1145 Gayley Ave, Los Angeles, CA 90024
- 100 Glendon Ave #800, Los Angeles, CA 90024
- 1400 S Grand Ave #605, Los Angeles, CA 90015
- 11500 W Olympic Blvd #455, Los Angeles, CA 90064
- 1950 W Sawtelle Blvd #130, Los Angeles, CA 90025
- 1187 Coast Village Rd, Montecito, CA 93108

- 18350 Roscoe Blvd #500, Northridge, CA 91325
- 800 Fairmount Ave #417, Pasadena, CA 91105
- 892 Aerovista Lane, San Luis Obispo, CA 93401
- 309 W Quinto St, Santa Barbara, CA 93105
- 1260 15th St 6th Fl, Santa Monica, CA 90404
- 1304 15th St #202/213, Santa Monica, CA 90266
- 1245 16th St #305, Santa Monica, CA 90404
- 3500 Lomita Blvd #301, Torrance, CA 90505
- 4201 Torrance Blvd #660, Torrance, CA 90503
- 16001 Strathern St, Van Nuys, CA 91406
- 30700 Russell Ranch Rd #100, Westlake Village, CA 91362

In these situations, the University is not contracting out for services directly.

APPENDIX

UC Davis

UC Davis entered into 1 contract at one newly developed/leased facility:

1. 2035 Lyndell Terrace, Davis, CA 95616
The location entered into a contract for janitorial/custodial services with Esterley Managed Services (vendor) based on UC Davis Hospital experiencing low quality scores in cleanliness. This facility is 21.2 miles from the UC Davis Hospital. In addition, having a management company provide janitorial/custodial services for an offsite location allows for greater focus on improvement of cleanliness at the medical center. The services are contracted to run from September 1, 2019 through September 1, 2020. No UC staff were laid off or reassigned as a result of this contract.

UC Irvine

UC Irvine entered into 4 contracts at four newly developed/leased facilities:

1. 101 Theory Suites 100 & 150, Irvine, CA 92617
The location entered into a contract for janitorial/custodial services with Able Services (vendor) based on the office location being within UCI Research Park, which is owned by The Irving Company. Due to the limited scope, it does not merit a custodial team to be dispatched or established. The practice of using contracted suppliers to provide services efficiently to small, scope-limited locations is a normal practice. The services are contracted to run from May 1, 2019 through April 30, 2024. No UC staff were laid off or reassigned as a result of this contract.
2. 2436 E. Walnut Street, Fullerton, CA 92831
The location entered into a contract for janitorial/custodial services with Goodwill of Orange County (vendor) based on the fact that UCI Facilities do not service this facility which is 20.2 miles from the UCI campus. Due to the location and limited scope, it does not merit a custodial team to be dispatched or established. The practice of using contracted suppliers to provide services efficiently to small, scope-limited locations is a normal practice. The services are contracted to run from July 1, 2019 through June 30, 2020. No UC staff were laid off or reassigned as a result of this contract.
3. 5270 California Ave. Suite 100 & 200, Irvine, CA 92617
The location entered into a contract for janitorial services with Beneficial Management Services (vendor), as the property owner, The Irvine Company, requires tenant's to select vendors from their approved vendor list. This facility hosts events that occur outside of regular business hours (late evenings and weekends) and requires a vendor that can accommodate scheduling starting after 11pm for full service cleanings as needed, and can also accommodate last minute requests, which UCI is unable to do. The services are contracted to run from November 18, 2019 through June 30, 2020. No UC staff were laid off or reassigned as a result of this contract.
4. 18629-18639 Yorba Linda Blvd., Yorba Linda, CA 92886
The location entered into a contract for janitorial/custodial services with Shine It Up, Clean It Up (vendor) based on the fact UCI Facilities do not service this facility which is 19.5 miles from the UCI campus. Due to the location and limited scope, it does not merit a custodial team to be dispatched or established. The practice of using contracted suppliers to provide services efficiently to small, scope-limited locations is a normal practice. The services are contracted to run from February 1, 2019 through January 31, 2020. No UC staff were laid off or reassigned as a result of this contract.

UC Los Angeles

UC Los Angeles entered into 1 contract at one newly developed/leased facility:

1. 1101 – 1145 Gayley Ave., Los Angeles, CA 90024
The location assumed the contract for janitorial/custodial services with WMF Facilities Management (vendor) as a result of the Gayley Center acquisition. They expect to exercise their 30 days Termination for Convenience notice shortly at which time DMS, UCLA Asset Management's contracted supplier for janitorial/custodial will assume these duties. The services are contracted to run from September 27, 2019 through December 31, 2019. No UC staff were laid off or reassigned as a result of this contract.

UC Merced

UC Merced entered into 1 contract at one newly developed/leased facility:

1. 5200 N. Lake Road, Merced, CA 95343
The location entered into a contract for Facility/Staff Office Moving Services with MEK Enterprises, Inc. (vendor) based on the fact that UCM does not have the infrastructure to provide staff for relocations of facility/staff member offices and workstations, including miscellaneous art and equipment. The practice of using contracted suppliers to provide services that cannot be performed internally is a normal practice. This is a non-recurring expense incurred in moving offices and workstations to a new building. The services are contracted to run from April 22, 2019 through April 22, 2024. No UC staff were laid off or reassigned as a result of this contract.

UC Santa Cruz

UC Santa Cruz entered into 1 contract at one newly developed/leased facility:

1. 120 Getchell Street, Santa Cruz, CA 95040
The location entered into a contract for janitorial/custodial services with Full Janitorial Service (vendor) based on the fact that this facility is located several miles from campus and the limited scope does not merit a custodial team to be dispatched to or established. The practice of using contracted suppliers to provide services efficiently to small, scope-limited locations is a normal practice. The services are contracted to run from June 24, 2019 through June 24, 2020. No UC staff were laid off or reassigned as a result of this contract.

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