

Agenda Report

TO: CITY COUNCIL

DATE: DECEMBER 7, 1998

FROM: CITY MANAGER

SUBJECT: EXTENSION OF CONTRACTS WITH GOLDEN BEAR ARBORISTS

RECOMMENDATION:

It is recommended that the City Council: 1) authorize the City Manager to extend contracts 16,401 and 16,475 with Golden Bear Arborists Inc., for a period of one year each or until an amount not to exceed \$63,000 and \$121,000 respectively is expended; 2) appropriate \$8,740 from the General Fund personnel reserve to the Forestry budget account #765210.

BACKGROUND:

On July 2, 1997, Golden Bear Arborists Inc., was awarded contract number 16,401 for tree and stump removal. Subsequently, Golden Bear was awarded contract number 16,475 for hardwood pruning. The not to exceed amount of the contracts was \$60,000 and \$115,000 respectively.

Both contracts were for a base term of one year with options to renew for up to two (2) additional one-year periods at the discretion of the City Manager, provided all terms, conditions and pricing remained unchanged.

The base term of each contract has expired. Golden Bear has performed well under both contracts and staff desires to exercise the first extension options. The extension of these contracts will make them subject to the Living Wage Ordinance. As a result Golden Bear would have to increase the compensation level of a number of persons assigned to the contracts. Golden Bear has indicated that unless a portion of these increases are passed along to the City through higher billing rates it would not be willing to extend the contracts. However, the City Manager has determined that under no circumstances will the City accept the full pass-through of costs associated with applying the Living Wage Ordinance to existing contracts.

Therefore, staff has carefully considered Golden Bear's pricing proposal. During the initial term of the contracts approximately 7,760 labor hours were compensated at less than the Living Wage; \$6.50 per hour without benefits. Using the same number of labor hours and raising the compensation consistent with the Living Wage Ordinance, to \$8.50 per hour without benefits, would add costs of \$15,520. Additional workers'

compensation insurance, payroll taxes and other overhead costs would increase this amount another \$3,880 (about 25%) resulting in a total increase of \$19,400. Of this amount Golden Bear is willing to absorb \$10,660, about 55% and is requesting that the remaining \$8,740 be passed through to the City.

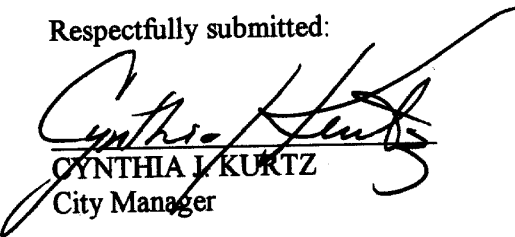
Wages Paid at \$6.50/hr	\$50,440	
Labor Hours at \$6.50/hr	7,760	
Cost to Raise Minimum Pay to \$8.50/hr (\$2.00 x 7,760 hours)		\$15,520
Overhead (approx. 25%)		\$3,880
		=====
Total Cost of Increase		\$19,400
Portion absorbed by Golden Bear	\$10,660	
Portion passed through to City	\$8,740	

Given that labor costs are the major cost component of these contracts it is staff's belief that re-bidding the work is not likely to lessen the additional cost associated with the Living Wage Ordinance sufficiently enough to justify disrupting the current service. Therefore, staff recommends extending the contracts under the proposed pricing structure. Amending the contracts in this manner to increase the billing rates by a fixed and directed amount is within the City's rights without requiring a new bidding procedure.

FISCAL IMPACT:

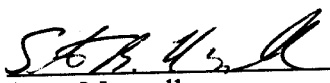
The funds are available in the Parks and Natural Resources in the Forestry Operations budget account # 765210 in the amount of \$175,000. The remaining amount of \$8,740 will come from the General Fund personnel reserve.

Respectfully submitted:

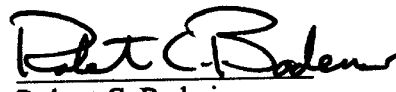

 CYNTHIA I. KURTZ
 City Manager

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