

FROM

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AGENCY NAME & ADDRESS	Department of Public Works 600 Abel Wolman Municipal Building
SUBJECT	CITY COUNCIL RESOLUTION 17-0008R

CITY of  
BALTIMORE  
**MEMO**



TO

DATE: April 19, 2017

The Honorable President and Members  
of the Baltimore City Council  
c/o Natawna Austin  
Room 400 – City Hall

I am herein reporting on City Council Resolution 17-0008R introduced by Council Members Stokes, Clarke, Middleton, President Young, Council Members Dorsey, Scott, Burnett, Bullock, Henry, Pinkett, Costello, Schleifer, Cohen, Sneed, and Reisinger.

The purpose of this Resolution is to call on representatives from the Finance Department, Office of Civil Rights and Wage Enforcement, Minority and Women’s Business Opportunity Office, and the Departments of Public Works, General Services, and Transportation to appear before the City Council to discuss problems with late payments to subcontractors on City contracts, and what steps the City can take to ensure that these problems do not endanger the ability and willingness of subcontractors to work on City projects.

While the Board of Estimates has ultimate authority over all City purchasing and procurement, the Department of Public Works’ (DPW) does procure architectural and engineering professional services by following a multi-step process established by the Board. Once the Department selects a professional service company, the selection is submitted to the Board of Estimates for approval. DPW also has Charter-implied power to procure public works contracts, with Board of Estimates approval. DPW’s contractual or consulting contract relationships are with the prime contractor or consultant.

Prequalification

By way of background, any consultant, sub-consultant, contractor or subcontractor who wishes to bid on or participate in City contracts of \$50,000 or more, must be prequalified by the Office of Boards and Commissions. This Office is part of the DPW organization, but manages the prequalification process for all relevant City contracts. The Office recently revised and updated its rules to emphasize the importance of agencies regularly evaluating the performance of their consultants and contractors. Any issues that are documented and graded on the quarterly evaluation forms regarding job performance, including failure to pay subcontractors and suppliers, or any behavior or conduct that the Office concludes reflects negatively on the contractor’s integrity or the integrity of the procurement process, if not corrected, can be grounds for suspending or revoking a company’s prequalification status (subject to approval by the Board of Estimates).

### Processing Payments

Receipt of a prime consultant's invoice or a prime contractor's estimate are to be filed with DPW monthly, and should include any submittals provided by the sub-consultants or subcontractors for the work they performed during the invoice or estimate period. The project managers are responsible for reviewing these submittals, checking the accuracy of the information as well as reviewing the status of MBE/WBE goals and retainage. In the case of construction estimates, field managers must concur by signing the reviewed submittal. Any errors or disagreements over a submittal must be resolved before the invoice or estimate is deemed acceptable and payment processing can begin.

DPW has been phasing in the use of electronic processing of payments to improve upon the time it takes to process an invoice or estimate. The first phase converted the internal processing of consultant payments from paper to electronic processing. In FY 2016 the average time for consultant design invoices that were processed in the new electronic system was 22 calendar days. By FY 2017, the average time for processing dropped to 17 calendar days.

While DPW is in the process of converting contractor payments to an electronic system, these payments are currently being processed using a manual approval process. Once the electronic conversion is completed, similar efficiencies in processing are expected. Based on a sampling of recent payments on 135 estimates processed between the months of January and April of 2017, the average time for invoices to get through DPW processing and signatures is approximately 26 calendar days. DPW has scheduled to go online with the electronic processing of contractor estimates by the end of this fiscal year.

Once DPW processes the payments for consultants and contractors, paper copies of the approved invoices and estimates are forwarded to the Department of Finance to process and issue payments.

### Other Actions

One of the ways to help ensure prompt payment of invoices and estimates is regular and timely invoice submittals with all backup to support payment requests. Our Office of Contract Administration created a manual in 2015 that helps guide primes in how to format and provide needed information to reduce delays in processing submittals. Subs should adhere to these guidelines as well. The manual is updated as needed.

DPW encourages all parties to attend the contract kick off meetings (for design and construction projects). Although the City has the agreement with the prime, the kick off meetings would give the subs the opportunity to meet the Project Manager and other key City representatives who will


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be managing the projects. Having the appropriate contact names and numbers will provide subs with the ability to reach out for information about payments or to express any concerns they may have about their circumstances.

DPW is working with its IT team to provide a friendlier format for visitors to retrieve information from the design and construction page of the Department's website. In addition to information such as advertisements and project awardees, DPW would like to expand the information to include the pay period for which payment was last processed (e.g. April 1, 2017 – April 30, 2017). Because the policy is the sub will be paid once the Prime is paid, this will help sub-consultants and subcontractors track when that last payment transaction was made to the Prime.

The Department of Public Works will have representatives present at the hearing on City Council Resolution 17-0008R to assist with any questions the Council may have on subcontractor payments.

Sincerely,



Rudolph S. Chow, P.E.  
Director

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