



**AGENDA REPORT**

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**Date:** March 21, 2017

**To:** City Manager for Council Action

**From:** Assistant City Manager

**Subject:** Pass to Print Ordinance Regarding Retention of Food and Building Service Workers in the City of Santa Clara

**EXECUTIVE SUMMARY**

On January 24, 2017 the City Council initiated a discussion to establish an ordinance designed to provide for the protection and retention of certain food and building services workers in the City of Santa Clara. On February 7, 2017, the City Council provided staff with feedback on the parameters of the proposed ordinance and requested staff to conduct community outreach. Further, the Council directed that on March 21, 2017 a pass to print action for the proposed ordinance be placed on the Council agenda.

Since 1994, a handful of cities across the country have passed displaced worker/worker retention policies and laws. In California, worker retention policies/laws are in place in cities such as San Francisco, Los Angeles, San Jose, and San Diego. A common thread amongst these cities is the desire to provide a transition period and a level of protection for service workers when a change in a contractor occurs.

In many cities with worker retention policies/laws, the displaced worker requirements apply only to city contracts and/or city assisted projects. The premise is that incumbent workers have valuable existing knowledge and experience with the work schedules, practices and clients. Replacing incumbent workers with workers without the same experience decreases efficiency and results in a disservice to the city. Retaining existing services workers when a change in contractor occurs reduces the likelihood of labor disputes and disruptions, resulting in the assured continuity of services to City constituents and visitors.

In response to the February 7 Council direction, a revised draft ordinance was prepared for discussion purposes. This material together with a Q & A sheet were posted on a newly created Worker Retention webpage on the City's website along with an announcement of a community outreach meeting to be held at the Santa Clara Convention Center on March 2, 2017.

To solicit feedback at the March 2 outreach meeting, staff sent flyers to all security and janitorial companies with a Santa Clara business license and contacted the following organizations for representation at the meeting: BOMA Silicon Valley; Business Watch; Great America Theme Park; NAIOP Silicon Valley; Santa Clara Chamber of Commerce; Santa Clara Convention Center; Santa Clara University; Silicon Valley Chamber of Commerce (The Silicon Valley Organization); and Silicon Valley Leadership Group. Many of these organizations sent representation to the outreach meeting.

In addition to the organizations above, the following organizations were also represented at the March 2, 2017 meeting: ABM; Aramark; Express Pros; Landmark Event Services; Unite Here Local 19; and Working Partnerships.

There was a general group discussion regarding the need for the proposed ordinance as well as the concern regarding the broad application of the draft ordinance which could have a significant impact on small businesses with minimal use of contract service workers as well as the potential of capturing service workers which might be hired for a specific assignment (e.g., a service repair/replacement project for an air conditioning unit). The draft ordinance presented at the March 2, 2017 meeting has been modified in an effort to address the concerns raised.

Two letters (one from Silicon Valley Leadership Group and one from Unite Here Local 19) have been submitted for Council information (attached).

### **The Proposed Ordinance**

The proposed ordinance is modeled after similar worker protection ordinances in the cities of San Francisco, Los Angeles and San Diego. Santa Clara's proposed ordinance would provide for the following:

Applicability: The proposed ordinance would apply to: 1) any entity in the City of Santa Clara with more than 25 employees in the State of California that enter into contracts for building services and/or food service and 2) entertainment/convention venues with a capacity of at least 8,000. The ordinance would apply to City of Santa Clara contracts and to contracts with all of the City's related entities such as SOSA, Stadium Authority etc. Other governmental entities such as the County, Santa Clara Unified School District or Mission College would be exempt.

Contracts subject to proposed ordinance: Contracts in excess of \$25,000 with a term of three months or longer for regularly scheduled building services and/or food services would be subject to the new ordinance.

Covered Employees: Full or part time employees (8 hours a week or more) whose regular place of work is in the City of Santa Clara during the 90 days prior to a contract transition. Not included are managerial, supervisory, or confidential employees.

#### Notification and Retention Procedures:

- No less than 15 calendar days before terminating a food service or building service contracted, the terminated contractor will provide a list of each food service or building worker to the successor contractor.
- The successor contractor would retain the employees of terminated contractor for a 90-day transition period. The successor contractor would not substantially change the effected employees' work shift or place of work. The successor contractor will post a notice of the applicable provisions of worker's rights under the ordinance.
- During the 90 day transition period, the successor contractor cannot terminate an employee except: (1) for cause or (2) if the successor contractor determines that fewer employees are required to perform services. In the event of a workforce reduction, the successor contractor would retain employees by seniority within job classification.
- At the end of the 90 day transition period, the successor contractor shall complete a written performance evaluation for each employee. If performance is satisfactory, the contractor shall offer the employee continued employment.

Enforcement: A violation of the Ordinance can be enforced as a civil action in court. The remedies include: back pay, treble damages for intentional violations, injunctive relief and costs and attorneys' fees.

### **ADVANTAGES AND DISADVANTAGES OF ISSUE**

Passing the proposed ordinance would provide protection to many service workers in the City of Santa Clara in the event there is a contract termination. There are additional unknown administrative costs that will be borne by service provider companies and/or contracting companies.

### **ECONOMIC/FISCAL IMPACT**

There are no known fiscal impacts to the City associated with the recommended action other than administrative time and expense.

### **RECOMMENDATION**

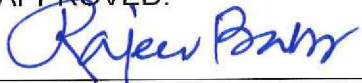
That the Council pass to print an Ordinance establishing a Worker Retention Ordinance for Food and Building Service Workers in the City of Santa Clara.



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Ruth Shikada  
Assistant City Manager

APPROVED:



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Rajeev Batra  
Interim City Manager

#### *Documents Related to this Report:*

- 1) Ordinance
- 2) March 13, 2017 Letter from Silicon Valley Leadership Group
- 3) March 14, 2017 Letter from Unite Here Local 29

ORDINANCE NO. \_\_\_\_\_

AN ORDINANCE OF THE CITY OF SANTA CLARA, CALIFORNIA, TO ADD CHAPTER 9.60 ("FOOD AND BUILDING SERVICE WORKER RETENTION") TO TITLE 9 ("PUBLIC PEACE, MORALS AND WELFARE") OF "THE CODE OF THE CITY OF SANTA CLARA, CALIFORNIA" TO REQUIRE RETENTION OF FOOD AND BUILDING SERVICE WORKERS UNDER CERTAIN CIRCUMSTANCES

**BE IT ORDAINED BY THE CITY OF SANTA CLARA AS FOLLOWS:**

**WHEREAS**, Labor Code Section 1064 allows local jurisdictions to enact greater standards than, or establish additional enforcement provisions to the standards and provisions of the Displaced Janitor Opportunity Act.

**NOW THEREFORE, BE IT FURTHER ORDAINED BY THE CITY OF SANTA CLARA AS FOLLOWS:**

**SECTION 1:** That Chapter 9.60 (entitled "Food and Building Service Worker Retention") is added to Title 9 (entitled "Public Peace, Morals and Welfare") of "The Code of the City of Santa Clara, California" ("SCCC") to read as follows:

**"Chapter 9.60**

**FOOD AND BEVERAGE SERVICE WORKER RETENTION**

Sections:

- 9.60.010 Definitions.
- 9.60.020 Notification and retention.
- 9.60.030 Remedies.
- 9.60.040 Exemption.

**9.60.010 Definitions.**

For purposes of this section, the following terms shall have the following meanings:

(a) "Building service" means work performed in connection with the care or maintenance of an existing building and includes, but is not limited to, work performed by guards and janitors.

(b) "Building service contract" means a contract let by any covered entity for the furnishing of regularly scheduled building services, and includes any subcontracts for such services in excess of \$25,000 and for a term of three months or longer.

(c) "Building service contractor" means any person who enters into a building service contract, including any subcontractor.

(d) "Building service employee" means any person employed as a building service employee by a building services contractor or covered entity whose regular place of work is a business or entertainment/convention venue in the city of Santa Clara on a full or part-time basis (eight (8) hours or more a week) during the ninety (90) days immediately preceding any transition in employment subject to this section except for persons who are managerial, supervisory or confidential employees, and persons regularly scheduled to work fewer than eight (8) hours per week at a building.

(e) "Business" means any commercial, industrial, institutional or mixed-use business facility owned or managed by a covered entity in the city in a single building or in contiguous buildings under common ownership or management.

(f) "Covered entity" means any person who hires or retains a food service contractor for the provision of food services at a business facility or entertainment/convention venue within the City, or the City if it hires or retains a food service contractor for an entertainment/convention venue, or any person who hires or retains a building service contractor for the provision of building services at a business facility or entertainment/convention venue within the City.

(g) "Entertainment/convention venue" means a stadium, concert hall, club, convention center, or like venue with a total capacity of at least 8,000 that hosts concerts, shows, conventions, or sporting events on a non-continuous basis.

(h) "Food service" means the on-site preparation, serving and clean-up of food or beverages to persons.

(i) "Food service contract" means a contract for the furnishing of food services, and includes any subcontracts for such services in excess of \$25,000 and for a term of three months or longer.

(j) "Food service contractor" means any person who hires or retains food service employees in order to provide food services to a covered entity pursuant to a food service contract, including any subcontractor.

(k) "Food service employee" means any person whose regular place of work is a covered entity within the City of Santa Clara on a full or part-time basis (eight hours or more a week) during the 90 days immediately preceding any transition in employment subject to this section, except for persons who are managerial, supervisory, or confidential employees, and persons regularly scheduled to work fewer than eight hours per week.

(l) "Person" means any individual, proprietorship, partnership, joint venture, corporation, limited liability company, trust, association, or other entity, with more than 25 employees in the State of California that may employ persons or enter into service contracts, but it does not include a county, school district, community college district, the State of California, and the federal government or any other governmental entity except the City of Santa Clara, the Stadium Authority, the Sports and Open Space Authority and the City of Santa Clara Housing Authority.

(m) "Regularly scheduled" with respect to services means of an on-going nature and not for a specific event or to accomplish a single repair or up-grade.

(n) "Subcontractor" means any person who is not an employee who enters into a contract with a food service or building service contractor to assist the contractor in performing a food service or building service contract.

(o) "Successor contractor" means (1) any person that has entered into a food service contract or building service contract to provide services to a covered entity that are substantially similar to those provided by such covered entity prior to contracting out the services or those

provided to such covered entity under a terminated food service or building service contract, or (2) a covered entity, if the covered entity provides such services following the termination of a food service or building service contract.

**9.60.020 Notification and retention.**

(a) No less than fifteen (15) calendar days before terminating any food service or building service contract, or contracting out services previously performed by the covered entity, a covered entity shall request, and the current food service or building service contractor or the covered entity if it provides the services, shall provide to the successor contractor, if one has been named, and the covered entity if different, a full and accurate list containing the name, home address and telephone number, date of hire, and job category of each food service worker or building service employee employed by the current food service or building service contractor or by covered entity at the site or sites covered by the food service or building service contract that will be terminated or let, as applicable.

(b) The successor contractor shall retain for a 90-day transition employment period all food service or building service employees that were employed by the terminated food service or building service contractor, or by the covered entity if the covered entity has contracted out the services. During the 90-day transition period, the successor contractor shall not substantially change a food service or building service employee's work shift or work location.

(c) The successor contractor shall ensure that a notice to food service or building service employees is posted setting forth the rights provided under this section and which includes a copy of any list provided pursuant to paragraph (a) of this subdivision with the home addresses and phone numbers redacted, and that such notice is also provided to the food service or building service employees' collective bargaining representative, if any. The notice and list shall be posted in the same location and manner that other statutorily required notices to employees are posted at the affected sites.

(d) If at any time the successor contractor determines that fewer food service or building service employees are required to perform services than had been performing such services under the terminated food service or building services contract, the successor contractor shall retain the food service or building service employees by seniority within job classification; provided, that during such 90-day transition period, the successor contractor shall maintain a preferential hiring list of those food service or building service employees not retained at the sites who shall be given a right of first refusal to any jobs within their classifications that become available during that period.

(e) Except as provided in subsection (d) of this section, during such 90-day period, the successor contractor shall not discharge without cause a food service or building service employee retained pursuant to this section.

(f) At the end of the 90-day transition period, the successor contractor shall complete a written performance evaluation for each food service or building service employee retained pursuant to this section. If a food service or building service employee's performance during such 90-day period is satisfactory, the successor contractor shall offer such food service or building service employee continued employment under the terms and conditions established by the successor contractor.

**9.60.030 Remedies.**

(a) A food service or building service employee who has been discharged or not retained in violation of this section, or the collective bargaining agent of the employee, may bring an action in any superior court of the State of California having jurisdiction over the successor contractor. Upon finding a violation of this chapter, the court shall award back pay, including the value of benefits, for each day during which the violation occurred and continues to occur. If the court determines that the successor contractor's violations were willful, it shall order treble back pay and reinstatement. The amount of back pay shall be calculated as the greater of either of the following:



(1) The average regular rate of pay received by the employee during the last three years of the employee's employment in the same occupation classification multiplied by the average hours worked during the last three years of the employee's employment.

(2) The final regular rate of pay received by the employee at the time of termination of the predecessor food service or building service contract multiplied by the number of hours usually worked by the employee.

(3) The court may order a preliminary or permanent injunction to stop the continued violation of this chapter.

(4) If the employee is the prevailing party in the legal action, the court shall award the employee or collective bargaining agent reasonable attorney's fees and costs as part of the costs recoverable.

**9.60.040 Exemption.**

The provisions of this chapter may be waived in whole or in part in a *bona fide* collective bargaining agreement, provided that such waiver is set forth in writing in clear and unmistakable terms.

**SECTION 2: Savings clause.** The changes provided for in this ordinance shall not affect any offense or act committed or done or any penalty or forfeiture incurred or any right established or accruing before the effective date of this ordinance; nor shall it affect any prosecution, suit or proceeding pending or any judgment rendered prior to the effective date of this ordinance. All fee schedules shall remain in force until superseded by the fee schedules adopted by the City Council.

**SECTION 3: Constitutionality, severability.** If any section, subsection, sentence, clause, phrase, or word of this ordinance is for any reason held by a court of competent jurisdiction to be unconstitutional or invalid for any reason, such decision shall not affect the validity of the remaining portions of the ordinance. The City Council hereby declares that it would have passed this ordinance and each section, subsection, sentence, clause, phrase, and word thereof,

irrespective of the fact that any one or more section(s), subsection(s), sentence(s), clause(s), phrase(s), or word(s) be declared invalid.

**SECTION 4: Effective date.** This ordinance shall take effect thirty (30) days after its final adoption; however, prior to its final adoption it shall be published in accordance with the requirements of Section 808 and 812 of "The Charter of the City of Santa Clara, California."

**PASSED FOR THE PURPOSE OF PUBLICATION** this \_\_\_\_ day of \_\_\_\_\_, 2017, by the following vote:

AYES:                      COUNCILORS:

NOES:                      COUNCILORS:

ABSENT:                      COUNCILORS:

ABSTAINED:                      COUNCILORS:

ATTEST:

\_\_\_\_\_  
ROD DIRIDON, JR.  
CITY CLERK  
CITY OF SANTA CLARA



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Johnson & Johnson  
JED YORK  
San Francisco 49ers

Established in 1978 by  
David Packard

March 13, 2017

The Honorable Mayor and Council  
City of Santa Clara  
1500 Warburton Ave  
Santa Clara, CA 95050

**RE: Chapter 9.6 Worker Retention Ordinance**

Dear Mayor and City Council,

On behalf of the Silicon Valley Leadership Group, I am writing to express our concerns regarding the proposed Chapter 9.6 Worker Retention Ordinance, and the rushed process that is currently suggested to bring this before the Council.

The Silicon Valley Leadership Group, founded in 1978 by David Packard of Hewlett-Packard, represents nearly 400 of Silicon Valley's most respected employers on issues, programs, and campaigns that affect the quality of life in Silicon Valley, including energy, transportation, education, housing, health care, tax policies, economic vitality, and the environment. Leadership Group members collectively provide nearly one of every three private sector jobs in Silicon Valley and have more than \$6 trillion in annual revenue. Nearly 20 of our members are headquartered in the City of Santa Clara.

We appreciate the City staff's recent outreach to the business community regarding this issue. Our members recognize the importance of ensuring job security as a critical component of promoting quality of life and economic health in the region. However, our members are concerned that the proposed ordinance will negatively affect both businesses and the community members that the ordinance attempts to protect.

Specifically, our members are concerned that the proposed ordinance features an overly-wide scope that may lead to unintended consequences. The ordinance's broad language may make it difficult for companies and contractors to determine if they are adequately complying with the ordinance. Furthermore, these uncertainties in implementation of the ordinance will expose companies and contractors to needless litigation.

For these reasons, the Leadership Group is asking that the City Council oppose or postpone action on this draft ordinance. There would be great benefit to a much more thoughtful stakeholder process with the employers who have long invested in the City of Santa Clara.

Thank you for kindly considering the Leadership Group's position on this issue.

Sincerely,

Carl Guardino  
CEO & President  
Silicon Valley Leadership Group

cc: Assistant City Manager Ruth Shikada

Mayor Gillmor and Council Members  
 Santa Clara City Council  
 1500 Warburton Avenue  
 Santa Clara, CA 95050

**UNITE  
 HERE!  
 LOCAL 19**

March 14, 2017

Dear Mayor Gillmor and Council Members,

On behalf of the almost 5,000 members of UNITE HERE Local 19, I write to express our organization's full support of the Worker Retention Ordinance. Our Local represents hospitality workers in Santa Clara, including workers at the Hilton, Levi's Stadium, Santa Clara Convention Center, Nvidia, Intel, and Agilent.

We are proud of the work we have done with the City of Santa Clara to build quality hospitality jobs in this City. Over the years, the Santa Clara City Council has taken leadership on many issues impacting working people. We would like to thank Mayor Gillmor and Vice Mayor Caserta for their leadership in bringing the Worker Retention Ordinance forward.

This is an important ordinance that will provide job security for food service workers, security officers, and janitors. Offices and entertainment venues make frequent changes to food and building services by switching contractors, bringing services in house, or decide to contract them out. Unfortunately, these changes often result in service workers losing their jobs. This is a source of great fear for service workers.

In Santa Clara, we've seen how service workers' lives are upended by contractor changes. This is what happened to food service workers at intel in 2014 when 70 workers lost their jobs. I worked with these employees directly, and it was terrible to watch them struggle to look for other jobs, pay for health insurance out of pocket, and provide for their families. We can stop this from happening in Santa Clara by passing this Worker Retention Ordinance. It will create a local set of standards for retaining food and building service workers in the event of a contract change.

Enrique L. Fernández  
 Business Manager

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 Financial Secretary - Treasurer

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# UNITE HERE! LOCAL 19

Worker retention laws are an avenue for cities and states to promote job security. California has State worker retention laws for janitors and grocery store workers. Several California cities, including Los Angeles, San Francisco, and Oakland, have passed worker retention ordinances covering specific industries. In October, New York City passed a worker retention policy for food service workers. A Worker Retention Ordinance is a minimum labor standard, like raising the minimum wage, and such ordinances have consistently been upheld in the courts, including the California Supreme Court.

Worker retention provides workers with job security without passing on an economic burden onto the successor contractor. It does not require successor contractors to pay the same wages or benefits as its predecessor. It also allows for flexibility if the size of the workforce is being reduced.

In conclusion, this ordinance will make a big difference in providing these workers with the job security they need to continue to get by in the South Bay and provide for their families. Passing this ordinance will send a clear message that Santa Clara values service workers and their job security. We are excited that Santa Clara for is leading the way for Silicon Valley on this issue, and we urge the Council to vote yes on this Worker Retention Ordinance.

Sincerely,



Enrique Fernandez  
Business Manager  
UNITE HERE Local 19

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