

June 17, 2003

Merrett R. Stierheim, Superintendent of Schools

**SUBJECT:           REQUEST TO APPROVE, REJECT OR MODIFY THE  
RECOMMENDATION FROM THE MIAMI-DADE LAND  
ACQUISITION AND FACILITIES MAINTENANCE OPERATIONS  
ADVISORY BOARD, TO PRIVATIZE THE MAINTENANCE AND  
CUSTODIAL SERVICES IN ONE FEEDER PATTERN SYSTEM  
(APPROXIMATELY NINE SCHOOLS) IN THE DISTRICT**

As a follow-up to the materials presented at the June 18, 2003 Conference Session on the pros and cons and general effects of privatization of the maintenance of nine (9) schools in the District (copy attached), I would like to present the following for consideration by the School Board:

1. That relative to maintenance activities, we stay the course with UNICCO for provision of maintenance management services, as that is the least disruptive way of providing renewed focus for and retooling our maintenance services, along with enhancing employee productivity and improving the level of service to our customers. This recommendation carries with it a commitment to review and assess in another six months, the progress made by UNICCO to achieve these goals;
2. That relative to custodial activities, we allow UNICCO, under the terms of its existing agreement and scope of services, to review staffing standards, training, and methods for custodial services. These responsibilities are currently assigned to the Maintenance Department. The results of UNICCO's work should be reviewed after the first year to determine effectiveness. However, if the Board determines it wishes District staff to structure a pilot project to determine the optimum balance for providing these services to the public in the long-run, i.e. in-house v. outsourcing, and as described in the attached memorandum of June 11, 2003 to the Board, this could be structured to include the selection of three feeder patterns of approximately nine (9) schools each, as the control group, and the selection of three additional feeder patterns of the same general size. One would be managed by UNICCO or similar private provider using the existing workforce, one would be site-based managed, and one would be run by an outside firm with its own personnel. This scenario would require AFSCME participation and a pre-defined agreement with that union as to terms and conditions;
3. That relative to grounds maintenance, the status quo be maintained since it is presently a relatively minor part of the overall maintenance activities.

**REPLACEMENT**

**RECOMMENDED:**

That The School Board of Miami-Dade County, Florida:

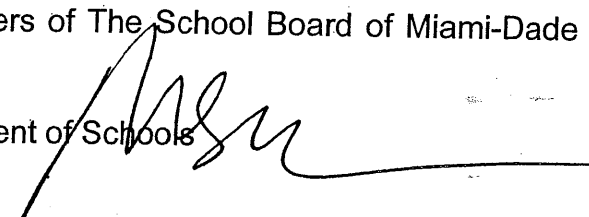
1. approve, reject or modify the recommendation from the Miami-Dade Land Acquisition and Facilities Maintenance Operations Advisory Board, to privatize the maintenance of nine (9) schools in the School District; or,
2. should the School Board wish to modify the Advisory Board's recommendation, that it consider the options outlined above, in the body of this item, including engaging in discussions with any of the affected union(s).

MRS/ARC:aj

**MEMORANDUM**

June 11, 2003

**TO:** The Honorable Chair and Members of The School Board of Miami-Dade County, Florida

**FROM:** Merrett R. Stierheim, Superintendent of Schools 

**SUBJECT: PRIVATIZATION**

At the March 12th School Board meeting, I was requested to prepare an analysis of the pros and cons of privatization of our maintenance and custodial functions. My response was presented at the April 9th, 2003 meeting where the Board asked for a Conference Session. Although we continue to thoroughly evaluate the likely impacts of privatization, this report is intended to provide you with a status of our deliberations and alternate actions should the Board affirmatively approve the Oversight Board's privatization recommendation.

During the February Construction Retreat, I had an opportunity to discuss the pros and cons of privatizing maintenance with my peer Superintendents from several other large urban school systems. As you might expect there was no consensus regarding the best delivery method for maintenance. There was, however, consensus that an objective evaluation was necessary as a pre-requisite.

It is essential that we define the scope of services to be included in any privatization effort. In various conversations about privatization there has been a lot of lip service to the issue but no one has really defined the actual services that would be provided by private firms. There are recognized groupings of services in the industry that are commonly understood – such as; custodial, maintenance and grounds services. For each type of service there are at least three options that can be considered – the following table provides a simple overview:

<b>Service</b>	<b>Direct District Responsibility</b>	<b>Fully Privatized</b>	<b>Management Services</b>
Maintenance			UNICCO
Custodial	Current Practice	Optional	Optional
Grounds	Current Practice	Optional	Optional

Each type of service must be examined independently. For simplicity I am assuming that any test(s) we construct will involve approximately one million sq. ft. of school space per test, or the equivalent of one feeder pattern cluster of schools or nine (9) schools more or less.

### Custodial Services

Today we rely on a school-based management approach for school custodial services, where principals are responsible for custodial employee selection, job and task definition, and daily supervision. The Maintenance Department has some minimal responsibilities to train new employees and conduct periodic cleanliness inspections. OPPAGA indicated that overall staffing levels are higher than accepted standards. In discussions with school principals they generally defend the status quo because they are able to utilize custodial staff for a variety of special tasks. In several cases individual school principals have commented that the burden of directing custodial staff is distracting them from their primary educational responsibilities and the end result are buildings that are not clean (23 out of 57 principals surveyed). A number of parent groups have also complained about the cleanliness of schools. At the Board's direction we can structure a pilot program to determine the best balance of in-house vs. outsourced services for the long term. The criteria for determining success or failure will be very straightforward along the following lines:

- Cost of operation including all custodial labor, employee fringe costs, supplies, specialized equipment purchases;
- Cleanliness, as determined by an independent evaluation team, which shall provide quarterly inspections;
- The independent evaluation team shall be composed of:
  - Two independent school principals
  - One Access Center Director
  - Two AFSCME representatives
  - One Facilities Oversight Board Member
  - One School Board member
  - One parent representative
  - One student representative
- The evaluation process would be structured and administered by the Office of Performance and Improvement (OPI).

### The Controlled Tests

To define the best long-term approach for providing custodial services we would suggest a controlled test that examines three scenarios within which we will select three feeder patterns that would serve as control system for the comparative tests. Custodial services in those three feeder systems would continue to be provided as they are today. In addition we would determine:

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1. Private Management Services – UNICCO or another similar private provider would be selected to manage and direct the existing workforce in one feeder pattern and have authority to hire, discipline, terminate, train, specify work methods and tools and set hours of operation. This will require negotiation with AFSCME to provide for changes in reporting relationships, work rules, and internal accounting for employees that are placed on Workers Compensation leave. An out of pocket cost will also be involved.
2. Site Based Management – in one feeder pattern under identical work rules as described in one above. In other words, School Principals will operate under the same rules that are established for the Private Management Services option referenced above.
3. Total Privatization – A firm will be solicited via RFP to take over the entire custodial function for one feeder pattern. No District employees would be laid off under this scenario. Affected employees would be transferred or assimilated to alternate work locations. This option will require additional net funding. Specifications would be prepared that would assure comparable employee benefits. Wherever disparities in wage rates, employee benefit costs or other cost differentials exist, they would be duly noted and considered in the evaluation process. The contractor would provide labor, fringes, purchased services and materials. I recommend a two-year contract with the right to terminate after one year if the program is not the most successful as determined by the Evaluation Team. The contractor must agree to abide by all applicable laws including those laws that are for the protection of children such as criminal background checking.

## **Maintenance**

Since the District has already engaged UNICCO to provide management services for our maintenance operation and a portion of our grounds activities the options available are somewhat limited. Regarding the full privatization of Maintenance, structuring a fair test is complicated and would require extensive research and preparation before we could move forward. We recommend that we not pursue this option and stay the course we charted with UNICCO providing overall management of Maintenance. I have identified a number of key points pertinent to the full privatization of maintenance option that provide insight into why we do not think this option is in the best interest of the District – they include:

1. School selection – our existing maintenance operation functions on a regional basis for a portion of its operation and centrally for specialized trades. To construct a fair test, schools selected for privatization must be chosen via a random selection process from a designated region and should include a school

or two from another region. This would assure that private contractors do not have any inherent advantage related to travel time. This means that the private contractor and our own work force would overlap and several feeder patterns would have multiple service providers leading to potential confusion.

2. Term of the experiment – for the District and perhaps for a contractor to find the opportunity attractive it is likely that we should offer a multi-year contract. Nor do we want a Pilot Program in place that we cannot terminate after a one-year evaluation if it is not successful. We also don't want to create an opportunity for "low balling" a private bid in the short run in hopes of a bigger contract in the long run.
3. How many providers should we solicit? A single provider is the only practical approach to avoid an excessive management and administrative burden. To find a single provider that can provide the range of skills necessary is likely to lead to a general contractor that will be utilizing many sub contractors. We can achieve the same result today via our Job Order Contracting Program.
4. Capital equipment or capital construction requirements – since the buildings remain the property of the M-DCPS, we must define which party handles the replacement and funding of capital equipment. Examples might include sewer lines, roofs, HVAC systems etc. Today, our in-house staff performs the majority of this work. As you might expect, I do not think it would be practical to have respective personnel working side by side nor do we want duplication.
5. There must be a clear delineation between maintenance items and related repairs and the need for capital equipment replacement, i.e.: who is responsible for making the replace vs. repair decision? If not explicitly defined in advance, there is a high probability of contract disputes and/or the private contractor calling for equipment replacement prematurely to reduce their maintenance costs, e.g. air conditioners, etc.
6. Given that almost all schools are plagued with deferred maintenance investment requirements as well as substantial code compliance requirements, who is obligated to make the necessary investments? Should we rehabilitate buildings before maintenance is privatized? And, what is the impact of those decisions or comparative analyses?
7. Emergency response capabilities. Will the private firm respond after hours or do we assume responsibility during off hours and how do we account for those efforts?

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8. The contract must be on a fixed price that provides for school site expansion adjustments.
9. A formal Service Level Agreement (SLA) needs to be crafted that provides for:
  - a. Response time standards
  - b. Quality standards (the equivalent of a warranty for repaired or replaced items)
10. Termination should be performance based which is a heavy matter for negotiations.
11. Risk management – is also a significant issue. What kind of liability coverage will we require, etc?
12. The approximate out of pocket expense to fully outsource Maintenance would be approximately \$1.76 per sq. ft. for basic services which include labor, fringes, purchased services and routine supplies but is exclusive of the points raised above regarding capital expenditures. At a million square feet the added cost would be \$1.76 million.
13. Finally, the opportunities for dispute resolution and/or litigation are excessive and almost guaranteed by either the District or our Unions or successful private sector bidders.

### **Grounds**

Today, grounds maintenance within the M-DCPS is a shared responsibility among three parties. The in-school custodial staff provides limited grounds keeping in and around the immediate perimeter of school buildings; the Maintenance Department provides limited mowing and tree trimming for certain District-owned athletic facilities; and the Metro Dade County Parks Department provides services to those facilities owned by Dade County but utilized by M-DCPS for athletic activities. In addition, on a selective basis some services are already outsourced. The District's overall responsibility in this area is modest and does not represent a major potential for cost savings via privatization. I recommend that we maintain status quo.

### **Conclusion**

If we are going to proceed with any of the outlined options, it is imperative that we strive to have the program in place for the beginning of the 2003 fall school session. Much of our past conversations have focused on the human and subjective dimensions of the

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privatization question. These are enormously important, but are also the most difficult to objectively evaluate. I suggest that we turn our attention to dealing with the specific options which have been clearly presented in this memorandum, policy direction is called for so that we all get a better understanding of how to proceed in the long term.

MRS/FW:aj  
M-2804

cc: School Board Attorney  
Superintendent's Executive Staff