

Janitorial and Security Contract Analysis

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DEPARTMENT OF
FINANCE

Two paths of Analysis

The Administration was asked to explore the possibility of updating existing janitorial and custodial staff to understand the fiscal impact of paying the City's internal minimum wage. Two options were explored:

Updating existing contracts.

Most feasible option (although neither option is optimal)

Bringing janitorial and security services in-house.


Costs

| Updating existing contracts | | | | | |
|---|---|----------------|----------------|----------------|--|
| Service | FY25 Actual → FY26 Projected | | | | Fixed cost scenario based on contract terms; labor costs expected to rise in future years |
| Security | \$7.0 million → \$8.1 million | | | | New all-armed contract aligned with City minimum wage begins November 1, 2025; wage increase |
| Janitorial | \$3.8 million @ \$15/hr → \$4.9 million @ \$20/hr | | | | Increase reflects wage alignment, must amend existing contracts |
| Bringing janitorial and security in house | | | | | |
| FY 26 | FY 27 | FY 28 | FY 29 | FY 30 | FY 31 |
| \$17.8 million | \$17.3 million | \$18.0 million | \$18.7 million | \$19.4 million | \$20.2 million |

Updating Existing Security Contract

The new security contract, effective November 1, 2025, transitions to an all-armed model but aligns with the City's minimum wage.

- **FY24 Security Contract:** \$7.0 million
- **FY26 Projected:** \$8.1 million
- **Total increase:** \$1.1 million



Increase reflects expanded service scope, higher wage standards, less officers.

Updating Existing Janitorial Contract

The current janitorial contract does not yet reflect the City's wage standard. Increasing the minimum wage to \$20 per hour would result in an estimated **annual cost increase of at least \$1,038,355.**

A formal contract amendment would be required to implement the requested change and is subject to negotiation by the contractor.

Further the current contractor notes increasing hourly wages will also affect employee eligibility for certain income-based social benefits such as Medicaid, Supplemental Security Income (SSI), and other public assistance programs.

Additional Ancillary Cost of In-House Services

| Janitorial initial costs | |
|---------------------------------|------------------|
| Type | Cost |
| Vehicles <i>(1 Van, 3 SUVs)</i> | \$155,000 |
| Initial supplies | \$413,229 |
| Uniforms | \$34,648 |
| Total | \$602,877 |

| Security initial and recurring costs (for 107 individuals) | |
|--|------------------|
| Type | Cost |
| Training | \$141,775 |
| Equipment & Uniforms | \$70,829 |
| Initial Total | \$212,604 |
| Recertification (annual) | \$40,125 |
| Uniform Rental (annual) | \$34,000 |
| Recurring Annual Total | \$72,125 |

Additional Considerations



Bringing these services in-house would add approximately 227 employees, requiring new supervisory, administrative, and HR/benefits capacity.



Armed security increases liability exposure and insurance costs due to weapons certifications, insurance, and compliance requirements.



Annual wage and benefit adjustments, including collective bargaining commitments, increase labor costs annually.



Janitorial and security represent only a portion of the City's contracted workforce. Adjusting wages for select contracts increases parity issues across other labor categories.

Recommendations



Status Quo.

The Administration recognizes Council's interest in ensuring fair compensation for contracted workers.

There are also unintended consequences with both approaches. Keeping the existing model, **Status Quo**, while focusing on fair compensation within contracts can achieve equitable pay standards while **preserving flexibility & cost control**.

Questions?



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