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December 14, 2018

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 *2018 Contracting Out for Services at Newly Developed Facilities*. No University staff were displaced as a result of the reported contracting out activity.

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 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)
(Attn: Mrs. Katie Sperla)
Ms. Jennifer Troia, Joint Legislative Budget Committee
Mr. Danny Alvarez, Secretary of the Senate
Ms. Tina McGee, Legislative Analyst's Office

The Honorable Holly J. Mitchell

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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

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

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Vice President Dwaine Duckett

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Chief of Staff to the Chief Financial Officer Oren Gabriel

Chief of Staff Governmental Relations Bob Hartnagel

Manager Jennifer Brice

UNIVERSITY OF CALIFORNIA

2018 Contracting Out for Services at Newly Developed Facilities Reporting Period: Calendar Year 2018 (1/1/18 - 12/31/18)

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, 2018 through December 31, 2018 for newly developed facilities defined as those that opened or began operations on or after January 1, 2018.

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 we 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 2018, there were a total of eleven (11) contracts for services at newly developed/ leased facilities in the University system. Additionally, three locations reported 26 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 11 contracts for service at newly developed facilities for 2018 are as follows:

- At UC Irvine, two newly developed/leased facilities have 2 contracts in place for janitorial services.
- At UC Merced, one newly developed facility has 7 contracts for Preventative Maintenance-Cleaning-Testing-Calibration of Life Safety System (1), Fire Alarm Monitoring Services (3), Fire Pump Testing (1), Pest Control Services (1), and Water Purification System Preventative Maintenance (1).
- At UC San Diego, two newly developed/leased facilities have 2 contracts in place for janitorial services and cash logistics/cash management 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 Davis, UC Los Angeles, UC Riverside, UC Santa Barbara, and UC Santa Cruz.

The 26 newly leased facilities that included predetermined services are:

- At UC Irvine, 1 newly leased facility (111 Theory, Suite 250, Irvine, CA 92617) had predetermined services (janitorial services) as part of the overall lease.
- At UC Los Angeles, 15 newly leased facilities had predetermined services (such as ground maintenance, building maintenance, and janitorial/ custodial services) as part of the overall lease:
 - 10920 Lindbrook Dr, Los Angeles, CA 90024
 - 10880 Wilshire Blvd #300, #400, #1860, Los Angeles, CA 90024
 - 10880 Wilshire Blvd #915, Los Angeles, CA 90024
 - 10960 Wilshire Blvd #1410, Los Angeles, CA 90024
 - 2601 W Alameda Ave #412, Burbank, CA 91505
 - 2625 W Alameda Ave #100, #518, Burbank, CA 91505
 - 1100 Glendon Ave #850, 900, 1820, Los Angeles, CA 90024
 - 4201 Torrance Blvd #600/680, Torrance, CA 90503
 - 32144 Agoura Rd #110, Westlake Village, CA 91361
 - 6000 Sepulveda Blvd #E10, Culver City, CA 90230
 - 2275 E Mariposa Ave Suite B, El Segundo, CA 90245
 - 6633 Telephone Rd #120/125, Ventura CA 93003
 - 8641 Wilshire Blvd #102, Beverly Hills, CA 90211
 - 9675 Brighton Way #100, Beverly Hills, CA 90210
 - 1411 S Garfield Ave #200/201/202/404, Alhambra, CA 91801

- At UC San Francisco, 10 newly leased facilities had predetermined services (including cleaning, maintenance, and security) as part of the overall lease:
 - 270 Masonic Avenue, Suite 224, San Francisco, CA 94118
 - 2730 Adeline Street, Suites 7, 36 & 37, Oakland, CA 94607
 - 2001 Center Street, Suite 700, Berkeley, CA 94704
 - 2500 18th Street, San Francisco, CA 94110
 - 185 Berry Street, Suite 1000, San Francisco, CA 94107
 - 3100 San Pablo Avenue, Berkeley, CA 94702
 - 1550 Bryant, Suite 590, San Francisco, CA 94103
 - 2201 Walnut Avenue, Suite 120 & 300, Fremont, CA 94538
 - 8000 Marina Boulevard, 6th Floor, Brisbane, CA 94005
 - 2727 Mariposa Street, Suite 100, San Francisco, CA 94110

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

APPENDIX

UC Irvine

UC Irvine entered into contractual arrangements for janitorial/ custodial services at each of 2 newly developed/ leased facilities:

1. 131 Innovation Drive, Suite 250, Irvine, CA 92617
The location entered into a contract for janitorial services with Beneficial Management Services (vendor), at the recommendation of the property owner, The Irvine Company. The decision to obtain janitorial services from BMS was based on the vendor's arrangement to provide these services for other units at this facility, and the cost-ineffectiveness for UCI Facilities to provide these same services in-house due to the limited scope of the services. The decision to use the property owner's recommended supplier at a facility in which the property owner is also leasing to multiple other tenants is consistent with the location's practices. The services are contracted to run from February 1, 2018 through July 30, 2019. No UC staff were laid off or reassigned as a result of this contract.
2. 20350 Birch Street, 1st & 2nd floors, Newport Beach, CA 92660
The location's decision to enter into a contract to obtain janitorial services from Shine It Up, Clean It Up (vendor) was based on the fact that this facility is not sufficiently large to merit a custodial team to be dispatched to or established at this location. 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 for 1 year through September 2019. No UC staff were laid off or reassigned as a result of this contract.

UC Merced

UC Merced entered into 7 contracts for services at the UC Merced Downtown Campus Center, 655 W. 18th Street Merced, CA 95340:

- a. Emergency Lighting Equipment Service Co DBA Elesco has 1 contract to provide Preventative Maintenance-Cleaning-Testing-Calibration of Life Safety System at the location. Elesco is a factory-authorized dealer for UCM's Life Safety Systems. This system is an extension of the current system throughout all UC Merced locations. UCM leveraged the OP contract due to lack of available services in the immediate area and the service experience that Elesco had previously provided to other campuses. The services were contracted for the period of April 1, 2018 through December 31, 2018.
- b. Cosco Fire Protection has 2 contracts to provide Fire Alarm Monitoring Services and 1 contract to provide Fire Pump Testing at the location.
 - i. The decision to obtain Fire Alarm Monitoring Services from Cosco Fire Protection is based on the fact that the location lacks expertise and proper certification credentialing to provide this service itself (the fire panel monitoring company must hold a UL Central Monitoring Station Certification and must be an ESD Notifier for the Honeywell panels located throughout all of UC Merced's sites). The first contract ran from March 1, 2018 through May 31, 2018, and the second contract ran from June 1, 2018 through September 30, 2018.
 - ii. The decision to obtain Fire Pump Testing from Cosco Fire is due to the fact that Cosco Fire Company holds and maintains the required certifications/ licenses to complete the necessary inspections. UC Merced was unable to provide these services itself due to its lack of expertise, necessary equipment, certifications, and licenses to complete the fire pump inspections. This contract will run from April 6, 2018 through June 30, 2021.

- c. Nobico DBA Integrated Electronics has 1 contract to provide Fire Alarm Monitoring Services at the location. The decision to enter into this contract is based on the location's lack of expertise and proper certification credentialing to provide this service in-house. The services are contracted for the period of September 15, 2018 through June 30, 2021.
- d. Bob's Community Pest Control has 1 contract to provide Pest Control Services. Bob's Community Pest Control holds the required pest control application licenses and is a full service extermination company. UC Merced cannot provide adequate service due to its lack of expertise and resources. The services are contracted to run from March 1, 2018 through February 28, 2019.
- e. EWT Holdings III Corp DBA Evoqua Water Technologies, LLC has 1 contract to provide Water Purification System Preventative Maintenance. The decision to enter this contract is based on Evoqua Water's specialization in environmental compliance and its certification to maintain UCM's water purification systems. UC Merced is unable to provide this service due to a lack of expertise and necessary equipment. The contracted service will run from May 1, 2018 through April 30, 2019.

No UC staff were laid off or reassigned as a result of these contracts.

UC San Diego

UC San Diego entered into 2 contracts for services at UC San Diego Health - Rancho Bernardo, 16950 Via Tazon, San Diego, CA 92127:

- a. Vortex Janitorial has 1 contract to provide janitorial services. The decision to enter this contract was based on the fact that the facilities to receive these services are at an off-site location located more than 10 miles away from the UC San Diego Medical Center, and are therefore not serviceable by the University's in-house Environmental Services staff. The decision to obtain contracted janitorial services under these circumstances is consistent with the prevailing practice at existing UC San Diego Health facilities. The services are contracted to run from October 8, 2018 through January 31, 2019. No UC staff were laid off or reassigned as a result of this contract.
- b. Golden Eagle has 1 contract to provide cash logistics services. The decision to obtain these services from Golden Eagle is based on the fact that the facility is an off-site location located more than 10 miles from the UC San Diego Medical Center, and the specialized services obtained are neither readily available nor typically performed by UC San Diego Health staff. The decision to obtain contracted cash logistics services under these circumstances is consistent with the prevailing practice at existing UC San Diego Health facilities. The services are contracted to run from October 10, 2018 through October 30, 2019. No UC staff were laid off or reassigned as a result of this contract.

Contact information:

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