


FROM	NAME & TITLE	Henry Raymond, Director <i>Henry Raymond</i>	CITY of BALTIMORE MEMO	
	AGENCY NAME & ADDRESS	Department of Finance 469 City Hall		
	SUBJECT	Finance Response to City Council Bill #17-0048		

TO

The Honorable President and
Members of the City Council
Room 400, City Hall

DATE:

May 18, 2017

The Department of Finance supports the smooth transition from one City service contract to another at the expiration of the contract term, including, when desirable, the hiring of employees who gained valuable knowledge and experience during the performance of the expiring contract. However, the Department of Finance opposes Council Bill #17-0048 as it is currently written, as it would tend to reduce competition on City contracts, and raise prices unnecessarily.

An additional contractually or legally required process that increases administrative burden and reduces the ability of a City vendor to control its own business practices would tend to reduce competition. This Council Bill would add administrative requirements in tracking employees during the initial months of the contract term, in a process or system that is unlikely to currently exist in most small businesses. Additionally, the vendors would need to pay for internal or external resources to defend claims submitted by employees who are not retained after the initial period required, if they disagree with the performance evaluation. Finally, an outgoing vendor may have bid on other contracts with the plan to reassign its current work force to the newly awarded contract. This Council Bill may reduce the stability of the vendors' workforces, and restrict their ability to plan for upcoming awards. All of these issues would tend to reduce the attractiveness of the City contracting opportunities, and therefore reduce competition. A reduction in competition tends to increase the contract costs to the City.

Additionally, this requirement may make it more difficult for the City to replace a poorly performing vendor, as the vendor hired to replace it will be required to take on the employees of that terminated vendor for the initial months of the contract. In some cases, this may require the successor vendor to hire the personnel who are the cause of the poor performance and contract termination.

In our experience, newly awarded vendors on service contracts, such as for janitorial services and the management of food service operations, already make an effort to hire current employees, as it is a convenient pool of trained prospective employees, in the event the vendor requires additional staffing beyond its current employees. The Department of Finance makes an attempt to structure the timing of those new awards to allow for the transition, when feasible. As an example, the vendor Volume Services, Inc. d/b/a Centerplate was awarded the food service operation contract at the Baltimore Convention Center, which had previously been held by Aramark Corporation. Centerplate hired approximately 75% of the employees who had been working on the expiring contract.

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As an alternative to making these requirements enforceable against vendors on City contracts, Department of Finance recommends that we include a clause in solicitation documents to inform vendors that, if awarded, they have the right to post notice, at any City facilities that would be impacted by the transition, of the new award and an offer to interview for employment. Additionally, we support the requirement that a list of current employees be provided to the successor vendor, so that they are able to make offers of employment when desirable. This could also be included in service contracts.

The Finance Department has reviewed Council Bill 17-0048 and takes an unfavorable position on this legislation.

cc: Erin Sher Smyth, City Purchasing Agent
Tamara Robert, Deputy City Purchasing Agent