

Community Development Commission

June 9, 2014

TO: Each Supervisor

FROM: Sean Rogan, Executive Director



SUBJECT: TERMINATION OF CONTRACTS WITH DIAMOND CONTRACT SERVICES, INC.

This is to advise your Board of Commissioner (Board) of the current situation with a Community Development Commission (Commission) and Housing Authority (Housing Authority) janitorial contractor which will result in a termination of two contracts with Diamond Contract Services, Inc. (Diamond) (collectively, Contracts). Diamond notified the Commission and Housing Authority that as of June 9, 2014, it will be unable to provide services to the various locations as it is unable to procure or maintain workers' compensation insurance.

Background

Diamond provides janitorial services at several housing development sites and administrative buildings under two separate contracts with the Commission and the Housing Authority. On April 8, 2014, the Housing Authority went to your Board for the approval of its contract with Diamond.

On June 5, 2014, the Commission and Housing Authority were notified by Diamond that, effective June 9, 2014; it would be unable to continue to provide the required janitorial services due to the increase in its workers compensation insurance and its inability to pay the premium. Pursuant to the Commission's and Housing Authority's contract, failure to obtain insurance as outlined in Section 10, Insurances, constitutes a material breach of these Contracts. As a result, Diamond will not be able to provide the contracted services.

On June 6, 2014, Diamond confirmed they would not be able to maintain workers' compensation insurance, provide janitorial services and intended to assign all contract obligations to another janitorial company. Due to the time constraints, the Commission and Housing Authority are unable to perform its due diligence in researching the assignment to the proposed assignee, i.e., background, financial stability, Living Wage program, Section 3, to another company, and therefore, is not able to approve the assignment.

Actions Taken

On June 6, 2014, after consultation with County Counsel, the Commission and Housing Authority provided Diamond with written notification of the intent to terminate Diamond's contracts for default for violating contract provisions including but not limited to:

- a) Section 2, Term,
- b) Section 3, Contractor's Responsibility,
- c) Section 10, Insurance, and
- d) Attachment A, Statement of Work.

The Commission and Housing Authority recently procured for janitorial services for which janitorial proposals were submitted on December 5, 2013. The Commission and Housing Authority went to the next highest ranked proposer, Lee's Maintenance Service, Inc., with the intent to award a contract. The Commission and Housing Authority have negotiated and agreed on the cost for all sites to perform the required janitorial services. The Commission executed an agreement with Lee's for its sites in the amount of \$62,000.00. As for the Housing Authority, in order to reduce disruption in service to its sites, the Housing Authority intends to execute a contract up to the Executive Director's delegated authority of \$100,000 and thereafter seek Board action to amend the contract for additional funds.

Should you have any questions regarding this matter, please contact Matthew Fortini, Administrative Services Director, at (626) 586-1733.

SR:MF:ng

- c: Commission and Housing Authority Board Deputies
Chief Executive Officer
Deputy Chief Executive Officer
County Counsel