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SANTA BARBARA • SANTA CRUZ

1111 Franklin Street
Oakland, CA 94607-5200
Phone: (510) 987-9074
<http://www.ucop.edu>

December 18, 2017

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 *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,

A handwritten signature in cursive script that reads 'Janet Napolitano'.

Janet Napolitano
President

Enclosure

cc: Senate Budget and Fiscal Review
The Honorable Anthony J. Portantino, Chair
Senate Budget and Fiscal Review Subcommittee #1
(Attn: Ms. Anita Lee)
(Attn: Ms. Cheryl Black)
The Honorable Kevin McCarty, Chair
Assembly Budget Subcommittee #2
(Attn: Mr. Mark Martin)

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(Attn: Mrs. Katie Sperla)

Ms. Peggy Collins, Joint Legislative Budget Committee
Mr. Danny Alvarez, Secretary of the Senate
Ms. Tina McGee, Legislative Analyst's Office
Ms. Amy Leach, Office of the Chief Clerk of the Assembly
Mr. Jim Lasky, Legislative Counsel Bureau
Mr. E. Dotson Wilson, Chief Clerk of the Assembly
Mr. Jeff Bell, Department of Finance
Mr. Christian Osmena, Department of Finance
Mr. Jack Zwald, Department of Finance
Ms. Tina McGee, Legislative Analyst's Office
Mr. Mac Taylor, Legislative Analyst's Office
Mr. Jason Constantouros, Legislative Analyst's Office
Executive Vice President and Chief Financial Officer Nathan Brostrom
Executive Vice President and Chief Operating Officer Rachael Nava
Vice President Dwaine Duckett
Associate Vice President David Alcocer
Associate Vice President and Director Kieran Flaherty
Chief Policy Advisor and Executive Director Jenny Kao
Chief of Staff to the Chief Financial Officer Oren Gabriel

UNIVERSITY OF CALIFORNIA

2017 Contracting Out for Services at Newly Developed Facilities Reporting Period: Calendar Year 2017 (1/1/17 - 12/31/17)

Section 92611.9 of the Education Code states:

It is the intent of the Legislature that the University of California carefully monitors 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, 2017 through December 31, 2017 for newly developed facilities defined as those that opened or began operations on or after January 1, 2017. A list of the facilities is in the attached appendix.

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 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 outsource. 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.

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.

University collective bargaining agreements often specifically set limits on contracting for services. These limits vary by union and by contract. Generally, the applicable contractual provisions allow for contracting out as long as it does not result in the layoff of University employees with career appointments. 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.

During calendar year 2017, there were a total of thirty (30) contracts for services at newly developed facilities in the University system. Additionally, four locations reported twenty-five (25) 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 30 contracts for service at newly developed facilities for 2017 are as follows:

- At UC Davis, one newly leased facility (Davis II Building, 2420 Stockton Blvd, Sacramento, CA 95817) has one contract for janitorial services.
- At UC Los Angeles, eight newly developed/leased facilities have 15 total contracts –
 - Wasserman Football Center (430 Charles E. Young Drive, Los Angeles, CA 90024) has 5 contracts (elevator service, pest control, window cleaning, bio reader, and cleaning state of the art whirlpools)
 - Mo Ostin Basketball Center (440 Charles E. Young Drive, Los Angeles, CA 90024) has 4 contracts (pest control, window cleaning, bio reader, and cleaning state of the art whirlpools)
 - 2625 W. Alameda Ave., Burbank, CA 91505 (Suites: 300, 306, 310, 311, 312, 322, 404, 412) has 1 contract (janitorial service)
 - 15503 Ventura Blvd. #150, Encino, CA 91436 has 1 contract (janitorial service)
 - 10250 Santa Monica #2440, Los Angeles, CA 90067 has 1 contract (janitorial service)
 - 501 Deep Valley Drive, Rolling Hills Estates, CA 90274 (Suites: 300 and 400) has 1 contract (janitorial service)
 - 1919 Santa Monica Blvd., Santa Monica, CA 90404 (Suites: 300, 385) has 1 contract (janitorial service)
 - 2780 Skypark Drive, Torrance, CA 90505 (Suites: 125, 130, 135, 140) has 1 contract (janitorial service)
- At UC Santa Barbara, the San Joaquin Villages (650 & 750 Storke Road, Goleta, CA 93117) and Portola Dining Commons (6800 El Colegio Rd, Isla Vista, CA 93117) have 8 contracts (water treatment services (2), carpentry services, electrical services, general engineering services (2), pest control services, and laundry services).
- At UC Santa Cruz, three newly developed or leased facilities have 5 total contracts –
 - 320 Encinal Street, Santa Cruz, CA 95060 has 2 contracts (security alarm monitoring services and janitorial services)
 - Coastal Biology Building, 130 McAllister Way, Santa Cruz, CA 95060 has 2 contracts (electric gate maintenance and reverse osmosis services)
 - CSC EH&S Storage 1, 175 McAllister Way, Santa Cruz, CA 95060 has 1 contract (hazardous waste packaging and removal services)
- At UC San Francisco, one newly leased facility (2655 Bush Street, San Francisco, CA 94115) has one contract for custodial 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), Office of the President, UC Berkeley, UC Irvine, UC Merced, UC Riverside, or UC San Diego.

The 25 newly leased facilities that included predetermined services are:

- At UC Irvine, four newly leased facilities had janitorial services as part of the overall lease:
 - 18881 Von Karmen Ave, Suite 100, Irvine, CA 92612
 - 333 City Blvd West, Suite 1200, Orange, CA 92868
 - 333 City Blvd West, Suite 1235, Orange, CA 92868
 - 11180 Warner Ave, Suite 461, Fountain Valley, CA 92708

- At UC Riverside, two newly leased facilities had custodial services and ground maintenance as part of the overall lease:
 - 3333 14th Street, Riverside, CA 92501
 - 3390 University Ave., Riverside, CA 92501

- At UC Los Angeles, fourteen newly leased facilities had predetermined services as part of the overall lease (Janitorial, Trash and General office cleaning services):
 - 30301 Agoura Road #100, Agoura Hills, CA 91301
 - 120 S. Spalding Drive #401, Beverly Hills, CA 90212
 - 8641 Wilshire Blvd. #115/210, Beverly Hills, CA 90211
 - 15503 Ventura Blvd. # 340, Encino, CA 91436
 - 1100 Glendon Ave., Penthouse 8, Los Angeles, CA 90024
 - 5757 W. Century Blvd. #425, Los Angeles, CA 90045
 - 10880 Wilshire Blvd. #520 Los Angeles, CA 90024
 - 10960 Wilshire Blvd #1600/1700, Los Angeles, CA 90024
 - 3500 Lomita Blvd #302/303, Torrance, CA 90505
 - 3500 Lomita #M100, Torrance, CA 90505
 - 7345 Medical Center Drive #420, West Hills, CA 91307
 - 30700 Russell Ranch Rd. #100, Westlake Village, CA 91362
 - 21650 Oxnard St. #200, Woodland Hills, CA 91367
 - 6633 Telephone Road #212/215, Ventura, CA 93003

- At UC San Francisco, five newly leased facilities had predetermined services (including cleaning, maintenance, and security) as part of the overall lease:
 - 3012 Summit St, Suite 2607 & 2604A, Oakland, CA 94609
 - 5180 Primitivo Way, Suite 279, Fresno, CA 93710
 - 185 Berry Street, Suite 4805, San Francisco, CA 94107
 - 8000 Marina Boulevard, Brisbane, CA 94005
 - 180 Montgomery Street, Suite 2300, San Francisco 94104

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

APPENDIX

UC Davis

UC Davis has 1 contract for services at the Davis II Building (2420 Stockton Blvd, Sacramento, CA 95817). Spencer Building Maintenance provides janitorial services at this leased facility. The decision to contract for services at this location is consistent with past practice to have a vendor provide environmental services for offsite leased facilities. The agreement is effective from May 31, 2017 – May 31, 2018.

No UC staff were laid off or reassigned as a result of this contract.

UC Los Angeles

UC Los Angeles has 15 contracts for services at eight newly developed or newly leased facilities:

1) Wasserman Football Center (430 Charles E. Young Drive, Los Angeles, CA 90024)

Contracts for the following services are in existence with the specified vendors via campus wide agreements and the scope of work for this facility was added to the agreements. The decision to contract out was based on the inability of UCLA to provide these services due to lack of expertise and equipment, and is consistent with those requiring specialized services. The blanket agreements for the below services all run through July 2018:

- a. Kone Inc. provides elevator services. Contracts for services were initiated to ensure continuity of service levels for like services.
- b. Steritech provides pest control services. This is a specialized service that requires expertise and equipment that Facilities Management does not have and service requirements can be sporadic, such that contracting for these services is an appropriate operating decision.
- c. Anthony's Window Cleaning provides window cleaning services. This is a specialized service that is required seasonally (from 2-4 times a year). UCLA does not have employees perform window cleaning above the first floor.
- d. Simplex provides bio reader services. Contracts for services were initiated to ensure continuity of service levels for like services.
- e. Crystal Clear Pool & Spa provides spa services. Contracts for services were initiated to ensure continuity of service levels for like services.

2) Mo Ostin Basketball Center (440 Charles E. Young Drive, Los Angeles, CA 90024)

Contracts for the following services are in existence with the specified vendors via campus wide agreements and the scope of work for this facility was added to the agreements. The decision to contract out was based on the inability of UCLA to provide these services due to lack of expertise and equipment, and is consistent with those requiring specialized services. The blanket agreements for the below services all run through July 2018:

- a. Steritech provides pest control services. This is a specialized service that requires expertise and equipment that Facilities Management does not have and service requirements can be sporadic, such that contracting for these services is an appropriate operating decision.
- b. Anthony's Window Cleaning provides window cleaning services. This is a specialized service that is required seasonally (from 2-4 times a year). UCLA does not have employees perform window cleaning above the first floor.
- c. Simplex provides bio reader services. Contracts for services were initiated to ensure continuity of service levels for like services.
- d. Crystal Clear Pool & Spa provides spa services. Contracts for services were initiated to ensure continuity of service levels for like services.

For the leased facilities listed below (numbered 3-8), the specified vendors perform janitorial services for other offices within that facility. Contracts for services were initiated to ensure continuity of service levels within the facility.

- 3) 2625 W. Alameda Ave. Burbank, CA 91505 (Suites: 300, 306, 310, 311, 312, 322, 404, 412)
Image Property Services provides janitorial services at this leased facility, which is located approximately 17 miles from the UCLA campus. The decision to contract for services at this location is consistent with the practice for facilities at a distance from the UCLA campus. The agreement is month to month, with services initiated in February 2017 for Suite 322, July 2017 for Suite 412, August 2017 for Suite 300, and December 2017 for Suites 306, 310, 311, 312, and 404.
- 4) 15503 Ventura Blvd. #150, Encino, CA 91436
Merchants Building Services provides janitorial services at this leased facility. The Department of Oncology and Radiology requires above building standard janitorial services. The agreement is year to year, with services initiated in June 2017.
- 5) 10250 Santa Monica #2440, Los Angeles, CA 90067
Allstate Building & Office Maintenance Inc. provides janitorial services at this leased facility. The agreement is effective from October 2017 – April 2018.
- 6) 501 Deep Valley Drive, Rolling Hills Estates, CA 90274 (Suites: 300, 400)
Vital Care provides janitorial services at this leased facility, which is located approximately 24 miles from the UCLA campus. The decision to contract for services at this location is consistent with the practice for facilities at a distance from the UCLA campus. The agreement is a one year term, effective December 2017.
- 7) 1919 Santa Monica Blvd. Santa Monica, CA 90404 (Suites: 300, 385)
Kohl Maintenance provides janitorial services at this leased facility. The agreement is month to month, effective August 2017.
- 8) 2780 Skypark Drive. Torrance, CA 90505 (Suites: 125/130/135/140)
WFM Facilities Management Inc. provides janitorial services at this leased facility, which is located approximately 22 miles from the UCLA campus. The decision to contract for services at this location is consistent with the practice for facilities at a distance from the UCLA campus. The agreement is month to month, effective July 2017.

None of the decisions to contract out caused layoff or displacement of UC staff.

UC Santa Barbara

UC Santa Barbara has 8 contracts for services at the San Joaquin Villages (650 & 750 Storke Road, Goleta, CA 93117) and Portola Dining Commons (6800 El Colegio Rd, Isla Vista, CA 93117):

- a) PureTec Industrial Water has 2 contracts for water treatment services.
 - 1) The vendor was contracted for installation of the manifold for the water treatment system. The agreement was effective from September 15, 2017 – September 18, 2017.
 - 2) The vendor also has an existing blanket agreement for tank exchange and service. The scope of work for this facility was added to the ongoing agreement, which was established in July 2015, and runs through June 30, 2018.
- b) Baker Built provided carpentry services. The agreement was effective from September 5, 2017 – September 14, 2017.
- c) Taft Electric provided electrical services. The agreement was effective from September 11, 2017 – September 15, 2017.

- d) Shaw Contracting has 2 contracts for general engineering services (concrete, asphalt).
 - 1) The vendor provided concrete services on September 25, 2017 – September 26, 2017.
 - 2) The vendor provided asphalt services on October 24, 2017 – October 31, 2017.
- e) Ventura Pest Control provided pest control services. The agreement was effective from October 9, 2017 – October 10, 2017.
- f) WASH Multifamily Laundry Systems provide laundry services. The scope of the work for this facility was added to an ongoing agreement, which was established in August 2014.

All of the above were considered specialized services. None of the contracts resulted in layoff or reassignment of UC staff.

UC Santa Cruz

UC Santa Cruz has 5 contracts for services at three newly developed/leased facilities:

- 1) 320 Encinal Street, Santa Cruz, CA 95060
 - a. First Alarm Security & Patrol Inc. provides security alarm monitoring services at this leased facility. The campus dispatch monitoring board is not compatible with the alarm system at this leased facility. The agreement is effective from September 6, 2017 – June 30, 2018.
 - b. Full Janitorial Services provides janitorial services at this leased facility. UCSC Campus Custodial does not provide janitorial services to leased buildings. Janitorial services are only provided twice a month and would not support a full time position. The agreement is effective from July 1, 2017 – June 30, 2018.
- 2) Coastal Biology Building (130 McAllister Way, Santa Cruz, CA 95060)
 - a. A&D Automatic Gate and Access provides electric gate maintenance. UCSC's Electrical Shop does not possess the technical skills to maintain or troubleshoot this specialty equipment. The decision to contract for services is consistent with the way that maintenance on such equipment is performed at the campus. The agreement is effective from October 30, 2017 – September 30, 2020.
 - b. Evoqua Water Technologies provides reverse osmosis services. UCSC's HVAC Shop does not possess the technical skills to maintain and troubleshoot this specialty equipment. The decision to contract for services is consistent with the way that maintenance on such equipment is performed at the campus. The agreement is effective from November 15, 2017 – June 30, 2019.
- 3) CSC EH&S Storage 1 (175 McAllister Way, Santa Cruz, CA 95060)

Clean Harbors Environmental Services provides hazardous waste packaging and removal services. The packaging work as part of the hazardous waste contract is the most cost effective means of safety and compliance considering the work is not required every day. The shipping and disposal is required as UCSC does not have a permit to perform those tasks. Contracting out for hazardous waste services is consistent with practices at existing campus facilities. The agreement is effective from January 9, 2017 – December 31, 2019.

None of the contracts resulted in layoff or reassignment of UC staff.

UC San Francisco

UC San Francisco has 1 contract for services at 2655 Bush Street, San Francisco, CA 94115. TCS provides custodial services at this leased facility. The decision to contract for services at this location is consistent with past practice to have a vendor provide building services for offsite leased facilities if such services are not provided by the leasing facility/landlord. The agreement is effective from July 1, 2017 – June 30, 2018.

No UC staff were laid off or reassigned as a result of this contract.