



City of Detroit

CITY COUNCIL

MARY SHEFFIELD
COUNCIL PRESIDENT
DISTRICT 5

MEMORANDUM

TO: Sandra Yu Stahl, Chief Procurement Officer, Office of Contracting and Procurement

THROUGH: Council Member Fred Durhal, III, Chair, Budget, Finance & Audit Standing Committee

FROM: Council President Mary Sheffield

DATE: October 28, 2022

RE: **Request for Information Regarding Claims Demolition Contractors Being Allowed to be 1099 Workers in Violation of a City Ordinance**

It has been brought to my attention that contractors receiving Proposal N Demolition contracts were allowed to use 1099 employees for the purposes of pre-qualifying for bids as well as performing the work awarded to them. I'm also being told that not all bidders were made aware of this provision as well as that utilizing 1099 employees could be a violation of City Ordinance. As a result, I am requesting a report detailing what transpired and answers the following questions:

Were certain contractors given the authority to pre-qualify for Proposal N contracts with 1099 (independent contractors) instead of hiring Detroit Residents? If yes, how many and which contractors were given that authority?

Does the use of 1099 independent contractors on City Demolition contracts violate City Ordinance? If so, please explain?

When was the Office of Contracting and Procurement made aware of this issue and what steps have been taken to rectify the problem and prevent this from happening in the future?

How much money has the City of Detroit potentially lost as a result of these companies avoiding paying City Income Taxes because they used 1099 (independent contractors) instead of hiring Detroit Residents as employees?

Is it a normal practice of the Office of Contracting and Procurement to communicate criteria for a select group of respondents during the bidding process?

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What harm, if any, has been done to the other Contractors bidding on, and/or receiving, Proposal N

contracts?

Was City Council provided numbers of employees hired through Proposal N contracts were awarded which included 1099 contractors? If so, why wasn't that disclosed?

Do the companies, who were allowed to utilize 1099 contractors, provide workers' compensation insurance and other benefits and protections to the workers performing the labor?

How many of these companies do not have any actual employees and are only using 1099 contractors?

I am looking forward to an expeditious response to this inquiry. Thank you!

cc: Honorable Colleagues
Jay Rising, Chief Financial Officer
Conrad Mallett, Jr., Corporation Counsel
Hon. Janice Winfrey, Detroit City Clerk