



Good Neighbors

San Diego
Housing Commission

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REPORT

DATE: For the Agenda of August 17, 2001

ITEM 105

REPORT NO: HCR01-096

SUBJECT: Amendment to the Temporary Employment Services Contract With IUA/Works Staffing

SUMMARY

Issue: Should the Housing Commission recommend Housing Authority approval to amend the contract with IUA/WORKS Staffing to incorporate additional funds available through the budget revision for temporary employment services to address the Section 8 lease-up push?

Recommendation: Forward for Housing Authority approval a recommendation to increase the maximum compensation by \$500,000 from the current level of \$755,125 to \$1,255,125 for the remainder of the two-year contract term (through November 30, 2001), and authorize the Chief Executive Officer to: a) Negotiate modified bill rates for positions designated under the contract to reflect changes in market conditions since contract inception; and b) Execute any necessary documents, with the review of General Counsel, to effectuate the contract amendment.

Fiscal Impact: Expenditure of up to \$500,000 more than the current contract limit, an amount that is within FY02 budget parameters.

Certificate of Funding Availability:

Certificate No.: 02-021
Amount: \$420,000 (plus \$80,000 in salary savings)
Revenue Source: Various Sources
Division: Operations
Line Item: Contract Consultant

Previous Related Actions: A FY02 Budget revision totaling \$937,647 (of which \$637,649 is to fund temporary employment services dedicated to the Section 8 lease-up push) was approved by the Housing Commission on July 20, 2001, and by the Housing Authority on July 31, 2001; the Housing Commission postponed action on the related issue regarding the proposed amendment to the temporary employment services contract pending further discussion. The two-year contract with IUA/Works Staffing was approved by the Housing Commission on October 22, 1999, and by the Housing Authority on November 9, 1999.

BACKGROUND

As is typical of most organizations, the Housing Commission utilizes a combination of regular “permanent” employees and temporary employees to conduct its business in an effective manner. Core staffing is comprised of “permanent” employees. Temporary employees are utilized, when appropriate, to fill-in during long-term absences of core employees and in the case of budgeted position vacancies due to turnover; furthermore, temporary employees are utilized to provide “extra help” during times of peak demand and to undertake special projects.

The Housing Commission has utilized IUA/WORKS Staffing (“WORKS”) since December 1999, as its primary provider of temporary employment services (meeting approximately 80 percent of its temporary employment needs). The remaining 20 percent of need is met through the use of other temporary employment agencies and through the direct hire process. The two-year contract with WORKS, that runs through November 30, 2001, includes a maximum compensation amount of \$755,125. This figure was determined in 1999 based on the following factors:

- WORKS would meet approximately 50 percent of Housing Commission temporary employment needs during the contract term (up from approximately 25 percent of need met by previous contractor);
- Usage of temporary staff was projected to remain stable.
- Negotiated billing rates for each contracted classification (equivalent to the WORKS fee and the amount available to pass-through to the temporary employee) would remain competitive in the labor market and stable for the two-year contract term; and,
- WORKS would provide enhanced support services under terms of the contract; specifically, recruitment, hiring and training of local Public Housing residents and Section 8 Program participants in compliance with HUD Section 3 requirements, in addition to services traditionally provided by temporary employment firms.

The Housing Commission has previously provided authorization for the CEO to exercise the option to extend the subject contract beyond November 2001 for up to two one-year periods. Billing rates for contracted positions were set at contract inception without provision to increase over time to incorporate any significant shift in the market.

Under terms of the contract, WORKS provides services beyond those provided by the traditional temporary employment services firm. This innovative employment service contract is a prototype and the subject of special recognition by NAHRO, a national professional association of affordable housing organizations and individual practitioners.

DISCUSSION

The Housing Commission values the ability to work effectively to meet the needs of its clients and other customers. The Commission relies primarily on its core employees to meet day-to-day demands, and depends on temporary employees to meet demand during peak periods and to undertake special projects. WORKS has been under contract to the Commission since late 1999 to provide temporary employment services. Several factors, listed below, have recently impacted

utilization of subject services resulting in the need to increase maximum compensation allowable under terms of this contract.

- WORKS has exceeded expectations by meeting approximately 80 percent of agency temporary employment needs (up from an expectation of 50 percent) since contract inception;
- A greater than expected use of temporary agency personnel to fill vacant regularly budgeted positions due to an increase in overall employee turnover (up from 8.3 percent in FY00 to 10.8 percent in FY01); and
- A greater than expected use of temporary agency personnel to provide extra help for special projects such as the Section 8 file conversion and, most notably, the recent Section 8 lease-up push that began in May 2001 (that alone accounts for an 86 percent increase in placement of temporary employees).

Furthermore, current contracted billing rates are negatively impacting WORKS' ability to attract, quickly fill and provide the most qualified individuals for temporary assignments; an increase in billing rates is needed to compensate for market shifts experienced since contract inception.

In order to provide adequate temporary employment services to meet the Section 8 Lease-up push and to increase billing rates allowable under the contract, it is necessary to increase the maximum compensation allowable for the remaining term of the contract by \$500,000. Anticipated utilization of expanded capacity provided by the proposed contract amendment is detailed below.

Balance Available Under WORKS Contract	\$135,000
To Fill Budgeted Vacant Positions	[\$ 80,000]
To Provide Extra Work	[\$110,000]
For Section 8 Lease-up Push	[\$340,000] ¹
Contingencies ²	<u>[\$105,000]</u>
Current Contract Shortfall	[\$500,000]

New billing rates are to be negotiated by the Chief Executive Officer taking into consideration industry billing rates as determined by a recent survey of temporary employment agencies with local offices conducted by staff.³ Survey results indicate that current billing rates are significantly

¹ This figure represents only that part of the budget revision expected to support Section 8 temporary staffing provided by WORKS through the end of the contract term, November 30, 2001. The budget revision includes funds to support Section 8 temporary staffing through December 31, 2001. It is anticipated that the remaining monies will be used to help fund a contract extension should the Commission choose to exercise its option to extend the contract for a period of one year.

² Contingencies include allowance for upgrading billing rate, higher than expected incidence of WORKS meeting agency temporary employment needs, etc.

³ Responses were received from 20 of the 60 temporary employment agencies contracted for the survey.

below average and, unless increased, will fall further below the market as industry billing rates continue to climb.

The contract with WORKS is due to expire on November 30, 2001; the Commission has the option to extend the contract term for up to two one-year periods. It is anticipated that the Commission will exercise its option to extend the contract with WORKS at a maximum compensation level of \$485,000 (an amount that can accommodate the new billing rates, if approved) for a period of one year in order to meet its mid-term temporary employment service needs within budget authority and without the potential disruption of transitioning to a new contractor during this particularly critical time period. During the contract option year, staff intends to conduct an open solicitation for temporary employment services in order to be in a position to recommend the most appropriate contractor to provide these services to the agency for a contract period beginning December 1, 2002. It is cost effective and in the public interest to exercise the contract's renewal option, rather than conduct an open solicitation due to the need to maintain a stable and trained temporary work force that is a vital component of the agency's effort to lease-up participating units in this tight rental market by the HUD imposed benchmark dates.

Approval of the staff recommendation by the Housing Commission and Housing Authority will allow for increased maximum compensation and billing rates under the WORKS contract, and help ensure a dependable supply of qualified temporary workers during this critical time period.

ALTERNATIVES

1. Terminate the existing contract with a 30 day notice as provided under the current contract upon reaching contract maximum limit and use open market rates until a new contract can be awarded. Projected cost will increase due to higher market rates; or
2. Increase the limit for maximum compensation as recommended, but delay increasing billing rates until the contract option year begins on December 1, 2001.

These alternatives are not recommended because the likely loss of current temporary workers and the transition to new workers will result in a disruption of services and the inability to accomplish established lease-up goals in the required time frame. Ultimately, this could result in the loss of income to support affordable housing programs if HUD were to seek recapture of Section 8 funding.

Submitted by,

**Signature on File
With Original Document**

Approved by,

Steven L. Mikelman
Director of Operations

Elizabeth C. Morris
Chief Executive Officer

Attachment: Current Agreement with WORKS