

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
ACTION ITEM

Item No. 4d
Date of Meeting April 12, 2016

DATE: March 16, 2016
TO: Ted Fick, Chief Executive Officer
FROM: Paula Edelstein, Sr. Director, Human Resources
Kim DesMarais, Employment Manager
Derek Bender, Sr. Employment Representative
SUBJECT: Temporary Employment Agency Services Contract

Amount of This Request:	\$ 2,500,000	Source of Funds:	Individual Department Budgets, as utilized
Est. Total Project Cost:	\$ NA	Est. Jobs Created:	160 external to the Port
Est. State and Local Taxes:	\$NA		
Net Proceeds to the Port:	\$NA		

ACTION REQUESTED

Request Commission authorization for the Chief Executive Officer to execute two contracts for temporary employment services agencies with a contract duration of up to five years (one year plus four one-year options) for a total amount of \$2,500,000.

SYNOPSIS

The Port currently contracts with AppleOne Temporary Employment Services to provide agency employees for varying periods of time. The Port entered its contract with AppleOne on July 2, 2011, and has exercised all renewal options. To date, it has provided 159 assignments throughout the Port, lasting from 1 to 365 days in length. The current contract is set to expire on July 2, 2016.

The purpose of this memorandum is to obtain Commission authorization for the CEO to execute up to two contracts with temporary services agencies to assist the Port of Seattle in placing temporary employees for varying periods of time throughout the organization on an as-needed basis. The Port will utilize these services to staff areas of need for the duration of one day or up to six months with the Port of Seattle's option to extend the assignment for up to an additional six month period of time as outlined in Port Policy EX-10.

Each requesting department will be responsible for payment at the agreed upon bill rate outlined in the contract for the services requested. Departments will submit their requests for temporary employees to Human Resources, providing information concerning the assignment details and

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scope of work, the knowledge, skills and/or abilities required to perform the work and the estimated length of assignment.

The temporary agency or agencies must then be able to provide immediate personnel to fill these requests with individuals possessing experience, knowledge, skills and/or abilities necessary to complete the work request.

The Port of Seattle will competitively award the temporary employment agency services contracts, with one contract set aside for a qualified small business. If we do not receive sufficient qualified proposals, the Port may only award one contract.

BACKGROUND

The Port of Seattle is currently contracted with AppleOne Employment Agency for placing temporary administrative, payroll and executive assistant workers at the Port. This current contract has been in place since 2011 and has provided 159 assignment placements to date, lasting from 1 to 365 days in length. The need for temporary agency employees varies over the course of any given year. Under the current contract bill rates, the Port's annual cost over the previous five years has ranged anywhere from \$250,000 to \$350,000 annually. The increased amount of this new request is calculated utilizing the higher annual utilization figures and an anticipated increase in bill rates as a result of current and future market conditions in the cities of Seattle and SeaTac related to higher wages and benefit costs. The selection of the temporary services agency will utilize a fair and competitive process in accordance with Central Procurement Office policies and procedures.

PROJECT JUSTIFICATION AND DETAILS

Project Objectives

To provide immediate clerical and project support to departments needing temporary staffing as a result of retirement, termination, medical leave, paid time off, or general project assistance. The successful temporary agencies must be able to provide immediate personnel (within 24-72 hours) to fill requests with individuals possessing experience, knowledge, skills and/or abilities necessary to complete the work requested.

Scope of Work

Through this contract, the Temporary Employment Agencies will provide the Port with agency employees on an as-needed basis. Agency employees can be assigned to the Port to perform moderately complex and integrated administrative and/or clerical duties, payroll services or project support specific roles for varying periods of time ranging from one day to six months.

Schedule

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The Request for Proposals will be issued and advertised Q2 2016 with an anticipated contract in effect no later than July 5, 2016.

FINANCIAL IMPLICATIONS

Budget Status and Source of Funds

The total estimated cost of implementing and executing these contracts over a one (1) year period with four (4) one-year options is \$2,500,000.

Because this contract will be utilized on an as-needed basis and reasons for temporary services cannot always be foreseen, the estimated value of the contract is based upon the utilization of the current temporary agency services since its inception in 2011 with an estimated cost of living adjustment, minimum wage increases and benefit costs for future anticipated bill rates.

Each Port of Seattle department will be responsible for payment at the agreed upon bill rate outlined in the contract for the services requested. Hourly rates for services are submitted by interested agencies during the RFP process and will be evaluated during the selection process by Human Resources. Appropriate rates are set through this contract for the various levels of services requested and delivered. Hourly rates for services are not negotiable between temporary agency employees and the department receiving the service. Human Resources will pay invoices using the receiving department org and subclass information.

Financial Analysis and Summary

Lifecycle Cost

July 3, 2016 – July 2, 2017 - \$500,000
July 3, 2017 – July 2, 2018 - \$500,000
July 3, 2018 – July 2, 2019 - \$500,000
July 3, 2019 – July 2, 2020 - \$500,000
July 3, 2020 – July 2, 2021 - \$500,000

Assumptions:

- An increase in bill rates to reflect City of Seattle and City of Sea-Tac minimum wage rates.
- Average of 32 assignments/placements per year.
- Current usage averaged \$320,000 per year.

STRATEGIES AND OBJECTIVES

The Port requests clerical support to perform a variety of routine to moderately difficult administrative duties. Examples include: reception responsibilities, filing documents, preparing mailings, performing data entry and routine calendar management. Temporary services agency employees must be able to use Microsoft Office Suite, basic accounting principles, and general

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office procedures. Additional knowledge, skills and abilities may be necessary for higher level assignments.

This request contributes to the Port's Century Agenda strategies and Port-wide organizational strategies by increasing workforce training, job and business opportunities within the community. As part of the RFP process, we request that the selected agencies provide training opportunities to their employees to maintain and refresh their knowledge, skills and abilities.

These contracts directly support the Port-wide 2016 strategy and objective to support the Port's mission with implementation of the port division's business plans by providing the temporary staffing support needed to meet and execute Port business objectives. Temporary services are requested by departments throughout the Port to fill immediate, temporary administrative and project needs as a result of retirement, termination, medical leave, paid time off, or general project assistance.

The contract creates jobs for local workers while increasing the Port's ability to meet and execute business objectives. This directly applies to workforce development efforts.

The contract will require electronic billing invoices which will reduce the use of paper.

One contract will be set aside for small business. The contracts will promote job opportunities for local workers.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1 – Hire emergency hires instead of entering into a contract with an outside agency.

For illustrative purposes only:

Current Contract Costs/Usage:

2011 \$306,730

2012 \$330,690

2013 \$287,896

2014 \$347,343

2015 \$247,148

Total Cost: \$1,519,807

Assuming emergency hires cost on average 12.5% higher than temporary workers, total monetary cost of this option would be \$1,709,783. Again, this assumes the difference between Clerical 1 and the equivalent emergency hire assignment. This does not include benefit costs.

Cost Implications: Examples of Monetary Cost Comparison

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Emergency Hire Costs:

- (Emergency hire cost for one person @ \$19.43/hour *520 hour (3 months full time) + \$1067 of medical benefits per month) = \$13,305

	0-3 Months	3-6 Months	6 + Months
Clerical 1 (Grade 14 - \$19.43)	\$13,305	\$26,610	\$53,220
Clerical 2 (Grade 16 – \$21.20)	\$14,225	\$28,450	\$56,900
Clerical 3 (Grade 18 – \$23.20)	\$15,265	\$30,530	\$61,060
Clerical 4 (Grade 20 – \$25.22)	\$16,315	\$32,630	\$65,260
Executive Asst (Grade 23 – \$29.94)	\$18,770	\$37,540	\$75,080
Payroll Clerk (Grade 17 - \$22.14)	\$14,714	\$29,428	\$58,856

Equivalent clerical contract costs using the same terms:

- (Clerical 1 Cost for one person @ \$17.25/hour * 520 hours (3 months full time) = \$8,970

	0-3 Months	3-6 Months	6+ Months
Clerical 1 (\$17.25)	\$8,970	\$17,940	\$35,880
Clerical 2 (\$21.10)	\$10,972	\$21,944	\$43,888
Clerical 3 (\$24.75)	\$12,870	\$25,480	\$51,480
Clerical 4 (\$26.75)	\$13,910	\$27,820	\$55,640
Executive Assistant (~\$31.50)	\$16,380	\$32,760	\$65,520
Payroll Clerk (\$38)	\$19,760	\$39,520	\$79,040

Pros:

- (1) Emergency hires are considered internal employees for competitive hiring purposes and a potential pipeline to regular FTEs. If we have a vacancy, we may choose to post the position internal only and select from a smaller pool of candidates.
- (2) Emergency hires are usually paid more when hired directly with the employer (rather than the agency taking a cut).
- (3) Emergency hires are at-will and also may be terminated at any time without cause.

Cons:

- (1) The Port will need to create a candidate pool of qualified and available workers.
- (2) The Port does not have resources to create a database of available, on-call, and skilled short-term candidates.
- (3) Cost for wages and benefits of emergency hires may be higher than staffing agency bill rates.
- (4) There are challenges in sourcing high volumes of temporary staff quickly without a database of interested candidates with appropriate skillsets.
- (5) Extremely difficult to hire on-call administrative staff with no guarantee of hours.

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- (6) HR cannot meet department requests in a timely fashion.
- (7) Port will need to offer emergency hires medical benefits which add to the cost.

This is not the recommended alternative.

Alternative 2 – Port issue individual purchase orders for each need and departments manage their own need.

Cost Implications: Monetary Costs:

- Estimated monetary costs for this option exceed \$1,000 per negotiated purchase order. This assumes:
 - Total cost of Port staff time per negotiated purchase order of approximately \$1,000.
 - This does not include port staff time required to process invoices, administer the contracts throughout the year, and ensure work is appropriate for temporary workers.
- Potentially up to 13 separate purchase orders throughout the Port for the same scope of work.
 - Commission, Executive, Public Affairs, Finance, Legal, Labor Relations, Human Resources, Maritime, Aviation, Economic Development, Capital Development, Environment & Sustainability, and Strategic Initiatives.
- Total estimated cost of this alternative is \$13,000. This assumes 13 separate purchase orders at \$1,000 each. Again, this does not include administration time and only assumes contract negotiation costs through the central procurement office.

Pros:

- (1) Human Resources will not administer/manage the temporary contracts.
- (2) Departments may communicate directly with their selected vendor and request exactly what they are looking for.

Cons:

- (1) Inefficiencies created. A department may only need a temporary worker for one day every few years (for a special project). Staff time and resources to execute and administer contracts would greatly exceed cost to procure the larger contract.
- (2) HR is responsible for all recruitment activities at the port and is considered a center of expertise for talent acquisition purposes. This would decentralize a function under HR/talent acquisition.
- (3) It is the responsibility of the agency to meet all city wage and benefit requirements and all associated costs will need to be accounted for in their overall bill rates.
- (4) Substantially more challenging to manage overall temporary contract usage and Port-wide costs associated with a contingent workforce.

This is not the recommended alternative.

Alternative 3 – Execute two contracts for Temporary Employment Services agencies with four one-year renewal options.

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Cost Implications: Monetary Cost with Assumptions:

Current Contract Costs:

- Current usage of \$350,000/year
- $\$350,000 \times 5 \text{ years} = \1.75M

Potential New Contract Assumptions & Costs:

- AppleOne's bill rates did not change from 2011 to 2015.
- AppleOne's rates were the lowest of all submittals in 2011.
- City of Seattle minimum wages will increase to \$15.00/hour; raising all other rate levels.
- The Clerical 1 rate from 2011 to 2015 was \$15.91/hour.
- Assumption is that temp agencies typically take a 35% cut of the bill rate; Clerical 1 temps make approximately \$10.34/hour.
- If minimum wage for Clerical 1 increases to \$15.00/hour and temp agency needs to take a 35% cut, the new Clerical 1 bill rate will be \$23.20. This equates to a 45% increase.
- $\$1,750,000 \times 45\% \text{ increase} = \$2,537,500$

Pros:

- (1) Provide multiple vendors with opportunities to do business with the Port of Seattle.
- (2) Provides set aside for small business vendor.
- (3) Supports the vision for "One-Port" by utilizing the HR department as a Center of Expertise as the administrator for these contracts.
- (4) Supports immediate department staffing needs for clerical/administrative positions.
- (5) Temporary services agencies are compiling the candidate pool.
- (6) Workers are available within 24-72 hours of request.
- (7) It is the responsibility of the agencies to meet all city wage and benefit requirements and all associated costs will need to be accounted for in their overall bill rates.
- (8) Temporary agency employees may be a pipeline to filling regular port positions without any additional sourcing fees after placement.

Cons:

- (1) Temporary agency employees are not replacements for long term staffing needs or in lieu of regular port positions. They are temporary stop gaps to allow departments to ensure business continuity.
- (2) Not necessarily conducive to small business goals. In order to find an agency with sufficient pool of workers to provide immediate assistance, the agency will need to have a large number of contingent workers ready to assist.

This is the recommended alternative.

ATTACHMENTS TO THIS REQUEST

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None.

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

On the April 12, 2011 commission unanimous consent calendar, the Commission authorized the Chief Executive Officer to execute a one-year contract for a temporary employment services agency with four one-year renewal options to be exercised at the sole discretion of the Port of Seattle. As a result of this authorization, the Port of Seattle entered into a contract with Appleone Employment Services and has exercised its ability to renew for the past four years. The current contract with Appleone expires on July 2, 2016.