

BOARD REPORT NO. 15-6-1CA

TO: Members of the Board of Trustees

FROM: Ron Galatolo, Chancellor

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UPDATE ON SAN MATEO ATHLETIC CLUB

One of MediFit's primary contractual duties as the management company for San Mateo Athletic Club (SMAC) is to maintain the cleanliness of the facility, which is open every day except Christmas from 5:30 a.m. to 10:00 p.m., at the highest standard – APPA Level 1. In order to meet this standard, Medifit currently provides custodial/cleaning services in three ways: (1) the direct employment of housekeeping staff, (2) the direct employment of courtesy desk staff who share responsibility for cleaning, and (3) the employment of a contractor to provide “deep cleaning” at night after the club has closed. This model provides Medifit with the flexibility to deliver best in class cleaning services while meeting the Board's mandate to maximize revenue for the benefit of District programs. This flexibility is best exemplified by the facts that (i) MediFit housekeeping and courtesy desk staff are cross-trained to provide both custodial support services as well as point-of-sale and other customer service related functions, which creates a better user experience for club members, and (ii) MediFit can immediately reassign any underperforming employees so that members never experience a decline in the level of service they expect and deserve. This is critical to maintaining SMAC's position in a very competitive market for health club services.

In response to questions posed by Board members, Facilities Operations staff have worked collaboratively with Auxiliary Services and with MediFit to develop a detailed understanding of how cleaning/custodial duties are currently performed and, with AFSCME involvement, how staff might be able to perform these same duties. As part of this report, staff have estimated the potential cost impacts of such a change. Staff have developed three scenarios for consideration, representing scenarios that range from a scenario that essentially “replaces” AFSCME employees for the Medifit housekeeping employees and contractor-provided services to a scenario in which AFSCME provides all cleaning/custodial-related services at SMAC. As discussed in detail below, these scenarios include many assumptions which are speculative, such as the successful negotiation of significant changes to the current AFSCME contract, which would have to be approved by the AFSCME membership. Nevertheless, it is important to view this range of possibilities in order for the Board to understand the likely impact of any changes to the current model.

Please refer to the tables on page 3 for illustrations of each scenario:

Scenario A assumes that AFSCME staff take over *only dedicated custodial functions* on a one-for-one basis, based on the current MediFit model. Because existing MediFit and contracted staff achieve a level of cleanliness equal to APPA Level 1, AFSCME staff will need to be trained to provide the same level of cleanliness with the same number of full time equivalent staff (FTE). Scenario A assumes that AFSCME would agree to the following changes to the existing contract:

- 1) Supervision: MediFit management will supervise AFSCME staff on a day-to-day basis, and will be empowered to impose discipline on AFSCME employees.
- 2) Sharing of work: MediFit staff and management personnel will be allowed to cover custodial functions as needed during hours not currently staffed with dedicated custodians (housekeeping staff), during scheduled days off, break periods, absences, and the like.
- 3) Creation of Part-Time permanent non-benefitted positions *and* acceptance of less than full time schedule for full time FTE (less than 37.5 hours/week).
- 4) Waiver of existing shift-differential salary adjustments of 5% for shifts commencing at 4:00 p.m. or later and 10% for shift commencing at 10:30 p.m. or later.
- 5) Waiver of consecutive work week requirement to allow split days off.
- 6) Acceptance of additional staff training and performance requirements such as customer service skills and specialized cleaning skills for exercise equipment, etc.
- 7) AFSCME staff would agree to work all holidays except for Christmas Day with current contractual pay arrangement; holiday pay for the regular work day plus time-and-a-half for actual hours worked on the holiday.

Scenario B, which would require fewer changes to the contract with AFSCME, assumes that AFSCME staff takes over *all custodial functions*, including those currently covered by MediFit cross-trained staff and management personnel. This requires all of the above referenced changes to the existing AFSCME contract, with the exception of items #2, #4, and #5:

- 1) Supervision: MediFit management will supervise AFSCME staff on a day-to-day basis.
- ~~2) Sharing of work: MediFit staff and management personnel will be allowed to cover custodial functions as needed during hours not currently staffed with dedicated custodians, during break periods, absences, and the like.~~
- 3) Creation of Part-Time permanent non-benefitted positions *and* acceptance of less than full time schedule for full time FTE (less than 37.5 hours/week).
- ~~4) Waiver of existing shift-differential salary adjustments of 5% for shifts commencing at 4 pm or later and 10% for shift commencing at 10:30 pm or later.~~
- ~~5) Waiver of consecutive work week requirement to allow split days off.~~
- 6) Acceptance of additional staff training and performance requirements such as customer service skills and specialized cleaning skills for exercise equipment, etc.
- 7) AFSCME staff would agree to work all holidays except for Christmas Day with current contractual pay arrangement; holiday pay for the regular work day plus time-and-a-half for actual hours worked on the holiday.

Scenario C assumes that AFSCME staff takes over *all custodial functions*, including those currently covered by MediFit cross-trained staff and management personnel. Scenario C further assumes no substantive changes to the existing AFSCME contract. Critically, this means that all custodial functions would be performed only by full time employees, resulting in significant cost increases above the current model. Moreover, because this Scenario would necessarily eliminate the staff who are currently cross-trained in cleaning and customer service functions, the District would expect to see a corresponding decline in customer satisfaction.

Based on the District's experience with AFSCME to date, staff believes it would be highly unlikely that AFSCME would agree to all of the contractual changes necessary to implement Scenario A. Based on the very informal conversations between AFSCME and the Office of Human Resources, Scenario B seems more achievable but still highly uncertain. Staff believes that AFSCME would likely prefer Scenario C. In addition to the uncertainty with proposed changes to the AFSCME contract, there is also uncertainty regarding changes that would need to be made to the contract with MediFit (or any company that would provide management services in the health club industry). Staff have been informed that management companies strongly prefer to control all aspects of the services provided in the clubs that they manage not only because are they held responsible for the "bottom line" but also because their

reputation in the industry hinges on the total member experience in the club. If a management company does not have control over all aspects of the operation, the District cannot hold them accountable for deficiencies. In sum, it is far from certain that either AFSCME or MediFit are able, even if well-intentioned, to make the changes necessary to put any of the Scenarios described above into effect.

The following summarizes the anticipated financial impacts of these three scenarios.

	Current SMAC Model	Scenario A	Scenario B	Scenario C
Schedule Model	Existing arrangement using SMAC housekeeping, courtesy desk staff, and outsourced overnight janitorial company	Replace SMAC dedicated Housekeeping FTE with blend of Full and Part Time AFSCME FTE along with SMAC Courtesy Desk Staff	Replace all SMAC Housekeeping FTE with Full and Part Time AFSCME FTE	Replace all SMAC Housekeeping FTE with Full Time AFSCME FTE
Total Annual Costs	\$179,280*	\$318,538	\$610,329	\$857,896
FTE Staff	5.25	5.25**	7.81	9.76
Impact on SMAC Net Income	N/A	(\$139,258)	(\$431,049)	(\$678,616)
<p>* In Current SMAC Model, \$49,632 of the total annual cost represents courtesy desk staff who spend a portion of their day cleaning. Those costs are included in the total annual cost of Scenario A in a shared worked environment with AFSCME. Courtesy desk staff will still do cleaning; the full time day porters and the night cleaning crew will be performed by AFSCME.</p> <p>**Scenario A is a combination of SMAC and AFSCME staff, of which 4.33 FTE is attributable to AFSCME. This scenario is a "one for one" scenario where the three Medifit staff and the overnight crew are replaced by AFSCME staff. Courtesy Desk staff continue to do cleaning as they do in Current Model.</p> <p>Note: AFSCME salaries assume a projected 4.7% increase for FY15-16. Fringe benefits are calculated at 53.2% for FTEs over 0.50 and 13% for FTEs under 0.50 (0.50 FTE equals weekly work schedule of less than 18.75 hours).</p>				

The revenue from SMAC supports every aspect of what happens in the facility including the maintenance and repair of all equipment, with each piece of equipment in the facility being touched at least once each month. After five years in operation, the equipment in SMAC is in above average condition; if SMAC were not funding this maintenance and repair, the college instructional equipment fund would have to do so. In addition, all new equipment that augments the instructional and club program has been purchased with SMAC revenue. SMAC revenue supports District salaries and benefits for key staff involved in the day to day operation of the club, repairs and maintenance of the pool and pool equipment, pool chemical costs that would otherwise be borne wholly by Facilities and offsets utility expenses. In addition, the revenue from SMAC has gone to support college programs including The First Year Success Initiative. The goal of the First-Year Success Initiative is to provide robust, comprehensive services and support for every community college bound student while the student is enrolled in high school and through their first two-years of college at CSM. This initiative targets approximately 700 first-time freshmen each fall. It is important to note that funding from SMAC can be used for any number of initiatives including adding class sections if required. Some of the other programs that have received funding and support from SMAC include CSM Health Fairs, Cosmetology Department, Safety Committee, Connect to College, CSM Toy Drive, CSM Veteran's Club, SMCCD Retiree program, College for Kids and two years sponsorship of Jazz on the Hill. CSM has also used money from SMAC to fund the replacement of football helmets and establish a lifecycle replacement plan to ensure the safety of the football players and has also used funding to support the activities of

other key college programs.

In each of the scenarios above, funding that could go to support college programs would no longer be available and in at least one of the scenarios, the club would be in an operating deficit with current District expense support. Equally important is the building of the SMAC reserve. Enterprise operations are responsible covering all expenses including salary and benefits and are responsible for generating and maintaining a financial reserve to address all unforeseen operational needs as well as equipment replacement needs. The dollar value of the equipment in SMAC in 2010 is approximately \$1.3 million dollars. As our equipment ages, it will all eventually have to be replaced despite how well it is maintained over time. A strong reserve will allow all of the equipment to be replaced as it is needed without an impact on college instructional equipment funds or any other Fund 1 support.