



SEP 11 2009

by City Manager's Office
Memorandum

TO: HONORABLE MAYOR AND
 CITY COUNCIL

FROM: Paul Krutko

SUBJECT: Team San José's New Labor
 Agreement

DATE: September 11, 2009

Approved

Date

9/11/09

INFORMATION

During the September 2, 2009 Rules Committee, the Committee directed the Administration to prepare an Informational Memo concerning the new Team San José (TSJ) labor agreement for its non-City workforce. This Informational Memo provides more information to the Council on the steps leading up to the new agreement with Teamster Local 287 and the outreach TSJ is currently conducting with current and future clients that would use Teamsters labor. Information in this memo was obtained from TSJ and clients of the convention center.

BACKGROUND

Team San José assumed the operation of the Convention Center and various Cultural facilities from the City over five years ago. According to Convention Center staff at the time, there was no City agreement with any labor unions. Instead decorating companies were informed that Local 85 claimed the rights to operate at the Convention Center and decorating companies were encouraged to deal directly with them with regard to their labor requirements. During this time sometimes local San José labor was used and some other additional labor was also used.

According to Team San José, when they took over operation of the Convention Facilities, they began to believe that customer service was impacted by the existing arrangement because of TSJ's limited ability to provide oversight over services provided. Over TSJ's five years of management they have had a number of conceptual discussions with stakeholders to improve this process with a goal of providing flexibility, lower cost and better customer service to their customers.

According to TSJ, the limitations for customers in San José included:

- Required minimum labor call to be eight hours, even if client needed only four hours.
- No random drug testing or other training to improve customer service included in the agreement.
- Varied rates based on labor skill (driver, foreman, etc.) requested, which increased costs to the client.
- Higher health and welfare costs.
- No special rates to support different/varying events.
- No multiple start times, which limited flexibility and with potential for overtime costs.

- Lack of transparency with billing clients.

In January 2009, TSJ met with the Joint Council of the Teamsters and decided to enter into a direct agreement between TSJ and Teamsters Local 287, a separate based labor organization. According to TSJ, under the new agreement with Local 287, the Joint Council has recognized Local 287's exclusive jurisdiction in TSJ "City" facilities. TSJ held conversations with Teamsters Local 287 to develop the new agreement that TSJ believes will allow it to provide increased customer service, lower cost to clients, increased local jobs, and more flexibility for clients including multiple start times, and flat rates. Also during this period, TSJ held a number of meetings with the national decorators companies to discuss a possible new agreement for Local 287 from Local 85. Concerns were raised about cost; however according to TSJ, no additional feedback was received in any of the initial meetings with decorators. On July 2, 2009 TSJ signed a new agreement with Teamsters Local 287.

TSJ states that the new agreement will allow clients to contract directly with TSJ for labor services. The original rollout by TSJ included higher labor costs for decorators due to TSJ building in administrative charges to the rate structure. After additional outreach TSJ scaled back the administrative charges to mirror the actual labor services provided previously and kept rates and charges at cost. Financially, this means that TSJ will not gain additional revenue from this agreement, which was not the original intent of the policy. Table 1 illustrates the lower costs in the new agreement.

TSJ acknowledged that TSJ could have communicated better to their clients and decorators, a mistake that has resulted in confusion about the benefits of the new policy. After being contacted by City Staff, TSJ is working with decorators, their respective associations and clients to further communicate the benefits of the new labor policy via letters, personal outreach and pre-event conferences.

City Staff became aware of the change in the agreement with Teamsters Local 287 when the City was contacted by the decorating company who is working for the League of California Cities (League). The League conference starts Wednesday, September 16, 2009. After considerable outreach from City Staff and TSJ to the League and decorating company it appears the matter has been better clarified for both parties.

ANALYSIS

TSJ believes the new agreement provides more flexibility, lower costs to clients and decorators and creates local jobs. TSJ and has provided the following comparison between the old agreement and new agreement in Table 1.

| Terms and Conditions | Teamster 85 Operations | New San Jose 287 Teamster Agreement |
|-----------------------------|--|--|
| Rates | \$59.40 Health and Welfare \$9.40 per hour | \$58.85 or \$1 less than other procedure Health and welfare \$7.10 per hour |
| Flexibility | No ability to revise procedures based on event needs. | Stronger ability to revise procedures, including: <ul style="list-style-type: none"> • Special event rates • Shorter minimum hours scheduled • Multiple start times to ensure time is based on customer need • Flat rates regardless of position or skill needed |
| Customer Service | No ability on behalf of TSJ to provide additional building training or random drug testing. | Ability to enforce random drug testing. Local labor has over 20 years of experience in San Jose venues and TSJ has ability to provide additional training courses as necessary. |
| Liability | Liability of labor services was absorbed completely by decorators. | Employee liability of labor service is absorbed by TSJ. |
| Job Creation | San Francisco labor was the primary source of labor to San Jose venues, limiting the use of San Jose Teamster labor. | San Jose labor is the primary source of labor for San Jose venues. |

Three events have taken place under the new agreement. TSJ believes that clients have saved money and improved customer service, due to the competitive rates, flexible start times and minimum labor times.

City Staff intends to continue monitoring TSJ’s management of this agreement with regard to its effects on future clients.

COORDINATION

This memorandum was coordinated with Team San Jose, Inc.


 PAUL KRUTKO
 Chief Development Officer