

THE COUNCIL OF THE CITY OF NEW YORK

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Speaker of the Council

Hon. Justin Brannan
Chair, Committee on Contracts



Report of the Finance Division on the
Fiscal 2020 Preliminary Plan and the
Fiscal 2018 Procurement Indicators Report for the
Mayor's Office of Contract Services

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Mayor’s Office of Contract Services

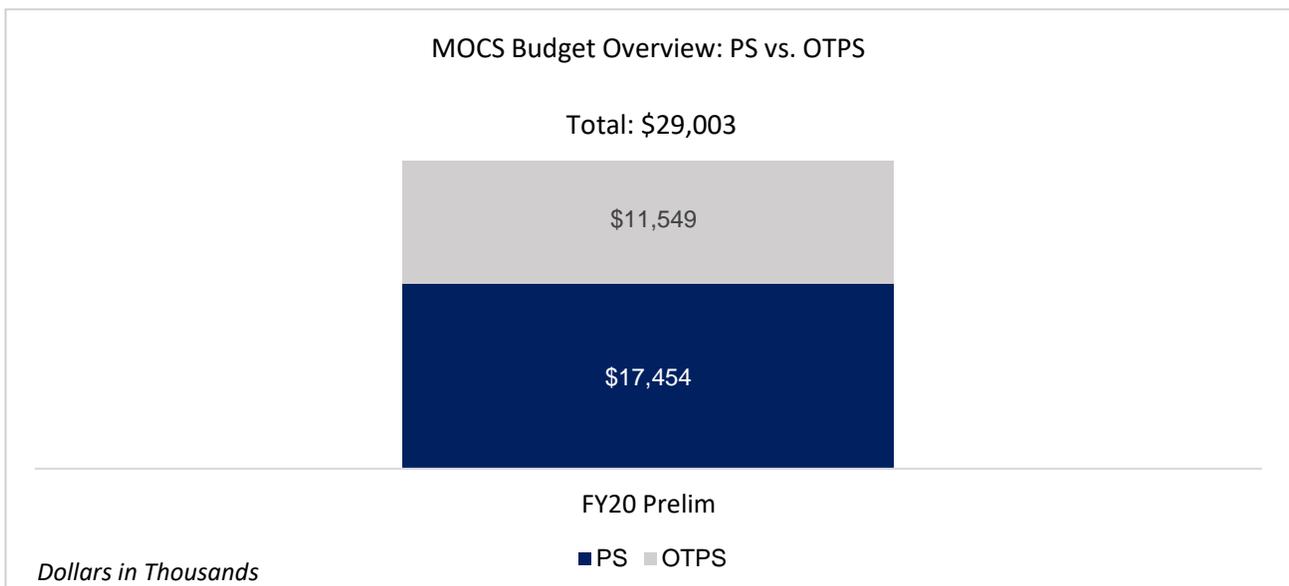
The Mayor’s Office of Contract Services (MOCS) is responsible for overseeing, supporting and promoting the City’s procurement system by discharging the Mayor’s contracting responsibilities under the City Charter, Procurement Policy Board (PPB) rules and applicable local laws. MOCS establishes policies, procedures and guidelines for the implementation of PPB rules and local laws. MOCS is authorized to perform pre and post-audit reviews and to provide all necessary determinations, approvals and certifications related to agency procurement actions. MOCS is also responsible for maintaining the City’s central contract registry. Among other responsibilities, MOCS is tasked with the following:

- Working with and overseeing the activities of each Agency Chief Contracting Officer (ACCO) in the development and approval of their procurement actions;
- Ensuring that the vendors the City does business with are responsible;
- Maintaining a comprehensive vendor information system known as VENDEX;
- Supporting continued outreach to the vendor community, and maintaining the Public Access Center where the general public can access public contract information;
- Conducting public hearings prior to the awarding of contracts; and
- Working in conjunction with the Financial Information Services Agency (FISA) and most Mayoral agencies, maintaining centralized, citywide bidder lists, which agencies use to solicit vendors.

This report provides a review of MOCS’ Fiscal 2020 Preliminary Budget, its funding structure, headcount, contract budget, reporting on specific City Council mandated reports, and PASSPort. The report also includes analysis of the City’s Preliminary Contract Budget for Fiscal 2020, and the Fiscal 2018 Agency Procurement Indicators Report.

MOCS Budget Overview

Figure 1



MOCS' Fiscal 2020 Preliminary Budget totals \$29 million, including \$17.5 million for Personal Services (PS) to support 203 budgeted full-time employees, and \$11.5 million for Other Than Personal Services (OTPS). Since MOCS' is not a City agency, its budget exists within the Mayor's budget for Mayoralty. There are two units of appropriation (U/A) for MOCS; one for PS where funds intended to pay salaries and benefits for employees are budgeted, and one for OTPS where all other general operating costs of MOCS are budgeted. Figure 1 illustrates MOCS' actual spending for Fiscal 2017 and 2018, the Fiscal 2019 Adopted Budget, and the Fiscal 2020 Preliminary Plan, which includes the current Fiscal 2019 Budget and the budget for Fiscal 2020.

Financial Plan Summary

Table 1

| MOCS Financial Summary | | | | | | |
|-------------------------------------|----------------|-----------------|-----------------|-------------------------|-----------------|--------------------|
| <i>Dollars in Thousands</i> | | | | | | |
| | FY17 | FY18 | FY19 | Preliminary Plan | | *Difference |
| | Actual | Actual | Adopted | FY19 | FY20 | FY19-FY20 |
| Personal Services | | | | | | |
| Full-Time Salaried | \$6,008 | \$11,728 | \$15,766 | \$16,450 | \$17,406 | \$1,640 |
| Overtime / Other | 41 | 17 | 48 | 48 | 48 | 0 |
| Subtotal | \$6,048 | \$11,744 | \$15,813 | \$16,498 | \$17,454 | \$1,640 |
| Other Than Personal Services | | | | | | |
| Contractual Services | \$1,699 | \$242 | \$675 | \$12,080 | \$10,171 | \$9,497 |
| Fixed & Misc. Charges | 564 | 653 | 736 | 269 | 752 | 16 |
| Property & Equipment | 152 | 184 | 900 | 815 | 0 | (900) |
| Supplies & Materials | 72 | 611 | 759 | 793 | 625 | (134) |
| SUBTOTAL | \$2,487 | \$1,690 | \$3,069 | \$13,957 | \$11,549 | \$8,479 |
| TOTAL | \$8,536 | \$13,434 | \$18,883 | \$30,455 | \$29,003 | \$10,120 |
| Funding | | | | | | |
| City Funds | | | \$12,358 | \$23,495 | \$22,141 | \$9,783 |
| Capital- IFA | | | 2,376 | 2,448 | 2,500 | 124 |
| Intra City | | | 4,149 | 4,512 | 4,361 | 213 |
| TOTAL | \$8,536 | \$13,434 | \$18,883 | \$30,455 | \$29,003 | \$10,120 |
| Budgeted Headcount | | | | | | |
| Full-Time Civilian | 99 | 152 | 194 | 207 | 203 | 9 |
| TOTAL | 99 | 152 | 194 | 207 | 203 | 9 |

*The difference of Fiscal 2019 Adopted Budget compared to Fiscal 2020 Preliminary Budget.

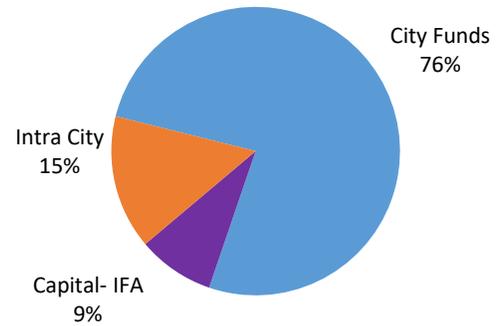
MOCS' \$29 million Fiscal 2020 Preliminary Budget is \$10.1 million greater than the Fiscal 2019 Adopted Budget of \$18.9 million. This increase was primarily driven by a contract transfer from the Department of Information Technology and Telecommunications (DoITT) to MOCS adding \$11.6 million to the budget for Fiscal 2019 and \$9.8 million for Fiscal 2020 for the PASSPort project. Also included in the Fiscal 2020 Preliminary Budget is \$250,291 for Fiscal 2019 and \$890,000 baselined beginning in Fiscal 2020 for 11 new positions. These positions will support internal operations at MOCS including IT and budget management functions, as well as positions to support the Minority and Women-Owned Business Enterprises (M/WBE) program. Lastly, the Fiscal 2020 Preliminary Budget includes \$860,822 in PS increases associated with collective bargaining agreements.

MOCS Funding Structure

MOCS’ budget is funded by three sources, including 76 percent City funds, 15 percent from Intra-City transfers, and nine percent from Capital Inter-fund agreements (IFA). Intra-City funding comes from other City agencies for services provided by MOCS. Capital IFA funding supports staff positions related to capital projects and is paid for through the capital budget.

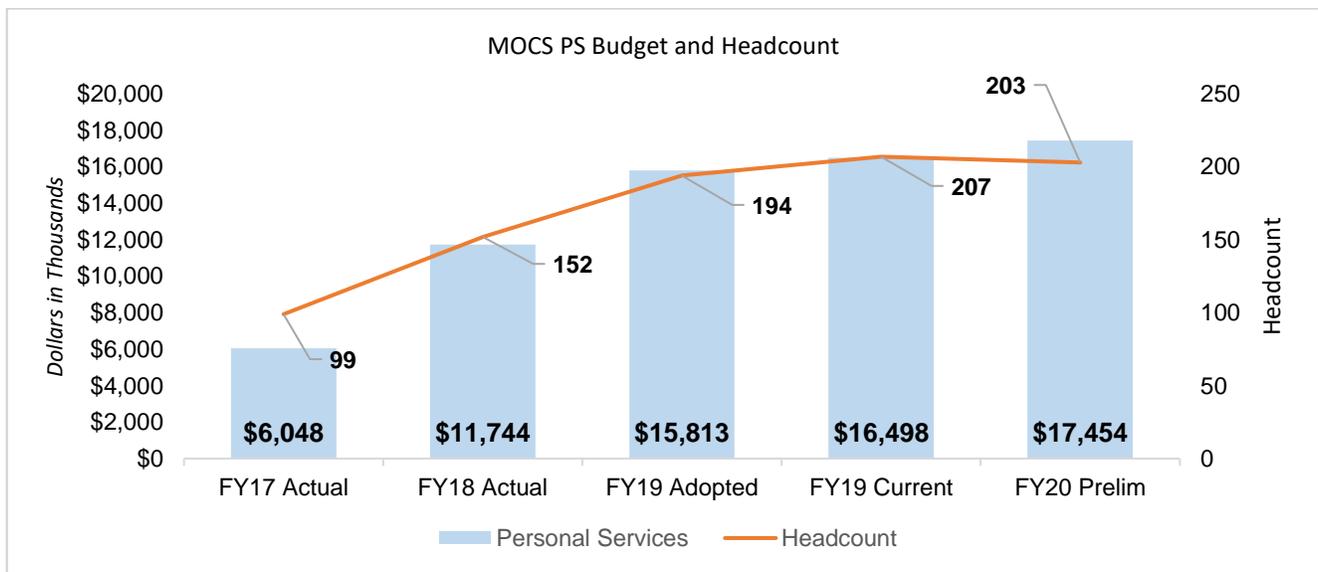
Figure 2

FY20 Budget by Funding Source



Headcount

Figure 3



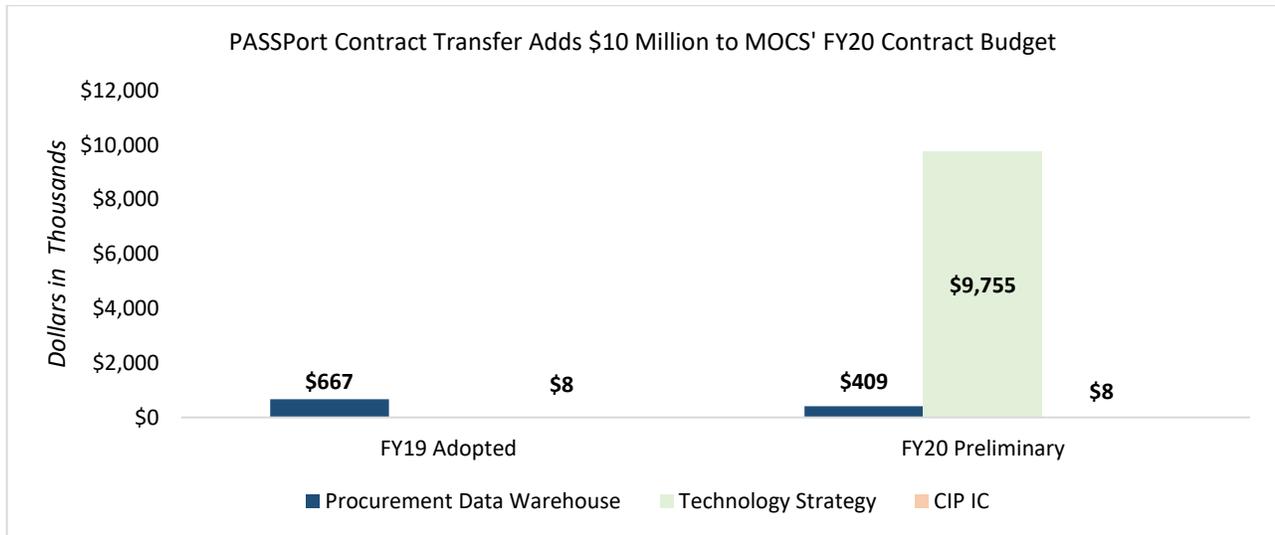
MOCS’ Fiscal 2020 Preliminary Budget provides for 203 full-time positions. Of the 203 full-time budgeted positions, 37 work on contracts related to capital projects and MOCS uses IFA funding for these positions. The largest subsets of the IFA staff include Business Optimization, Procurement Operations, and Strategic Initiatives. Also included in MOCS’ PS budget is \$908,832 in Intra-City funding for 15 positions to support the Central Insurance Program (CIP). The CIP serves the insurance needs of nonprofit providers who do business with the Department of Youth and Community Development. As of Fiscal 2019, there are over 1,500 active workers compensations and general liability claims across multiple insurance carriers.

As of February 2018, MOCS was operating with a roughly 16.8 percent staff vacancy rate, equivalent to 34 vacant positions, which is demonstrated by the contrast of actual and budgeted headcount in Figure 3. By comparison, at the same time last year, MOCS was operating at a roughly 25 percent staff vacancy rate which resulted in significant year-end underspending. Over the last few years, MOCS’ ability to fill vacancies has been limited by its physical office space. Although MOCS has struggled to fill vacancies, its budgeted headcount has continued to expand as citywide procurement support staff has been consolidated into MOCS.

MOCS Contract Budget

MOCS’ Preliminary Fiscal 2020 Contract Budget totals \$10.2 million for six contracts accounting for roughly one-third of its total budget. The Fiscal 2020 Contract Budget for MOCS increased by \$9.5 million since the Fiscal 2019 Adopted Budget. This is the result of DoITT’s transfer of the PASSPort contract with Ivalua to MOCS in the 2018 November Plan. This contract transfer adds \$10.5 million to the current Fiscal 2019 budget, \$9.8 million for Fiscal 2020, \$6.3 million for Fiscal 2021, and \$4.8 million for Fiscal 2022.

Figure 3



PASSPort (Procurement and Sourcing Solutions Portal)

PASSPort is the City’s online procurement portal. It was launched to streamline and make more transparent all critical steps in the procurement process and accommodate all industries in the City’s procurement landscape. While the City’s procurement process is governed by a single set of rules, each agency has a different operational process for contracting. MOCS is focused on standardizing the operational process so every agency contracts the same way, making it more transferable for vendors contracting across multiple agencies.

MOCS launched Phase 1 of PASSPort in 2017, which completely digitized the VENDEX process and gave vendors the ability to create and manage their online accounts. According to MOCS, the VENDEX disclosure process can now be completed within hours compared with the paper version of the process which took roughly a month. Since the launch of Phase 1, over 11,000 vendors have created accounts and completed the VENDEX process online.

Phase 2 of the PASSPort rollout was primarily developed with DCAS. It will enable agencies to order and pay for goods needed for operations, allowing the city to sunset various legacy systems and manual processes. Currently, MOCS and DCAS are conducting system tests, and are set to launch Phase 2 sometime in March. Phase 3 of the PASSPort rollout is currently being designed at MOCS, and will provide vendors and agencies with capabilities including better user experience, faster oversight approval of contracts, quicker solicitation process, contract tracking, parallel review, and the use of prequalified lists and task orders. Phase 3 is expected to launch in the summer of 2020.

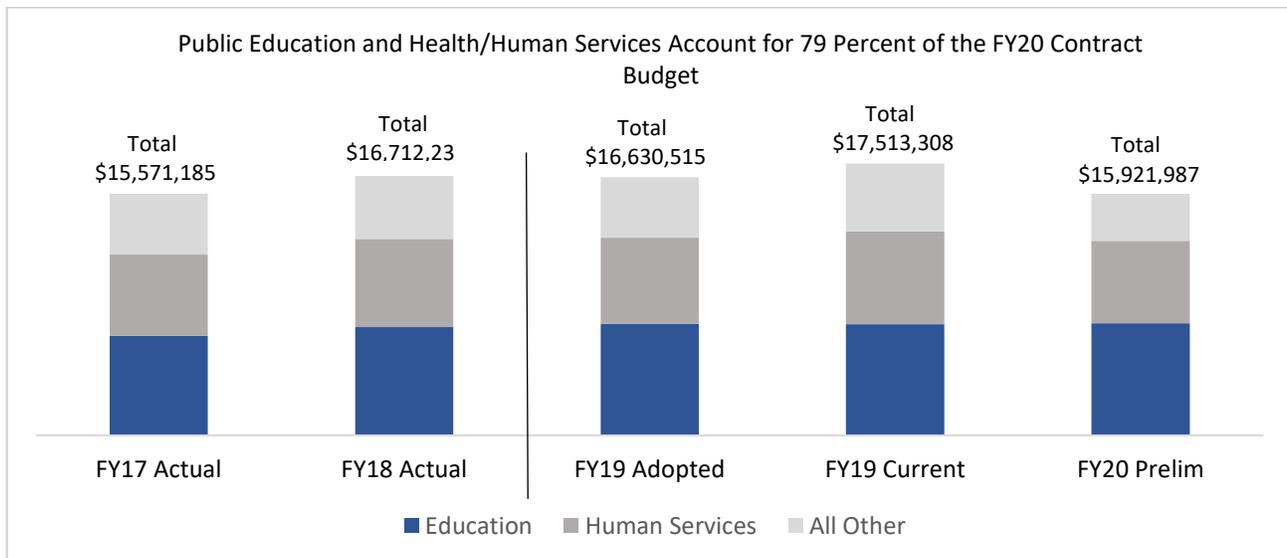
The main contract for the PASSPort project totals \$45 million with Ivalua, of which \$28.2 million has been spent to date. The contract was initially procured by DoITT. When the project began in Fiscal

2016, MOCS did not yet have an operating budget. DoITT has since begun to transfer funding for the contract into MOCS’ budget. Although DoITT is transferring the Ivalua contract to MOCS, it will continue to be involved with building and owning the software infrastructure used to transfer data from the City’s Financial Management System (FMS) to the PASSPort portal. DCAS’ role in the requirements contracts component of the city’s procurement system makes it the primary beneficiary of the Phase 2 release of PASSPort, the design of which DCAS was significantly involved with.

Fiscal 2020 Preliminary Contract Budget

The New York City Charter mandates the preparation of a Contract Budget to identify expenditures for contractual services, which are defined as any technical, consultant or personnel service provided to the City by means of a contract. The Contract Budget is actually a subset of the OTPS portion of the City’s Expense Budget. Figure 5 shows the City’s Contract Budget from Fiscal 2017 through the Fiscal 2020 Preliminary Budget by category.

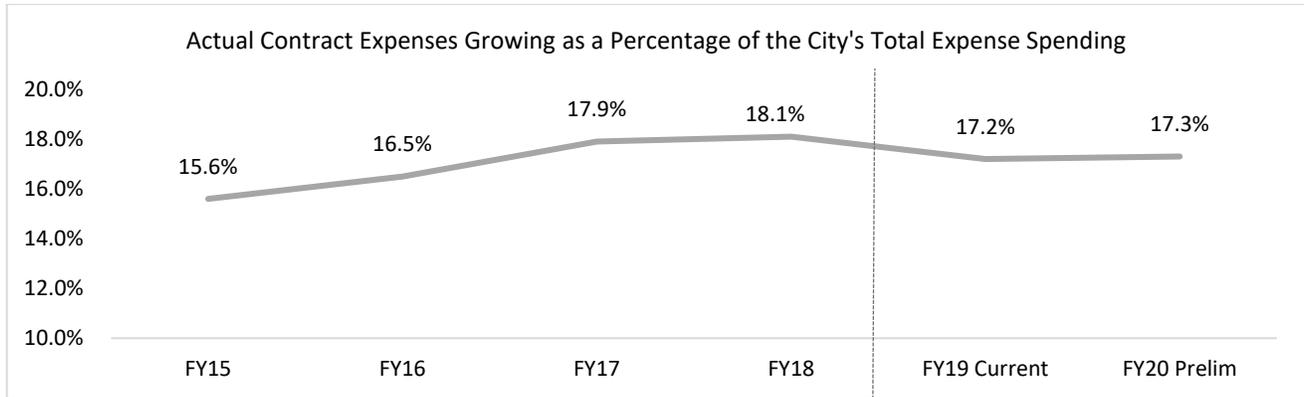
Figure 5



The contract budget represents the outsourcing of the delivery of public services such as education, child care, and employment training, as well as contractual services used to support the operation of the City government, such as information technology services, cleaning, and legal services. The Fiscal 2020 Preliminary Contract Budget totals slightly more than \$15.9 billion, representing 17.3 percent of the City’s total budget, and 43 percent of the City’s total OTPS budget. Since the Fiscal 2019 Budget was adopted, the Contract Budget for Fiscal 2019 has increased by roughly \$883 million to \$17.5 billion. The increase is largely attributed to the recognition of federal and State grants, in addition to various technical adjustments in the contract budget across the agencies.

Over the last four years, the City’s contract spending has increased from roughly 15 percent of total expense spending to more than 18 percent, with the largest jumps occurring between Fiscal 2015 and Fiscal 2017. Some of the more significant increases during this time added additional funding for Hurricane Sandy-related housing recovery (\$229 million), charter schools (\$365 million), homeless services (\$527 million), and the creation of the New York City School Support Services to provide school custodial services (\$604 million). The Preliminary Plan Contract Budget for Fiscal 2019 and 2020 is subject to additional adjustments over the course of the budget cycle.

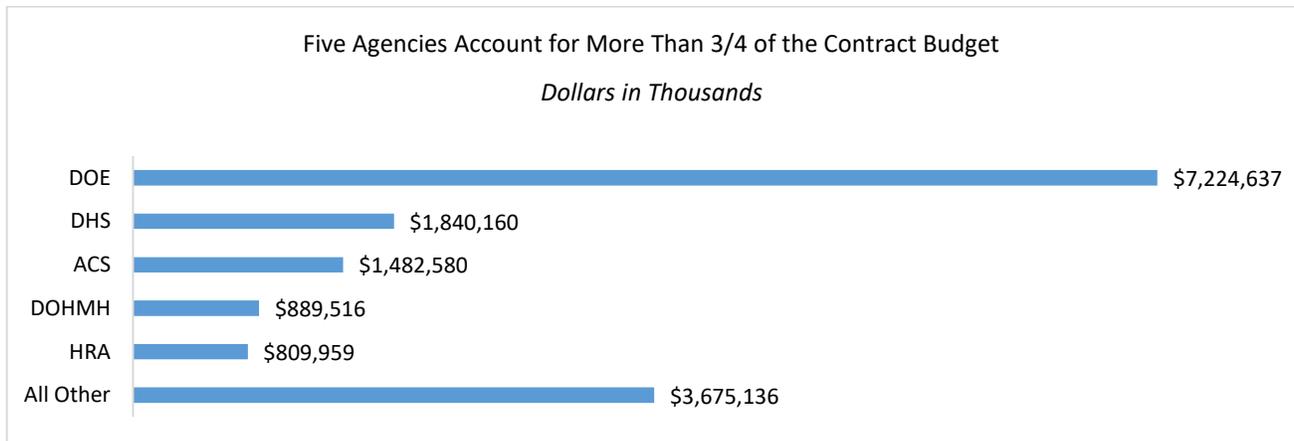
Figure 6



Largest Contracting Agencies

Five agencies account for the majority of the City’s total contract budget for Fiscal 2020, providing either health and human services or public education, demonstrating the City’s reliance on outsourcing to deliver these services to the public. The five agencies that house the largest contract budgets are the Department of Education (DOE), the Department of Homeless Services (DHS), the Administration for Children’s Services (ACS), the Department of Health and Mental Hygiene (DOHMH), and the Human Resources Administration (HRA). Collectively their contract budgets comprise 77 percent of the City’s Contract Budget. See Appendix B for a more detailed breakdown of contract spending by agency.

Figure 7



Figures 8-12 show a ten year trend of actual contract spending at each of these five agencies from Fiscal 2008-2018.

Figure 8 (Dollars in Thousands)

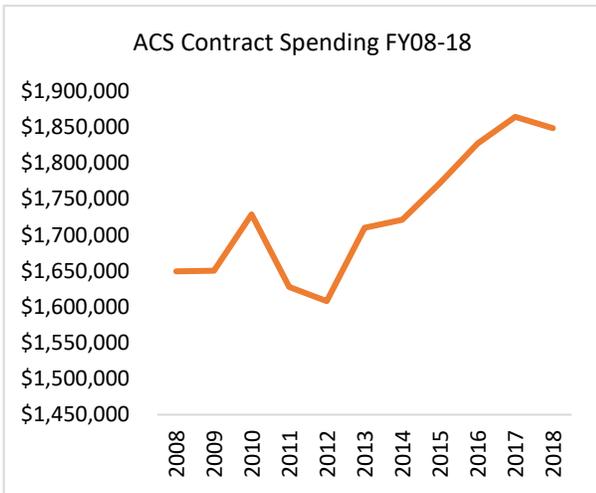


Figure 9 (Dollars in Thousands)

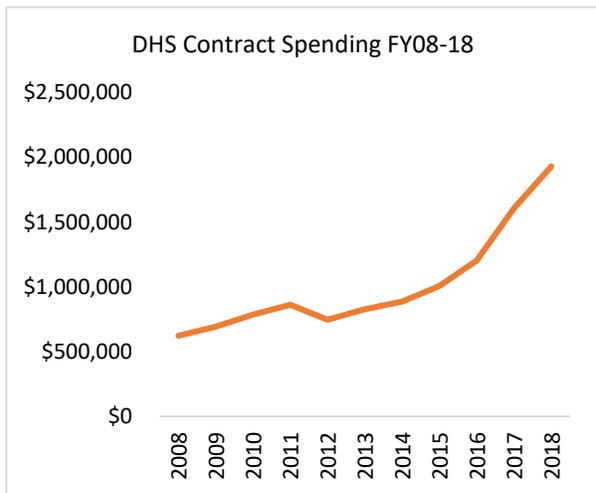


Figure 10 (Dollars in Thousands)

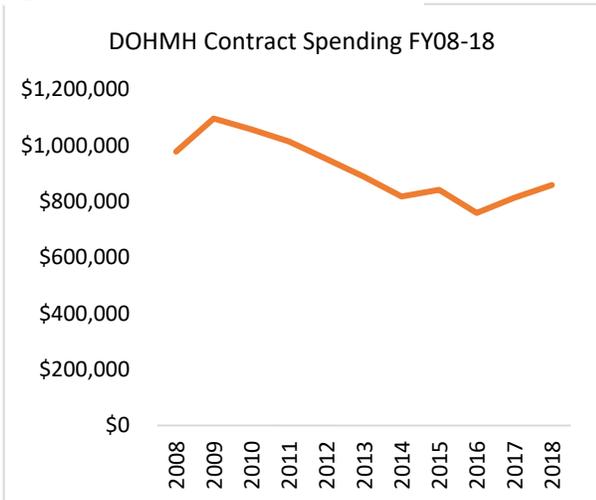


Figure 11 (Dollars in Thousands)

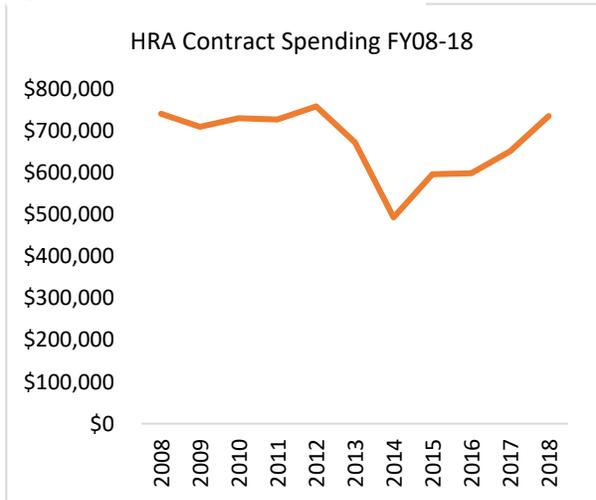
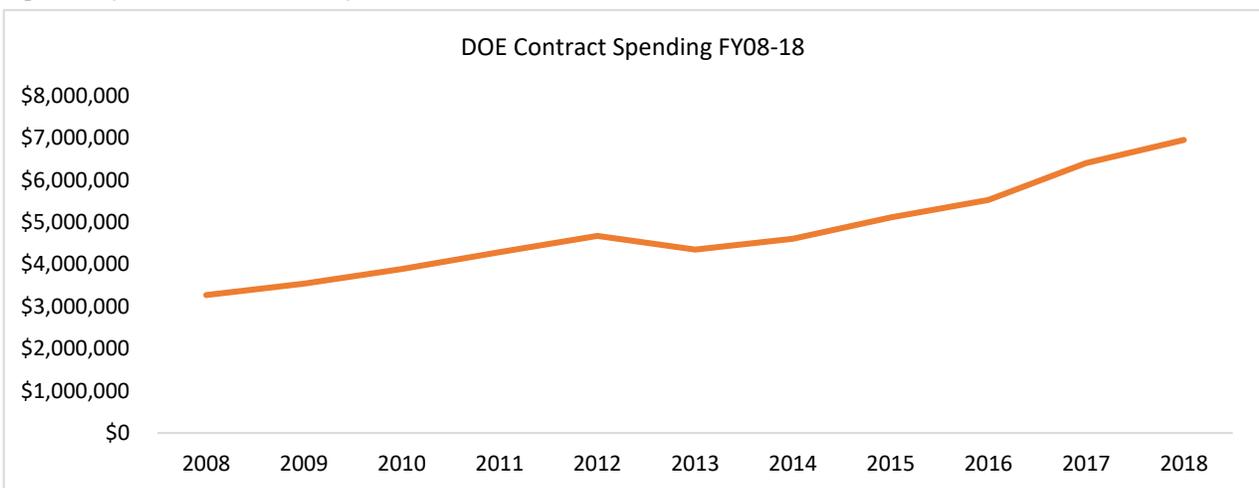


Figure 12 (Dollars in Thousands)



The DOE outpaced the next largest agency by expense contract spending by approximately \$5 billion in Fiscal 2018. Between Fiscal 2008-2018, the yearly contract spending at the DOE increased more than \$3.7 billion annually, demonstrating almost 112 percent growth over this period. The DOE's Fiscal 2020 Preliminary Contract Budget totals \$7.2 billion, 70 percent of which is comprised of Payments to Charter Schools (\$2.2 billion), Payments to Corporate Schools (\$1.6 billion), and Transportation of Pupils (\$1.2 billion).

Between Fiscal 2009-2014, DOHMH demonstrated significant decreases in contract spending. This downward trend was driven primarily by budget cuts imposed over that period. These cuts, known as a PEG (Program to Eliminate the Gap) primarily impacted DOHMH's Mental Health contracts. The Fiscal 2020 Preliminary Contract Budget for DOHMH totals \$889.5 million, of which \$652.8 million is dedicated to mental health services.

Contractual services has been increasing at DHS as shelters become more expensive and the homeless population continues to rise. A change in the rate of growth can be observed between Fiscal 2011-2012, which is associated with the discontinuation of the Advantage Rental Assistance Program. The discontinuation of this rental subsidy program led to a large increase in the number of homeless people in the City. The Fiscal 2020 Preliminary Budget includes \$1.8 billion in DHS' contract budget. Homeless Family Services and Homeless Individual Services are the two largest categories, comprising 96 percent of the entire Contract Budget for DHS.

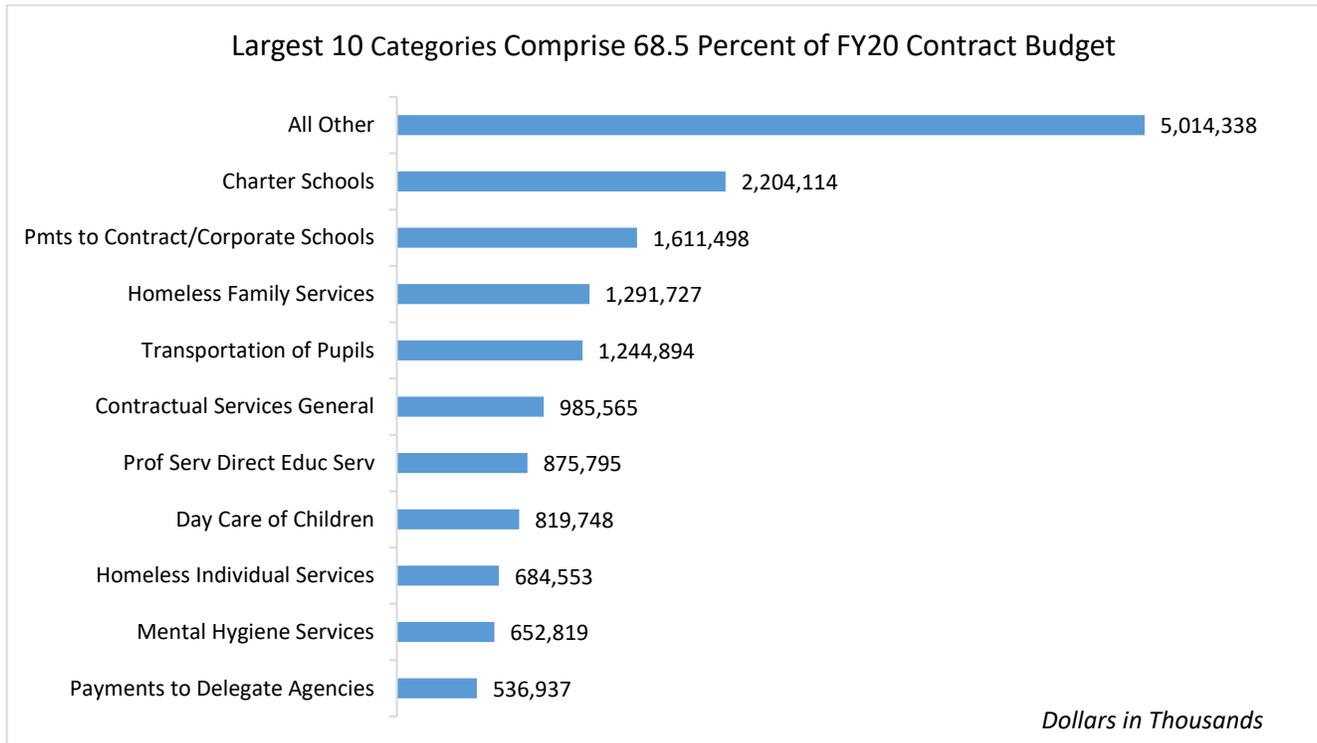
The Medicaid Redesign between Fiscal 2013-2014 shifted a bulk of HRA's programming to the NY State of Health Exchange, demonstrated in the decline in contractual spending in those years. Starting in Fiscal 2015, HRA ramped up legal services, implemented HASA for All, introduced new employment programs, and created more shelters for survivors of domestic violence which led to an increase in contractual spending. The Fiscal 2020 Preliminary Budget shows continued prioritization of Aids Services, Employment Services, and Homeless Family Services, as these three categories comprise over two-thirds of the agency's entire \$810 million contract budget for Fiscal 2020.

The Administration for Children's Services has increased spending on preventative services to reduce the number of children entering the foster care system over the last ten years. Child Welfare Services, comprises almost \$356.5 million in the Fiscal 2020 Preliminary Budget. The other main contract categories funded at ACS for Fiscal 2020 are Children's Charitable Institutions (\$473.9 million) and Day Care of Children (\$508.7 million). Together, these three contract categories sum to approximately 90 percent of the agency's \$1.5 billion contract budget for Fiscal 2020.

The growth in the share of the contract spending partially attributable to the top five agencies reflects a growth in spending paid to human service vendors. Funding for the City's human services providers has increased significantly in order to increase wages, right size contracts, and adequately cover vendors' overhead costs. Beginning in Fiscal 2016, select agency budgets have included combined additional annual funding of \$57.5 million, growing to \$201.8 million for Fiscal 2020, to provide workers for the City's human services vendors with cost of living wage increases. Budgets for these agencies have also included additional funds to cover increases in non-personnel operating costs, totaling \$23.7 million in Fiscal 2018 increasing to \$68.8 million for 2020. Additionally, baseline funding of \$45 million is in the budget to develop and implement model contracts for several human services. Although this money has been allocated to city agencies, the City Council has reservations regarding the timeliness of this funding leaving the agencies and being paid to providers.

Largest Contracting Categories

Figure 13

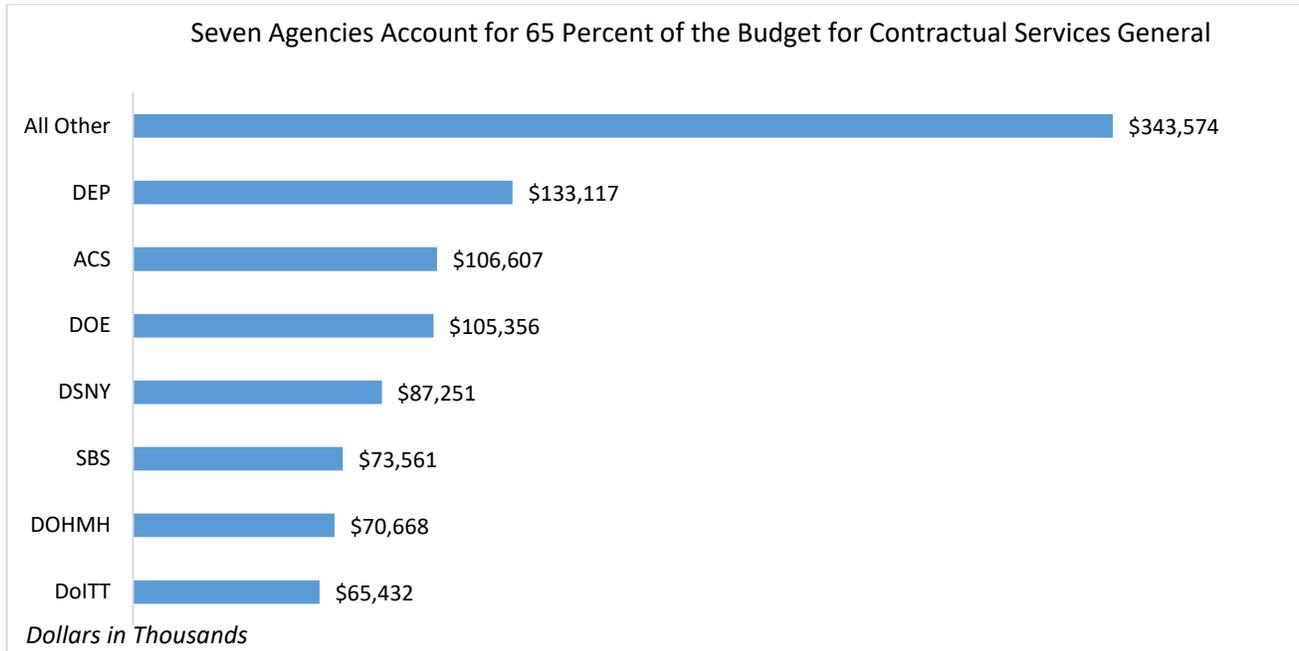


Of the roughly 50 categories in the City’s contract budget, the sum of the largest ten comprise 68.5 percent of the City’s total contract budget. Considering that the largest contracting agencies are human services and education related, it is no surprise that the human services and education-related categories comprise the largest portion of this subset of contracting activity. One of the largest single contract types that has pushed spending upward is charter schools, where funding has grown from \$1.36 billion in Fiscal 2015 to \$2.2 billion in Fiscal 2020.

A particular category of note is Contractual Services General, where the Preliminary Plan outlines anticipated spending close to \$1 billion in Fiscal 2020. Actual annual spending for Contractual General Services has already surpassed \$1.4 billion in the current fiscal year. It is likely that further into the budget cycle for Fiscal 2020, the Contractual Services General budget will more closely reflect, or surpass, the current budget. The growth of spending in this particular object code is troubling and indicates that additional object codes should be introduced or contracts should be re-categorized. As an example, the Department of Small Business Services’ roughly \$42 million grant to supplement the wages of Reliant Transportation, Inc. workers who work on Reliant’s DOE school bus contract is funded through Contractual General Services, even though a specific budget code for Transportation of Pupils exists in the contract budget. Delineating the Contractual Services General category of the contract budget to identify other misplaced contracts and more accurately assign them to the appropriate area of the contract budget, would increase the overall transparency of the contract budget. If a more appropriate area of the contract budget does not exist, creating new categories would supplement this effort to increase transparency in the contracts budget.

Of the \$985.6 million in the Contractual Services General category, about two-thirds, or \$642 million, comes from seven agencies. Figure 14 details the agencies with the largest budgeted funding for Fiscal 2020 in Contractual General Services.

Figure 14



The seven agencies in Figure 14 all demonstrate a similar trend in their budgets for Contractual Services General where the majority of the budget in this area is comprised of just a few major contracts. Often times, more specific categories already exist in the Contract Budget, but agencies continue to identify large contracts for specific uses as Contractual General Services.

The Department of Environmental Protection (DEP) Contractual Services General budget for Fiscal 2020 consists of 85 contracts and totals roughly \$133 million, 64 percent of which is comprised of just three contracts. The largest single contract for DEP in this category totals more than \$57.3 million in Fiscal 2020 for Sludge Disposal, which seems out of place considering the Contract Budget has a category specifically for Municipal Waste Export. ACS’ \$106.6 million in Contractual Services General is comprised of 35 contracts, three of which contribute 85 percent of the total for this portion of its budget, and are related to youth detention centers. DSNY has a Contractual Services General budget of roughly \$87 million which is comprised of 15 contracts. A single contract contributes roughly \$53 million for construction services to close a landfill. Fifty-eight contracts comprise the roughly \$65 million Contractual Services General Budget for DoITT in the Fiscal 2020 Preliminary Budget, the largest three of which total more than \$44 million for the maintenance of multiple city-wide technology systems. For a breakdown of the Contractual Services General budgets for the remaining agencies in Figure 14, see Appendix D.

When looking at the ten largest single contracts within the Contractual Services General portion of the Contract Budget for Fiscal 2019, it is not surprising that each belongs to one of the seven agencies in Figure 14. This demonstrates further the reliance that these seven city agencies have on this particular section of the contract budget when reporting their contracts.

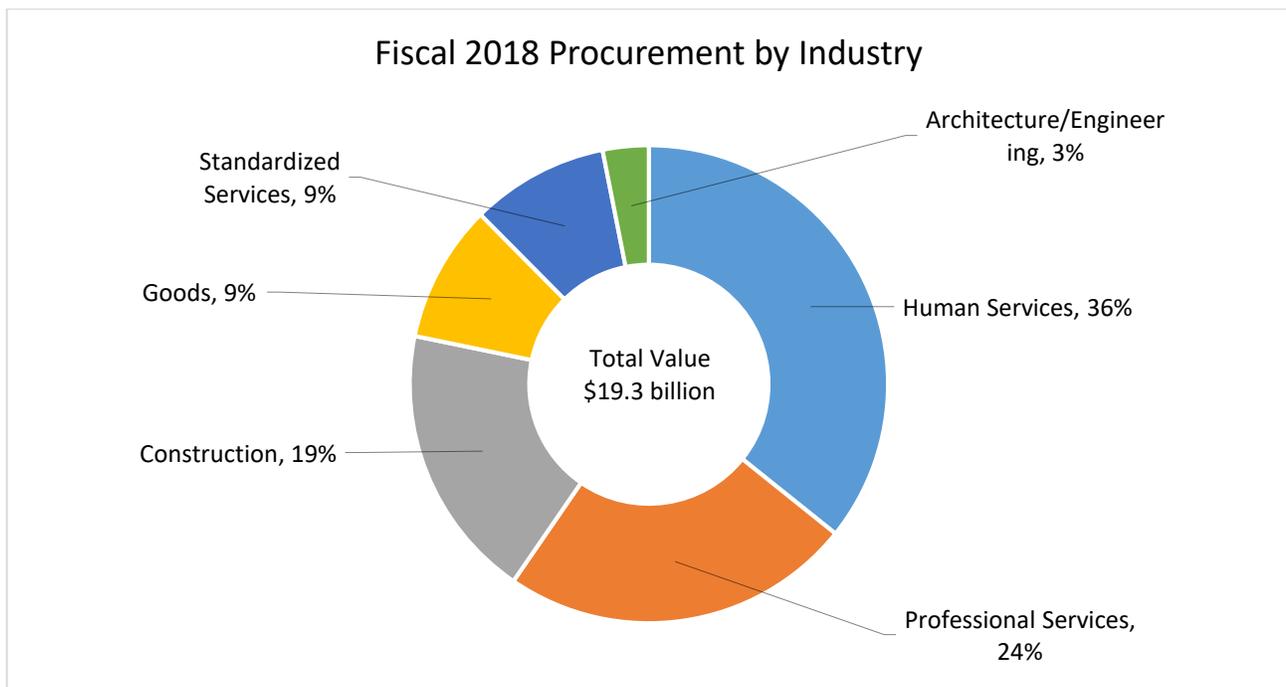
Fiscal 2018 Procurement Indicators Report

The Agency Procurement Indicators Report is published by MOCS on an annual basis. The report serves to demonstrate the impact of procurement on the City, and provides information on the City’s procurement spending through the fiscal year. Since MOCS does not report performance in the Mayor’s Preliminary Management Report, the Agency Procurement Indicators Report serves as a

review of MOCS’ annual performance. In Fiscal 2018, the City entered into \$19.3 billion in goods and services contracts through more than 39,000 transactions. This contrasts to the \$20.9 billion in contracts the City registered in Fiscal 2017. The decrease is mainly attributable to a decline of approximately \$2 billion in contracts registered for Standardized Services. Human Services continue to represent the largest portion of registered contracts in Fiscal 2018, totaling almost \$7 billion or 36 percent.

It is important to note that the value of registered contracts detailed in the Procurement Indicators Report includes large, multi-year contracts. For example, in Fiscal 2017, the Department of Sanitation (DSNY) entered into a 20 year, \$2.75 billion contract with Waste Management Associates of New York, LLC. The entire value of this contract is accounted for in Fiscal 2017. Additionally, although the DOE is included in Procurement Indicators Report, the sum contracts registered is not included in the \$19.3 billion sum of contracts registered in Fiscal 2018, nor are contracts registered through the School Construction Authority. For these reasons, the Procurement Indicators Report will not match total expense contract spending in any given fiscal year.

Figure 15



Each year, MOCS tracks and reports procurement in six major industry categories, including Architecture/Engineering, Goods, Construction Services, Human Services, Professional Services, and Standard services. Year-over-year, city-wide procurement decreased \$1.7 billion between Fiscal 2017-2018, driven mainly by the \$2.2 billion decreases in contacts registered for Standardized Services. This decrease was partially offset by Human Services, Goods, and Professional Services contract registrations. Human Services procurement, which includes spending for community service and community-based organizations, grew by about \$400 million to \$6.9 billion in Fiscal 2018, representing over a third of the City’s procurement in Fiscal 2018. Procurement of Goods increased by roughly \$200 million between Fiscal 2017-2018, and procurement of Professional Services grew by \$400 million.

Across all industries, the fifteen largest contracts made up roughly one quarter of all procurement activity in Fiscal 2018 - approximately \$5.1 billion. Contracts awarded to the New York City Economic

Development Corporation (NYCEDC) perennially make this list. NYCEDC markets, sells, and leases city-owned commercial and industrial properties; plans and prepares sites for development through infrastructure improvement; carries out capital improvements in neighborhood shopping districts and public spaces; and provides technical assistance to guide projects through the necessary public approval process. NYCEDC is also involved in property management and the development of the City's marine terminals, wholesale and retail markets, heliports, rail yards, and industrial parks. Table 2 lists the fifteen largest contracts registered in Fiscal 2018.

Table 2

| Largest Contracts in Fiscal 2018 | | | |
|---|---------------|---|-----------------------|
| # | Agency | Vendor Name | Contract Value |
| 1 | SBS | NYC Economic Development Corporation | \$1,874,851 |
| 2 | SBS | NYC Economic Development Corporation | \$500,759 |
| 3 | DHS | Acacia Network Housing Inc. | \$442,962 |
| 4 | DHS | Children's Community Services, Inc. | \$351,447 |
| 5 | DoITT | Verizon Business Network Services, Inc. | \$279,000 |
| 6 | DOT | American Bridge Company | \$274,145 |
| 7 | DOT | Unionport Constructors JV | \$231,760 |
| 8 | DCAS | Mack Trucks, Inc. | \$195,386 |
| 9 | DOT | Triple Cantilever Design JV | \$184,047 |
| 10 | DEP | Yonkers Contracting Co, Inc. | \$177,211 |
| 11 | DCAS | Mack Trucks, Inc. | \$134,289 |
| 12 | DHS | West Side Federation for Sr. & Supportive Housing, Inc. | \$130,214 |
| 13 | DCAS | Genuine Parts Company | \$129,086 |
| 14 | DHS | Center for Urban Community Services, Inc. | \$118,086 |
| 15 | DEP | Jett Industries, Inc. | \$116,969 |

Dollars in Millions

City Council Discretionary Funding

In Fiscal 2018, the City Council allocated a little more than \$271 million in discretionary awards. Discretionary awards are designated by the City Council to particular community-based organizations and nonprofits. Any nonprofit that applies for funding undergoes a rigorous review by both the City Council and MOCS as part of the pre-qualification threshold. Awards are detailed in Schedule C of the budget, and subsequent transparency resolutions passed by the Council. Of the roughly \$271 million allocated by the City Council in Fiscal 2018, \$267.4 million was cleared by MOCS, and \$210.6 million in awards were registered by city agencies. The Department of Youth and Community Development (DYCD) registered roughly \$50.5 million, representing the largest sum of awards by a single agency.

Minority and Women Owned Business Enterprises (M/WBE)

In 2005 the Council passed Local Law 129, which re-established the City's M/WBE program. Local Law 129 set aspirational goals for City agencies to increase their contracting with MWBEs, set target percentages for certain types of contracts, and established an M/WBE certification program. The certification program provides greater access to information about contracting opportunities through classes, networking events, targeted solicitations, and includes an online directory for certified businesses within the City that promotes M/WBE businesses to purchasers.

In 2013, the City passed Local Law 1, which made a number of significant changes to the city's M/WBE program, and include (i) removing the requirement that M/WBE goals only apply to contracts valued at one million dollars or less; (ii) the creation of "M/WBE stat," an accountability program that

requires agency M/WBE officers to convene quarterly to discuss progress with reaching M/WBE goals; (iii) requiring M/WBE reports from MOCS on a quarterly basis instead of semi-annually (as was required under Local Law 129 of 2005); and (iv) improving and increasing education and outreach regarding the MWBE program and city contracting.

Minority and Women-owned business enterprises were awarded roughly \$835 million in prime contracts in Fiscal 2018 and about \$258 million in subcontracts, representing a 3.1 percent increase from Fiscal 2017. The M/WBE utilization rate, the main performance indicator for the program, increased to 19 percent from 11.4 percent in Fiscal 2017.

In Fiscal 2018, M/WBEs received prime contracts in Construction Services, Goods, Professional Services, and Standardized Services. More than 88 percent of the \$835 million in prime contracts awarded to M/WBEs in Fiscal 2018 were in the professional services (\$488 million) and construction services (\$252 million). Of the 30 professional services contracts valued over \$25 million that were subject to the M/WBE program, 10 were awarded to an M/WBE, the value of which totals \$324 million. By contrast, no professional services contracts over \$25 million were awarded to M/WBEs in 2017, signaling strong momentum for Professional Services M/WBEs. Although one-third of the contracts greater than \$25 million awarded in this category was awarded to an M/WBE, the value of those contracts awarded to M/WBEs accounts for only 24 percent of the \$1.3 billion in eligible professional services contracts for the program. For construction contracts, more than half of M/WBE contract awards fell in the \$1 to \$5 million category, where roughly \$129 million in contracts were awarded to an M/WBE.

Three of the City's agencies distinguished themselves in Fiscal 2018 in regards to awarding prime contracts to M/WBEs. Of the \$835 million in prime contracts awarded to M/WBEs in Fiscal 2018, the Department of Design and Construction (DDC) awarded 56 percent, or \$489 million. The Department of Parks and Recreation (DPR) and the NYPD awarded a combined 19 percent of all M/WBE prime contracts in Fiscal 2017, or \$160 million.

Sub-contracts for M/WBEs in Fiscal 2018 were awarded to Construction Services, Professional Services, and Standardized Services. Similar to the prime contract category, DDC awarded 46 percent, or \$118 million of all sub-contracts to M/WBEs. The Department of Transportation (DOT) and DPR awarded a combined 19 percent of the M/WBE sub-contracts collectively, totaling \$76 million.

Cycle Time

Cycle time – the number of days it takes for agencies to complete the procurement process for a single contract – is the primary performance metric used to evaluate efficiency of agencies in procurement of goods and services. At the citywide level, the median cycle time decreased by nine days to 170 days between Fiscal 2017-2018 for all competitive sealed bids. A handful of agencies contributed significantly to the decrease in the median cycle time in this time. The median cycle time decreased at the Department of Design and Construction by 63 days, by 56 days at DSNY, 45 days at HPD, 36 days at NYPD, and 11 days at DOHMH. Much of this progress was reversed as cycle time at DoITT jumped from 203 median days in 2017 to 309 median days in 2018.

For more detailed information regarding the Agency Procurement Indicators Report, see Appendix E.

Council Mandated Reporting

Local Law 18 Capital Contract Cost Increases

Local Law 18 of 2012 requires the Administration to report cost increases on certain contracts for capital projects greater than \$10 million. MOCS publishes quarterly Local Law 18 Reports showing contracts with modifications that exceed the initial contract award by 20 percent for first modifications (Section B) and by 10 percent for subsequent changes (Section C). The Local Law 18 Report details the initial contract amount upon registration of the contract, and what the new anticipated maximum contract value will be upon completion of the project. Since the Fiscal 2019 Preliminary Budget was released last year, 12 City contracts appeared on Section B of the Local Law 18 Report with increases totaling \$120.8 million, and eight City contracts appeared on Section C with increases totaling \$378 million.

Figure 16

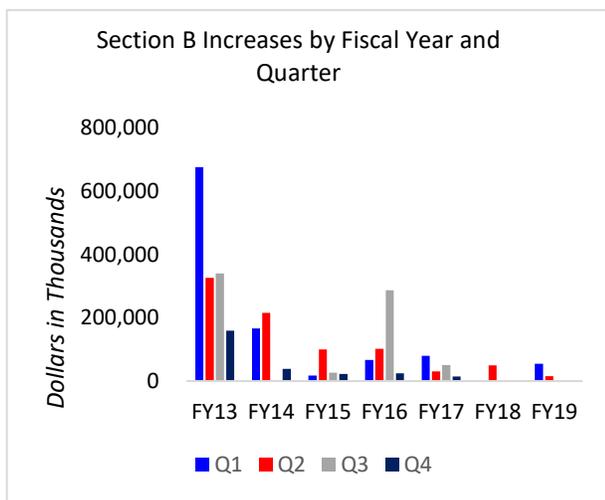
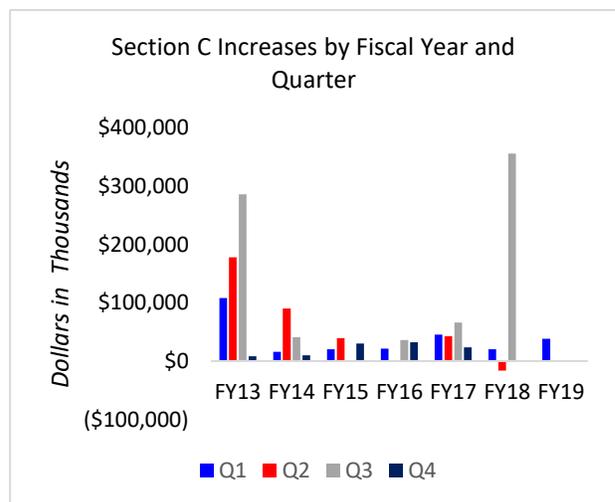


Figure 17



Since Quarter 1 (Q1) of Fiscal 2013, the City has incurred roughly \$2.9 billion in Section B contract increases, roughly two-thirds of which accumulated throughout the first three quarters of Fiscal 2013, which was the first year of the report. Beginning Fiscal 2014, the City begins a sharp decrease in Section B contract increases, with the exception of an unusually high surge in Q3 of Fiscal 2016.

Since Q1 of Fiscal 2013, roughly \$1.5 billion in Section C cost increases have been incurred by City procurements. Similar to the Section B, a significant portion of the Section C increases occurred in first three quarters of Fiscal 2013. After four years of lower levels of Section C increases, the third quarter of Fiscal 2018 saw a significant resurgence. This was caused by a \$332.8 million overrun on DOT’s contract with the Army Corp of Engineers to implement security measures on the four East River Bridges. The funding increase was intended to provide mitigation measures on the Manhattan and Williamsburg bridges, hardening of the towers on the Ed Koch Queensborough Bridge, and access control measures for the Brooklyn Bridge.

Local Law 125 Preferred Source Contract Reporting

The purpose of the preferred source program is rooted in creating a steady flow of demand for goods and services provided by people who would not otherwise be able to find steady employment, including previously or currently incarcerated or disabled people. For the purpose of maintaining self-sufficiency of this population, New York State sets aside specific providers to have preferred source

status in government procurement. Section 162 of the New York State Finance Law includes a preferred source procurement mandate for all State agencies, political subdivisions, and public benefit corporations. The mandate requires, whenever possible, that these entities purchase goods and services from a list of preferred source vendors including entities such as the Department of Correctional Services' Correctional Industries Program, New York State Industries for the Disabled, and Industries for the Blind of New York State. Prior to awarding a goods or services contract, agencies must first determine if the goods and services they are seeking can be provided by a vendor on the preferred source list. If the goods or services from the preferred source vendor does not meet the quality requirement of the agency, or the price of the preferred source goods or services are 15 percent greater than the market price or lowest price bid, the agency may award the contract to a non-preferred source vendor. Local Law 125 of 2013 requires MOCS to report annually on preferred source contract awards made by City agencies. In Fiscal 2018, the City purchased than \$42.4 million of goods and services from New York State preferred source vendors. Eighty-two percent of all preferred source contracts were procured through HRA (\$13.2 million), DOT (\$11.3 million), and DHS (\$10.4 million).

Local Law 50 In-State Food Procurement Reporting

Under former City Council Speaker Christine Quinn, the 2010 FoodWorks plan detailed the City Council's policy objective to increase NYC's procurement of regional food. According to the plan, having the City procure more food from in-state sources could reduce transportation costs, protect the City from short-term price volatility in the international food market, lower harmful environmental impact associated with shipping, and support the New York State agricultural industry. Procuring food regionally, however, raises concerns from critics arguing that regionally procured food costs more than procuring through larger and more centralized supply channels. Local Law 50 considers this concern by establishing guidelines for regional food procurement rather than mandated targets. The bill requires the City Chief Procurement Office to encourage agencies to make their best effort to purchase food from New York State vendors. In Fiscal 2018, the agencies procured \$785,889 from local food vendors, \$718,796 from non-local food vendors during the New York State availability listing period, and \$48,411 from non-local food vendors not during the New York State availability listing period.

Appendices

A: Budget Actions in the November and Preliminary Plans

| <i>Dollars in Thousands</i> | FY19 | | | FY20 | | |
|--|-----------------|----------------|-----------------|-----------------|----------------|-----------------|
| | City | Non-City | Total | City | Non-City | Total |
| MOCS Budget as of the Adopted 2019 Budget | \$12,358 | \$6,525 | \$18,883 | \$10,972 | \$6,525 | \$17,497 |
| New Needs | | | | | | |
| MOCS PS Adjustments | \$350 | \$0 | \$350 | \$890 | \$0 | \$890 |
| Subtotal, New Needs | \$350 | \$0 | \$350 | \$890 | \$0 | \$890 |
| Other Adjustments | | | | | | |
| MOCS - DC37 Collective Bargaining (IC) | \$0 | \$3 | \$3 | \$0 | \$5 | \$5 |
| Local 300 Buyers Collective Bargaining | 1 | 4 | 6 | 3 | 9 | 12 |
| OJs and Managers Collective Bargaining | 304 | 189 | 493 | 521 | 323 | 844 |
| FY19 MOCS-MODA I/C | 240 | 0 | 240 | 0 | 0 | 0 |
| MOCS Contract Transfer | 10,480 | 0 | 10,480 | 9,755 | 0 | 9,755 |
| Subtotal, Other Adjustments | \$11,026 | \$196 | \$11,222 | \$10,280 | \$337 | \$10,616 |
| TOTAL, All Changes | \$11,376 | \$196 | \$11,572 | \$11,169 | \$337 | \$11,506 |
| MOCS Budget as of the Preliminary 2020 Budget | \$23,735 | \$6,720 | \$30,455 | \$22,141 | \$6,861 | \$29,003 |

B: Citywide Contract Budget by Agency

| <i>Dollars in Thousands</i> | | | | | |
|-----------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Agency | FY17 Actual | FY18 Actual | FY19 Adopted | FY19 Current | FY20 Preliminary |
| DOE | \$6,401,114 | \$6,945,969 | \$7,169,594 | \$7,131,567 | \$7,224,637 |
| ACS | 1,864,292 | 1,848,472 | 1,791,446 | 2,055,546 | 1,482,580 |
| DHS | 1,605,546 | 1,929,295 | 1,807,577 | 1,869,730 | 1,840,160 |
| DOHMH | 813,002 | 858,366 | 892,736 | 900,254 | 889,516 |
| HRA | 651,452 | 735,975 | 798,725 | 846,609 | 809,959 |
| DYCD | 574,928 | 633,571 | 722,278 | 666,546 | 579,723 |
| DSNY | 435,996 | 484,235 | 530,677 | 523,686 | 526,951 |
| HPD | 361,334 | 203,809 | 119,631 | 168,621 | 82,783 |
| DDC | 356,319 | 404,440 | 12,489 | 127,301 | 8,681 |
| MISC | 355,372 | 397,222 | 469,697 | 516,476 | 466,044 |
| DFTA | 294,551 | 323,693 | 281,404 | 326,656 | 284,118 |
| DoITT | 281,155 | 298,093 | 269,124 | 353,079 | 249,643 |
| DEP | 275,480 | 271,309 | 267,410 | 313,350 | 229,754 |
| DOT | 231,749 | 240,604 | 278,658 | 293,001 | 268,052 |
| EDC | 216,737 | 219,641 | 241,868 | 266,273 | 136,022 |
| NYPD | 121,621 | 138,044 | 159,887 | 198,008 | 136,839 |
| FDNY | 98,469 | 100,689 | \$90,735 | 102,871 | 86,683 |
| Debt Service | 68,553 | 66,006 | 116,429 | 95,554 | 116,979 |
| DOF | 66,151 | 71,965 | 68,066 | 81,766 | 67,169 |
| DOC | 64,633 | 71,342 | 57,010 | 72,490 | 50,905 |
| PARKS | 64,127 | 68,924 | 71,489 | 88,544 | 66,762 |
| LAW | 62,177 | 60,510 | 30,227 | 54,616 | 29,866 |
| DCAS | 60,432 | 65,142 | 90,529 | 95,841 | 63,776 |
| DCLA | 58,673 | 65,412 | 73,117 | 73,298 | 30,362 |
| CUNY | 27,916 | 26,383 | 10,381 | 31,773 | 10,388 |
| All Other | 159,405 | 183,120 | \$209,331 | 259,851 | 183,633 |
| TOTAL | \$15,571,185 | \$16,712,232 | \$16,630,515 | \$17,513,308 | \$15,921,987 |

C: City-Wide Contract Budget by Contract Category

| <i>Dollars in Thousands</i> | | | |
|-----------------------------------|---------------------|---------------------|---------------------|
| Category | FY19 Adopted | FY19 Current | FY20 Prelim |
| Charter Schools | \$2,091,412 | \$2,091,412 | \$2,204,114 |
| Pmts Contract/Corporate Schools | 1,499,161 | 1,467,321 | 1,611,498 |
| Homeless Family Services | 1,284,287 | 1,263,950 | 1,291,727 |
| Transportation of Pupils | 1,225,310 | 1,244,536 | 1,244,894 |
| Contractual Services General | 1,109,274 | 1,352,217 | 985,565 |
| Prof Serv Direct Educ Serv | 832,552 | 855,787 | 875,795 |
| Day Care of Children | 849,629 | 863,271 | 819,748 |
| Homeless Individual Services | 669,448 | 706,288 | 684,553 |
| Mental Hygiene Services | 625,537 | 594,449 | 652,819 |
| Payments to Delegate Agencies | 651,140 | 651,992 | 536,937 |
| Maint & Oper of Infrastructure | 985,887 | 1,131,639 | 481,358 |
| Childrens Charitable Institutions | 471,068 | 467,002 | 473,856 |
| Education & Rec for Youth Prgm | 530,011 | 537,144 | 470,826 |
| Waste Disposal | 410,779 | 409,464 | 412,444 |
| Child Welfare Services | 360,796 | 360,367 | 356,515 |
| Prof Serv Other | 352,211 | 476,677 | 321,612 |
| Data Processing Equipment | 305,007 | 354,418 | 310,410 |
| AIDS Services | 248,450 | 255,188 | 263,640 |
| Maint & Repair General | 189,020 | 219,829 | 179,174 |
| Prof Serv Legal Services | 166,099 | 179,574 | 157,055 |
| Employment Services | 150,085 | 147,164 | 149,227 |
| Prof Serv Computer Services | 159,219 | 242,727 | 134,285 |
| Prof Serv Curric & Prof Devel | 155,396 | 156,936 | 133,760 |
| Security Services | 141,173 | 169,526 | 127,674 |
| Head Start | 149,433 | 185,386 | 127,645 |
| Costs Assoc with Financing | 112,889 | 98,147 | 118,156 |
| Legal Aid Society | 108,370 | 113,730 | 110,303 |
| All Other | 796,874 | 917,164 | 686,398 |
| TOTAL | \$16,630,515 | \$17,513,308 | \$15,921,987 |

D: Contractual General Services Budget

| <i>Dollars in Thousands</i> | | | |
|-----------------------------|---------------------|---------------------|--------------------|
| Agency | FY19 Adopted | FY19 Current | FY20 Prelim |
| DEP | \$176,402 | \$219,410 | \$133,117 |
| ACS | 102,050 | 135,123 | 106,607 |
| DOE | 39,150 | 25,420 | 105,356 |
| DSNY | 87,200 | 80,433 | 87,251 |
| SBS | 156,126 | 138,380 | 73,561 |
| DOHMH | 93,520 | 111,353 | 70,668 |
| DoITT | 77,173 | 80,649 | 65,432 |
| PARKS | 56,058 | 69,322 | 54,325 |
| HPD | 59,395 | 97,302 | 37,841 |
| FDNY | 34,337 | 34,420 | 33,256 |
| NYPD | 33,793 | 38,585 | 29,539 |
| DOT | 33,197 | 25,011 | 29,371 |
| DOC | 27,033 | 41,508 | 26,546 |
| HRA | 20,856 | 21,775 | 21,033 |
| DOP | 22,623 | 24,445 | 20,881 |
| DOF | 20,930 | 22,624 | 20,826 |
| DHS | 13,986 | 14,476 | 20,687 |
| DCAS | 20,007 | 8,509 | 16,579 |
| BOE | 5,094 | 3,455 | 7,288 |
| Mayoralty | 884 | 11,630 | 6,672 |
| DOB | 13,332 | 10,540 | 6,231 |
| MISC | 3,646 | 3,712 | 3,496 |
| OATH | 2,602 | 2,498 | 2,156 |
| CUNY | 1,447 | 9,038 | 1,448 |
| TLC | 1,306 | 2,534 | 1,097 |
| DDC | 912 | 98,822 | 912 |
| OPA | 806 | 715 | 806 |
| All other | 5,410 | 20,528 | 2,583 |
| TOTAL | \$1,109,274 | \$1,352,217 | \$985,565 |

E: Procurement Indicators Report

City-Wide Procurement by Industry

| Fiscal 2017-2018 City-Wide Procurement by Industry | | | | |
|---|--------------------|-----------------------|--------------------|-----------------------|
| <i>Dollars in Thousands</i> | | | | |
| Industry | Fiscal 2017 | | Fiscal 2018 | |
| | Count | Contract Value | Count | Contract Value |
| Architecture/Engineering | 640 | \$1,057,799 | 454 | \$640,586 |
| Construction Services | 10,203 | 3,568,416 | 10,755 | 3,586,662 |
| Goods | 11,762 | 1,612,042 | 13,275 | 1,833,959 |
| Human Services | 7,521 | 6,451,243 | 7,435 | 6,846,722 |
| Professional Services | 2,866 | 4,290,606 | 2,454 | 4,615,136 |
| Standardized Services | 6,477 | 3,997,617 | 4,922 | 1,741,506 |
| TOTAL | 39,469 | \$20,977,723 | 39,295 | \$19,264,571 |

M/WBE Fiscal 2018 Prime Contracts Awarded by Industry

| M/WBE Prime Contracts Awarded in Fiscal 2018 | | |
|---|--------------------|------------------|
| <i>Dollars in Thousands</i> | | |
| Industry | # Contracts | Value |
| Construction Services | 4,870 | \$251,848 |
| Goods | 5,100 | 51,312 |
| Professional Services | 293 | 488,012 |
| Standardized Services | 1,052 | 44,190 |
| TOTAL | 11,315 | \$835,362 |

M/WBE Fiscal 2018 Sub-Contracts Awarded by Industry

| M/WBE Sub-Contracts Awarded in Fiscal 2018 | | |
|---|--------------------|------------------|
| <i>Dollars in Thousands</i> | | |
| Agency | # Contracts | Value |
| Construction Services | 560 | \$152,224 |
| Professional Services | 387 | 71,428 |
| Standardized Services | 93 | 34,389 |
| TOTAL | 1,040 | \$258,041 |