



**Board Administrative Committee  
August 14, 2019**

**SUBJECT:**

Approve and Authorize a Five-Year Agreement with ABM Industries, Incorporated, in the Not-To-Exceed, Full-Term Total of \$1,830,000

**BACKGROUND:**

On May 15, 2019, the Board approved and authorized a janitorial services agreement with Wurm's Janitorial Services, Incorporated (Wurm's) of Corona, California, pursuant to the terms and conditions specified in Request for Proposals (RFP) No. 3146. Following Board authorization, and prior to contract execution, Wurm's informed District staff of an administrative oversight pertaining to the use of Professional Employer Organization (PEO) insurance for workers' compensation coverage. PEO coverage is identified and specifically excluded as an acceptable form of insurance in the District's solicitation requirements. Respondents to District solicitations sign and submit an affidavit with their submittal confirming their acceptance of EMWD's insurance terms and requirements, including the exclusion of PEO coverage.

Companies that utilize PEO insurance for workers compensation coverage do so as a means of cost savings. Under the PEO format, firms share employer responsibilities with the PEO by, effectively, "co-employing" company personnel. In doing so, the PEO may then realize economies in offering employee benefits such as health coverage, as well as providing the primary employer with cost savings in areas such as insurance and workers compensation coverage.

In November of 2016, the District's Risk Management department discussed the topic of PEO based insurance coverage during a closed session meeting of the Board. Subsequently, in January of 2017, the Risk Management department received a consulting report concluding, among other things, of problems in the ability to verify appropriate coverage where PEO organizations are co-employers responsible for workers' compensation insurance, and of potential legal loopholes for responsible parties. The consultant recommended against the use of such coverage. Accordingly, District solicitations prohibit the use of PEO coverage in meeting contractual insurance requirements.

Following Board approval in May of 2019 and identification of its administrative oversight, Wurm's communicated to the District that it would be cost prohibitive for them to procure the required insurance. Wurm's declined to enter into the Agreement and was subsequently disqualified for not meeting requirements.

**ABM Industries (GCA Services)**

The second highest scoring proposal in response to RFP No. 3146 was received from ABM Industries, Incorporated (ABM) located in New York, New York., a parent company to GCA Services Group of Sugar Land, Texas. GCA is the District's current provider of janitorial services. ABM employs approximately 140,000 people, nationally, and has been in business for over 110 years.

Monthly costs proposed by ABM-GCA in response to RFP No. 3146 total \$28,800, or \$1,015 per month greater than those originally proposed by Wurm's. ABM - GCA has provided quality service over the past ten years, and supported the District by continuing to provide service through resolution of this current matter. ABM - GCA meets, and has confirmed it will continue to comply with all contractual requirements and insurance provisions specified in the RFP.

Under the proposed agreement, pricing will remain fixed for the first year of the recommended term. Subsequent yearly adjustments are limited to a three percent increase based on supply increases to the industry, regulatory changes, or adjustments in the Consumer Price Index. Total costs under the proposed agreement are estimated at \$345,600 per year, or \$1,728,000. Due to the potential addition of service locations or requirements, and approved price adjustments during the contract term, it is recommended that the Board approve and authorize a five-year agreement in the not-to-exceed, full-term total of \$1,830,000.

**FINANCIAL IMPACT:**

Funding for this item is provided for in the Biennial Budget for Fiscal Years 2019-20 and 2020-21.

**STRATEGIC PLANNING GOAL/OBJECTIVE:**

Consistently exceed customer expectations in all facets of EMWD's service.

**ENVIRONMENTAL IMPACT:**

None

**RECOMMENDATION:**

Approve and authorize a five-year agreement with ABM Services, Incorporated, in accordance with the terms and conditions of RFP No. 3146, in the estimated amount of \$366,000 annually, with the not-to-exceed, full-term total of \$1,830,000.

**SUBMITTED BY:**



Paul D. Jones II, P.E., General Manager

8/5/2019



Laura Nomura, Deputy General Manager

7/30/2019

08/21/19 Board Meeting

Staff Contact: Jeff Wasserman, Dan Howell