

Michael S. Loy
Human Resources Director

James E. Tipple
Mayor

MEMORANDUM

To: Committee of the Whole
Jim Tipple, Mayor

From: Michael Loy

Date: December 8th, 2011

RE: Contracting of Crossing Guard Services

Issue: Whether the City should continue to contract with All City Management Services for crossing guard service.

Recommendation: There are a number of strategic efficiencies gained in the move to outsource this service even though the cost is higher. Both current and potential soft dollar savings are evident. City staff is recommending that we continue the contract with All City Management Services for crossing guard services. If the council does move to terminate the contract then staff would respectfully request that this change is made after the 2011-/2012 school year.

Background: During the summer of 2011, City staff had internally discussed the option to outsource crossing guard services. At that time, Lt. Bliven, at the direction of Chief Hardel had looked into options. During this inquiry it was determined that a local source, specifically First Student, was not interested in providing this service. Previously there had also been attempts by the Police Department and the Mayor to gauge the School District's interest in providing this service. The School District was also not interested and at this time remains uninterested. The Police Department determined that there was not a readily available pool of providers for the service with the exception of a company from California. The decision was made to pursue an agreement for services with All City Management Services (ACMS). A contract was negotiated, reviewed by the City Attorney, and ultimately signed by Chief Hardel on August 10th, 2011.

On September 12th, this decision was communicated to the Human Resources Committee as an informational update. In the latter part of September there were a number of questions and concerns that were beginning to surface from Council members. In response to questions, the Police Chief issued a memo on October 6th addressing these questions and concerns. The Mayor also requested a legal opinion for the City Attorney. On October 13th, the City Attorney issued an opinion on the legality of the contract with ACSM for crossing guard service. At the heart of the issues from Council was the belief that committee approval was necessary for this contract. In the Opinion on October 13th, the City Attorney opined that

“(i)n summary, with additional documentation of the cost analysis required by the noncompetitive proposals provision of the procurement policy, no ratification of the contract appears necessary under the foregoing analysis. However, it is advised that the appropriate committees periodically review the ordinances and procurement policy described herein.”

Due to the continued concern from the Council on the issue; staff has brought forward documentation of the cost analysis that shows that the price is fair and reasonable as required by the noncompetitive proposals provision of the procurement policy.

Additionally, there have been a number of peripheral concerns that have surfaced since the City contracted with ACMS. Chief Hardel, Lieutenant Bliven, Larry Jaeger and I have had a conference call with ACMS's management team to address these concerns. Attached to this memo you will find a written response from ACMS regarding the issues that were raised by Council. Company representatives will be present at the committee of the whole meeting to further answer any of your questions.

Included with this memo you will find the following materials:

- Letter and supporting materials from All City Management Services addressing specific concerns and questions raised by Council.
- The Police Chief's October 6th memorandum
- The City Attorney's October 13th memorandum
- Contract with All City Management Services
- Certificates of Liability coverage

Statutory Requirements for Appointment of Crossing Guards

Current law allows the governing body of any city, village, town or county to adopt an ordinance for the appointment of adult school crossing guards. Current law also allows a school district to appoint adult school crossing guards if the school board adopts a resolution to do so and the governing bodies of all the cities, villages, and towns located in whole or part with the school district approve.

Under proposed legislation, Senate Bill 289, a school district may determine to appoint adult school crossing guards unilaterally; approval by the cities, villages, and towns located in the school district is unnecessary.¹

Currently, the City has not adopted an ordinance that allows for the appointment of adult school crossing guards, with the only reference to school "traffic" guards falling in Chapter 10.28.010 of the ordinance which requires traffic compliance with crossing (traffic) guard orders. It is unclear when exactly the City took on the responsibility of providing crossing guard services but by law we are not the only entity that is permitted to do so. The City could work with the school district and other villages and towns located in the district to share the responsibilities of crossing guard services if desired.

Budget for Crossing Guard Services

The 2011 crossing guard budget allocated \$75,000 which did not include \$1,719 in workers compensation premium. The cost of the All City Management Services contract quote comes to \$92,855 for net difference of \$16,136 in the budget. For the first two years of the contract ACSM will charge \$18.95 per hour for current guards and \$17.00 for new guards. The current guards remain at the pay rate that they had as City employees of \$13.73 per hour (all of the crossing guards were offered positions with the new company, most accepted). The net difference for ACMS to manage the program is approximately \$5.22 per hour billed. The salary for the local manager of crossing guards is part of this management fee. It is estimated that ACSM receives approximately \$5,600 for administration and associated profit from this contract.

¹ Analysis by the Legislative Reference Bureau, 2011 Senate Bill 289, November 14th, 2011

Crossing guards are scheduled for approximately 175 days a year for 2 hours per day. There are 14 guards assigned to streets throughout the City and each guard should work approximately 350 hours during the year. Total hours for the group per year are approximately 4,900 hours. In the 2010/2011 academic year these employees had a total salary expenditure of \$64,792.

Estimating the actual 2011/2012 budgetary requirements of the program based on estimated man hours is \$67,300 for direct salary costs and \$25,600 for management of the contract. On a payroll basis this analysis yields a neutral impact as the \$67,300 is what the City would have paid in salary to keep this service in-house. In determining the impact of outsourcing the crossing guard services it is essential to analyze the cost to have ACSM manage the contract and the savings the City receives. The cost to manage the contract is approximately \$25,600. Hard and soft dollar savings are listed below. Some soft dollar savings are not savings but rather productivity enhancements where the City can expect to increase service.

Absences

In Chief Hardel's letter to the council on October 6th, he described that during the 2010/2011 school year police personnel had filled in for crossing guards approximately 150 hours. When examined further it was determined that 90 of these vacancies were filled by our parking patrol specialist and 60 were filled by officers. The Chief stated that *"this creates a staffing issue for patrol as they have not properly staffed for these unexpected duties and causes delays in response time to other service that is required by police."*

The cost of the 60 substitutions by patrol officers was approximately \$2,800 and the 90 substitutions by the parking specialist was approximately \$2,600. Total expense would be \$5,400. Since the crossing guards weren't afforded sick leave pay then we should net out the salary savings at \$13.73 per hour or approximately \$2,100. Net costs of filling these vacancies were therefore \$3,300. What is not reflected is revenue lost from the parking specialist and patrol officers as a result of being pulled off their normal duties.

Internal Management of Crossing Guard Program

Lieutenant Ben Bliven was tasked with the day to day management of the crossing guard program which has been estimated anywhere from 10-15% of his time. Our current analyses is conservative with the 10% estimate. The productivity related savings are soft savings but would amount to approximately \$12,000 in wages and benefits.

Fringe Benefits

The crossing guards were afforded some fringe benefits under their collective bargaining agreement. They received seven hours of holiday pay, funeral leave, school cancellation benefits and 30% of longevity pay. This is estimated to have a value of \$1,800 per year. This cost is figured into the salary costs detailed above. It is important to note that these costs could have been eliminated going forward as a result of changes in collective bargaining law.

As former bargaining unit members with the City these employees paid \$21.85 per month in union dues for 9 months out of the year. If all 14 employees had continued to pay the full contribution it would have an annual cost of \$2,753. However, if the crossing guards had remained City employees they also would not have had to contribute Union dues as Act 10 removed that requirement. If a crossing guard is not contributing union dues then they are individually receiving an additional pay of \$196.65 a year which offsets the loss in fringe benefits above.

Other Options in Providing the Service

The options for this service are to have the City employ crossing guards, contract for the service, or work into a shared service agreement with other local entities. In respect to the third option the City has had a number of meetings with the school district in recent years on this issue. Most recently through the coordinating efforts of Alderman Jim Brzezinski, City staff met with school district staff to discuss the issue. Present at the meeting were the HR Directors, the Superintendent, Alderman Brzezinski, a school board representative, the school district Finance Director and Lieutenant Bliven.

When discussing the issue with the school district there appeared to be two issues, the management of the service and the payment for that service. These two issues are not logically exclusive of each other and neither entity seemed interested in the concept of paying for the service without managing the service. At this time the school district's budget also does not have the ability to absorb this cost. Staff would not recommend giving the school district the authority to manage the program without some financial support. If the Council decides to not contract with ACSM in the future then staff could continue to try to work with the school district despite their reservations.

Other Considerations

Costs related to employment practices, liability, recruitment, discipline, terminations and union activities have not been calculated. These costs could include the costs of being sued for the actions or inaction of a crossing guard, defense against employment actions, and the cost of recruitment. The City's liability deductible is \$25,000 and the cost of recruitment has been estimated to be 1.5 times the annual salary of an employee or approximately \$7,000 to recruit, select, and train crossing guards. This recruitment estimate is likely high given the minimal recruitment process that is required for crossing guards but there is HR staff time dedicated to these employees. Despite the limitations in measuring the direct impact of these additional considerations it should be noted that they have been significant in this decision. The threshold for savings is low but the ceiling for liability is high. Liability is now retained by ACSM.

Lastly, there have been concerns of decreased safety in the school zones. Staff believes that safety in the school zones has been enhanced as a result of the outsourcing of crossing guard services. This improvement is a result of fewer officers being pulled off of their duties to provide crossing guard services in lieu of absences. These officers now have a greater ability to enforce traffic violations in school zones as a result. Additionally, ACSM's training protocols and site management are an improvement over what the City was able to provide. For example, the local program supervisor is visiting crossing guard locations to oversee performance at a rate that is at least twice what the City had done in the past. Training is more coordinated and consistent. A crossing guard who is concerned with traffic zone safety can call their local supervisor who will coordinate for zone enforcement with the Police Department at any time. Please refer to the supporting information from further information from ACSM on this issue.

Summary of Cost Analysis

	City Employees	Contracted Employees
Budgeted Salary	\$67,300	\$67,300
Management Costs	\$12,000 (Lt. Bliven)	\$25,600
Worker's Compensation Costs	\$1,700	\$0
Fringe Benefit Costs	\$1,800	\$0
Absence Coverage Costs	\$3,300	\$0
Total Cost	\$86,100	\$92,900 (+\$6,800)

