

Merrett R. Stierheim, Superintendent of Schools

SUBJECT: AGREEMENT WITH UNICCO SERVICE COMPANY

Introduction

At its meeting of April 14, 2004, the Board authorized the Superintendent to:

1. Negotiate an amendment to the existing contract that will reduce UNICCO's project cost and clearly spell out measurable deliverables as defined in the existing contract and/or other documents over the next five or six months and thereafter; and
2. Bring back an item to the Board with the amended contract for the meeting of May 19, 2004.

At the May 17, 2004 Business and Financial Services School Board Committee Meeting, a proposed agenda item was withdrawn and subsequently a Special Board meeting was scheduled.

At the School Board Meeting of May 19, 2004, under item D-1, Ms. Perla Tabares Hantman requested that the Board be provided with an action plan in the event that UNICCO's contract is terminated.

Background

The original contract with UNICCO was designed assuming a six-month assessment period followed by at least 18 months of a staged implementation of reengineered management processes. During this two-year period, UNICCO was to act as both consultant and as the Facilities Maintenance Officer for the District. In February 2004, the Board approved the recruitment of a qualified professional to lead the Maintenance Operations Department as the District's Facilities Maintenance Officer. Subsequently, at the March 2004 meeting, the Board approved an upgrade to the position to assist in recruiting the best possible talent. The job advertisement closed on May 10, 2004, the candidate review process is presently on going, and a recommendation is expected shortly. This action will ultimately change management control of the Maintenance Operations Department from private management to District-based management and UNICCO's role to that of a consultant.

Pursuant to the above, the Chief Business Officer and senior members of the Maintenance Operations Department, with the assistance of the UNICCO onsite team, performed a comprehensive review of the current contract and formulated two options that are proposed below.

Option #1 – Retain UNICCO Service Company under renegotiated contract

The second year of the existing contract for the period March 2004 to March 2005 is for a fixed price of \$1,661,304. For purposes of renegotiating the contract, UNICCO provided the following breakdown:

Resident Wages	\$ 529,896
Tax, insurance, health, miscellaneous	\$ 140,268
Professional Liability Insurance	\$ 34,340
Facilities Condition Index Initiative	\$ 397,000
Training, Organizational Development, etc consultants	\$ 159,800
Management Fee	\$ 400,000
Total	\$ 1,661,304

Staff's approach was to reduce cost, maintain accountability and clearly define all deliverables.

After extensive deliberations, the following modifications to the contract were negotiated and agreed upon, subject to Board approval. These modifications would achieve a cost reduction to the District of \$245,000 and provide an opportunity for further reductions at District discretion of up to an additional \$339,800. Below is a breakdown:

1. UNICCO will mentor and assist the new Facilities Maintenance Officer and by October 2004 the Facilities Maintenance Officer responsibilities will shift from UNICCO to the District's Facilities Maintenance Officer. The contract cost reduction for this is \$70,000;
2. The \$400,000 management fee (includes corporate overhead, profit, etc) was renegotiated with the new fee being \$225,000, a reduction of \$175,000;
3. A total of \$339,800 for additional temporary consultant (non-resident resources) is retained in the contract. However, the contract terms will change to require prior approval from the Chief Business Officer to use the resources. Payment to UNICCO will be based on invoicing for the approved (non-resident resources). This option could reduce the contract cost within a range of \$1,076,504 (no non-resident resources approved) to \$1,416,304 (all non-resident resources approved). The Superintendent and the Board would be kept apprised of the use of non-resident resources on a monthly basis.
4. Based upon the four major management initiatives in the contract and the sixteen outcomes previously proposed by UNICCO, we have refined completion dates and the expected output (e.g. improved process, a report, improved performance, business case, etc) for the approximate 200+ activities. The deliverables will be forwarded in the supplemental information. A procedure has

been established to jointly review the status and the latest monthly status as of May 31, 2004 will be forwarded in the Supplemental information to the Board. It was also agreed that UNICCO would hold regularly scheduled labor/management meetings with union leadership to ensure that pending process and procedural changes are discussed and any issues are negotiated prior to implementation. The first meeting was held on May 6, 2004 and the next meeting is scheduled for June 9, 2004.

Option #2 - Terminate UNICCO and Transition Plan

The contract allows the Board to increase or decrease the scope of services upon thirty (30) days advance written notice to UNICCO. The contract also allows the Board to terminate the agreement without cause upon giving forty-five (45) days advance written notice. Should the Board desire to terminate the contract, the following action plan is submitted.

Staff strongly suggests that we continue with the execution of the Master Project Plan adopting all initiatives and associated outcomes. To accomplish this will require that we assemble a team with expertise similar to the UNICCO team.

1. The Maintenance Operations Department would immediately form a transition team of senior members augmented by members from other departments (Human Resources, Information Technology, Financial, etc).
2. The team would document and ensure an accurate and complete turnover of all processes, procedures, and plans related to planned outcomes, deliverables, and activities, etc. from the UNICCO onsite team.
3. The transition team would be headed by an Interim Facilities Maintenance Officer (to be named) until a permanent Facilities Maintenance Officer is appointed. Once on the job, the new Facilities Maintenance Officer would lead the Maintenance Operations team to undertake the long-term organization, process, and information technology changes envisioned in the current contract.
4. The leadership team will be initially augmented by outside consultants with skill sets not currently available within the District. (e.g. organizational development, process change and improvement, information technology changes, and assessing the physical condition of the District's buildings).
5. Assuming the contract is terminated as of August 1, 2004, the District will have paid UNICCO \$622,989 for the second year of the contract (March 15, 2004 to July 30, 2004).

This action plan has the following risks:

1. A potential six-month delay in implementing the project master plan due to loss of continuity, personnel issues, and the time needed to contract the required consultant services.
2. Assumption that the transition team of senior members in cooperation with our Union partners can successfully continue the momentum toward change while simultaneously managing day to day operations.
3. The positive momentum for implementing change and reform may not be sustained.

The estimated annual cost for this option is detailed below:

Consultant Wages (3 x \$130,000)	\$ 390,000
Technical Training, Organizational Development, etc	\$ 159,800
Facilities Condition Index Initiative	\$ 397,000
 Total	 \$ 946,800

Comparative Analysis

A comparative analysis chart is included as a separate attachment.

RECOMMENDED:

That The School Board of Miami-Dade County, Florida, authorize the Superintendent to execute an amendment to the contract between the School Board and UNICCO Service Company that:

1. Includes a monthly report on measurable deliverables;
2. Reduces the contract by \$70,000 in recognition of the planned full management transition from UNICCO to a District-based Facilities Maintenance Officer by October 2004;
3. Reduces the management fee by \$175,000; and
4. Provides for possible further reductions of up to \$339,800 for non-resident resources. The use of these resources shall be subject to the approval of the District's Chief Business Officer, on a case-by-case basis.

COMPARATIVE ANALYSIS

ATTACHMENT #1

	Option #1			Option #2
	Retain UNICCO Service Company under renegotiated contract			
	Original Contract	Proposed Change	Amended Contract	Terminate UNICCO and Transition Plan
Estimated Cost				
Resident Wages	\$ 529,896	[70,000]	\$ 459,896	\$ 390,000
Tax, insurance, health, misc.	140,268		140,268	
Professional Liability Insurance	34,340		34,340	
Facilities Condition Index Initiative	397,000		397,000	\$ 397,000
Training, Organizational Development, etc.,	159,800		159,800	\$ 159,800
Management Fee	400,000	[175,000]	225,000	
Non resident resources	\$1,661,304	[245,000]	\$ 1,416,304 (max)	\$ 946,800
		[339,800]	\$ 1,076,504 (min)	
PROS	<ul style="list-style-type: none"> • Maximize potential for success • Maintain continuity with team (District & UNICCO) • Maintain momentum for reforms • Continue process reengineering • Further enhance data driven decision making • Maintain Advisory Board's support • Ability to quickly assign temporary consulting resources • Mentoring of new Facilities Maintenance Officer 			<ul style="list-style-type: none"> • Less cost than Option #1 • Faster transition to District lead team (August 2004) • Greater control by District personnel • Ability to redefine and control deliverables • Smaller management fee due to using individual consultants
CONS	<ul style="list-style-type: none"> • Higher cost than Option #2 • Transition to District lead team in September 2004 • Less control by District personnel 			<ul style="list-style-type: none"> • Disruption of team continuity • Possible loss of momentum for reform • Interruption or loss of process reengineering • Interruption or loss of further workflow refinement • Payment of year two contract fees of \$622,989 • Potential loss of investment in time, effort and money • Increased risk of project failure