

# UNIVERSITY OF CALIFORNIA

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SANTA BARBARA • SANTA CRUZ

SENIOR VICE PRESIDENT—BUSINESS AND FINANCE

OFFICE OF THE PRESIDENT  
1111 Franklin Street, 12<sup>th</sup> Floor  
Oakland, California 94607-5200

September 4, 2002

## VICE CHANCELLORS - ADMINISTRATION

RE: University Guidelines on Contracting for Services

Dear Colleagues:

Attached are updated University Guidelines on Contracting for Services. These Guidelines reflect the recommendations of the systemwide committee which Senior Vice President Mullinix appointed last fall and the management review completed by all campuses. As many of you are aware, existing Guidelines have been in effect since 1986 and were previously applicable only to service areas such as custodial, garage, food, and similar maintenance and housekeeping areas. As part of the University's ten-year report on contracting for services, which we submitted to the Legislature last year, we indicated that we planned to review and update the 1986 Guidelines to assure that they continue to meet the University's programmatic and operational needs.

The revised Guidelines acknowledge the circumstances under which the University may need to contract for services and which may result in the displacement of University staff. The criteria for making such decisions are noted, including business and financial necessity, for example, or the lack of adequate internal expertise to meet service requirements. The revised Guidelines require compliance with the specific provisions of personnel policies and/or collective bargaining agreements that apply to the particular employee group affected. Additionally, a process is outlined for notification and review by the Office of the President for those contracts exceeding \$100,000 per year.

At this time I would like to thank the members of the Contracting for Services Committee that provided their review, campus perspective, and overall valuable insight in the development of these Guidelines.

Please contact Director Stan Kowalski, Constituent and Legislative Coordination, Human Resources and Benefits at (510) 987-0826 if you have any questions regarding this information.

Sincerely,

(signed)

Joseph P. Mullinix  
Senior Vice President

Attachment

September 4, 2002

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cc: President Atkinson  
Members, President's Cabinet  
Medical Center Directors  
Vice President Broome  
Vice President Hershman  
Associate Vice President Boyette  
Assistant Vice President Arditti  
Assistant Vice President Obley  
Executive Director Cieszkiewicz  
Director Kowalski  
Chief Human Resource Officers  
Contracting for Services Committee Members

# **UNIVERSITY GUIDELINES ON CONTRACTING FOR SERVICES**

## **General Principles**

The University has a mission unique among public employers in California: teaching, research, and public service. To achieve that mission on its ten campuses, including the five medical centers, the University must maintain an extremely broad range of support services. Recognizing the need to support the academic mission, the University's business policies and practices must provide flexibility to address programmatic needs in a rapidly changing research and instructional environment. Adding complexity to this context is the increased reliance on multiple fund sources to support its programs and the impact on the University of fluctuating budgetary conditions. At the same time, the University sets as a priority its responsibility to maintain contractual commitments to its employees, respecting their employment rights and conditions as staffing requirements change.

Thus, in any consideration to contract out services where University staff would be displaced, the University will support and approve the contracting out of University work only when the decision is consistent with protecting the core teaching, research, service, and patient care functions of the individual campus or medical center; is in response to a demonstrated, sound business need; and minimizes to the extent possible the impact on University staff. Such decisions are intended to be consistent with the objectives of maintaining the University's good relationships with the local business community and the quality of the work environment. Because consideration must be given both to the requirements and circumstances of the services involved and the overall benefit to the campus, these decisions are made by the Chancellor or designated Vice Chancellor, with review by the Office of the President as appropriate and as described in these guidelines.

It is the intent of the Legislature that the University carefully monitor the use and effects of contracting out for services at newly developed facilities.

In order to assist in an improved understanding of such impacts, the University shall report annually to the fiscal committees of the Legislature no later than January 15th the extent to which it has chosen to contract out for services, the rationale for such decisions, the cost implications of such decisions, the impact on hiring, and the extent to which such hiring and contracting practices are at variance with such practices at existing facilities.

## **Application of Guidelines**

The provisions outlined below are intended to guide management decisions to contract for services only in circumstances where University staff would be displaced. These provisions are to be used in conjunction with the applicable sections of Personnel Policies for Staff Members and/or the applicable collective bargaining agreement. These provisions are not applicable to decisions to contract for existing or new services, or for augmentation to existing services, unless University staff would be displaced. Nothing in these guidelines shall interfere with application of University

policies, procedures, or contractual requirements including, for example, equal opportunity and non-discrimination in employment and contracting, and competitive bidding requirements.

Nor shall the application of these Guidelines interfere with any action required by the University to establish or maintain eligibility for any federal program, contract or grant. This exclusion includes any requirements contained in the agreement between the University and the Department of Energy where ineligibility would result in a loss of federal funds to the University.

Except as excluded above, the justification for a decision to contract out services shall include consideration of the following:

- compliance with requirements of the Personnel Policies for Staff Members and/or applicable collective bargaining agreements;
- compliance with applicable Business and Finance Bulletins governing service contracts and professional agreements;
- business and financial necessity;
- level and quality of service required, including special skills and expertise;
- impact on the local business community; and
- impact on the core University functions of teaching, research, service, and patient care.

**A. Application of Staff Personnel Policies and Collective Bargaining Agreements**

The decision to contract for services currently being performed by University staff will take into account the requirements noted below:

1. Provisions for addressing the impact on University staff are provided in the applicable collective bargaining agreement(s) and/or the relevant University personnel policies. Such provisions reflect eligibility requirements for layoff and preferential rehire, notice requirements, and alternatives to layoff. Additionally, existing local procedures provide support services for staff who are displaced. Such services may include the availability of training or retraining programs; transfer and re-employment opportunities; job counseling and placement services; and assistance with job applications, resume preparation, and interviewing skills, for example.
2. When applicable, the University shall observe any conditions regarding contracting out and the impact on staff as provided in the State Budget Act for the year in which the contracting decision is made.

**B. Business and Financial Necessity**

A decision to contract for services resulting in the displacement of staff may be related to the need to address business or financial necessity. Examples include any of the following situations:

1. to respond to budgetary limitations or reductions;

2. to adhere to the principles of sound business and fiscal management, such as discontinuing services that have become cost prohibitive as a result of changes in technology, regulatory or safety requirements, etc; or
3. to acquire services incidental to the terms of a contract entered into by the University primarily for the purchase or lease of property, such as maintaining work locations or equipment.

If the decision to contract for services is based on business or financial necessity, and University staff will be displaced, a complete financial analysis shall be conducted, comparing the actual cost of the service when performed by University staff to the cost of contracting for those services, including the following elements:

1. The actual cost of services performed by University staff will include all related costs of providing the service. These costs include, but are not limited to, the cost of facilities, equipment, materials, and supervision required, as well as any other administrative costs such as payroll processing, benefits administration, and other related costs.
2. The cost of contracting out will include the total cost of the contract plus costs associated with administering the contract.
3. The comparison of costs will be considered over the life of the contract, and the resultant economic advantage will be clearly articulated.
4. The benefits to the University in protecting the quality and effectiveness of its core functions will be described.

### **Service Requirements**

A decision to contract for services resulting in the displacement of University staff may arise in situations where the requisite skills or expertise to provide the services are not available internally. In such situations, there shall be an assessment of the levels of service to be provided, including the elements necessary to provide the appropriate level of service in support of the University's programs. Levels of service include both the quality and quantity of work to be performed. The assessment shall include review of whether the special services, expertise, facilities, and/or equipment necessary to achieve the required level of service are readily available internally. Examples include circumstances in which:

1. The services are not available within the campus/medical center's workforce in sufficient quantity, quality, or level of expertise.
2. Special expertise or efficiencies are better provided through an outside contractor than by the University.

3. Changes in technological and/or other environmental conditions (such as regulatory and certification requirements, safety and risk management standards, etc.) have resulted in a shortage of appropriately qualified University staff to perform those services.
4. The goals and purposes of the service to be performed must be accomplished through the use of non-University personnel for reasons such as the need for an external perspective or the avoidance of a conflict of interest.

### **C. Review Process**

For contracts which may result in the displacement of University staff and which exceed \$100,000 per year, review by the Office of the President prior to making any contracting commitments is required for conformance to the criteria outlined in the foregoing sections, and in accordance with the process noted below:

1. Informal notification shall be provided to Human Resources and Benefits at the Office of the President one month prior to issuance of the Request for Proposals (RFP).
2. Formal written notification to Human Resources and Benefits at the Office of the President, including the analyses required in sections A, B, and C above, shall be provided before or in parallel to the issuance of the RFP. (A suggested template for use by the locations regarding the specific information to be submitted will be provided.)
3. Compliance with any applicable Budget Act requirements or related terms of a collective bargaining agreement (e.g. providing a copy of the RFP to the exclusive bargaining agent) shall be coordinated with the Office of the President, Labor Relations, as part of the review.