

## EXECUTIVE SUMMARY

### **I. Agency Procurements: Taking Inventory**

In Fiscal 2010, New York City procured almost \$17 billion worth of supplies, services and construction, through almost 56,000 transactions. With significant new investments in public safety, infrastructure and waste management, under the leadership of Mayor Michael R. Bloomberg, overall procurement increased 27% from Fiscal 2009. New York City is one of the largest contracting jurisdictions in the nation. Highlights from the City's Fiscal 2010<sup>1</sup> procurement inventory include:

- Ten City agencies account for 87% of the City's purchasing dollars, and the largest 25 contracts of the year for 41% of the total dollars. The Administration for Children's Services (ACS) tops the list of agency spending, and holds the City's single largest contract.
- Over one billion dollars worth of Fiscal 2010 contracts received full or partial federal stimulus funding under the 2009 American Reinvestment and Recovery Act (ARRA).
- The City's Economic Development Corporation (EDC), processed new awards and contract amendments totaling nearly \$600 million, primarily for construction and development projects.
- Over half of City purchasing resulted from competitive procurements, while 7% used selection methods controlled by governmental agencies, 10% relied upon methods with limited competition and 31% reflected renewals and continuations of contracts from prior years.
- The size of City contracts was comparable to prior years. About 83% of all purchasing dollars flowed in contracts that exceeded \$3 million, with only 2% in contracts of \$100,000 or less.
- Small purchases (\$100,000 or less), totaled more than \$110 million, with the Police Department (NYPD) leading in this category. Micropurchases (\$5,000 or less) accounted for \$51.5 million, with the Department of Housing Preservation and Development (HPD) leading City agencies in such awards. For micropurchases, 17% of City spending was accomplished through the use of innovative "procurement card" technology, a 58% increase from Fiscal 2009.
- Using more than 1,000 requirement contracts, offered mainly by the Department of Citywide Administrative Services (DCAS), agencies placed over \$800 million worth of orders for supplies and services. At the top of the list for total dollars were requirement contracts for security guard services and for fuel, while the most frequently-used requirement contract was for office supplies.
- Agencies processed task orders worth \$269 million under master agreements held by the Department of Information Technology and Telecommunications (DoITT) for technology services and by the Department of Design and Construction (DDC) for architecture and engineering services.
- The City awarded 242 new concessions and collected over \$43 million from 600 operating concessions. The Department of Parks and Recreation (DPR) led in amount raised, with restaurants and golf courses as its top revenue-producing uses. The City collected \$183 million from 75 franchises with DoITT and the Department of Transportation (DOT), primarily from their cable television and street furniture franchises. DOT and the Department of Consumer Affairs (DCA) registered agreements valued at \$29 million for sidewalk cafés and similar uses.

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<sup>1</sup> Fiscal 2010 runs from July 1, 2009 through June 30, 2010. Except where specifically noted, this report presents information on procurements by only the Mayoral operating agencies that are governed by Chapter 13 of the New York City Charter and the rules and regulations of the Procurement Policy Board (PPB). Agencies covered by this report are listed in Appendix A, and legislative and regulatory changes that occurred during Fiscal 2010 are described in Appendix B.

## **II. Vendor Responsibility: Choosing Responsible Business Partners**

For every one of the almost 56,000 procurement actions included in this report, the awarding agency must first determine that the prospective vendor is “responsible.” In this chapter, we describe how the City works to ensure vendor responsibility and business integrity, including our vendor evaluation system, efforts to enforce workers’ rights, targeted initiatives to support responsible nonprofit service providers, and reforms that guard against undue influence in the procurement process. Examples include:

- Agencies issued 40 non-responsibility determinations on vendors, primarily on business integrity grounds, and completed detailed performance evaluations for over 92% of their contracts, rating 96% of their vendors as satisfactory (“fair”) or better.
- The City awarded 1,319 contracts, worth \$6 billion, subject to New York State’s prevailing wage laws and 387 contracts, worth \$700 million, subject to the City’s Living Wage Law. EDC also processed 72 contract actions, valued at \$435 million, for work subject to prevailing wage requirements. Under Mayor Bloomberg’s Executive Order 102, the Mayor’s Office of Contract Services (MOCS) conducted 61 detailed reviews of proposed contracts for which prevailing wage compliance questions were raised, approved 56 awards and disallowed the rest.
- Through its Capacity Building and Oversight (CBO) unit, MOCS commenced detailed reviews of the internal controls and governance systems of 215 of the 536 human services providers with City contracts exceeding one million dollars annually. CBO also provided comprehensive compliance training to 1,156 nonprofit leaders, representing 756 organizations, including 622 organizations covered by a new training mandate for recipients of City Council discretionary awards
- At the request of the City Council, MOCS researched and cleared over 1,100 prequalification applications to ensure that nonprofits receiving elected official discretionary awards, i.e., “line items,” are fully qualified to provide services to their communities. These awards accounted for less than 2% of the City’s total Fiscal 2010 purchasing dollars.
- Through the unique Doing Business Database created to enforce the City’s “Pay-to-Play” statute, MOCS made available to the public data from City agencies, city-affiliated public authorities and similar entities, concerning the businesses and nonprofits that were awarded (or sought) procurement contracts, franchises and concessions, grants, economic development agreements, pension investment contracts, debt contracts, real property transactions and land use actions, as well as the key individuals responsible for such matters at each entity, and their lobbyists.

## **III. Contract Process: Promoting Competition and Efficiency**

In this chapter, we describe how vendors learn of business opportunities. We also look at the level of competition for City purchases, as well as the efficiency of the City’s contract process. While some indicators of competition and efficiency remain strong, others warrant additional efforts to improve:

- Almost 58,000 vendors are enrolled on City bidders’ lists. The top lines of business include professional services, maintenance and other standardized services, and construction.
- Competitiveness increased, with 89% of contracts showing high levels of competition (three or more competitors), up from 80% last year. Highly competitive procurements reached the 88% and 95% level, for construction and human services, respectively, while dropping somewhat in standardized and professional services. Competition for small purchases remained strong, with 86% of the transactions reflecting ten or more competitors.
- The time between advertisement and contract registration for competitive bids remained relatively constant from Fiscal 2009, at 137 days. Shorter bid cycle time remains a goal for Fiscal 2011.

- Processing times for human services program contracts remain unduly long, sometimes resulting in cash flow challenges for the City’s nonprofit service partners. City agencies averaged 27 days late in registering these contracts, with a 17% of contracts delayed more than 30 days.
- As part of the Mayor’s Nonprofit Assistance Initiative, MOCS and City human services agencies stepped up efforts to ameliorate problems caused by late contracting and similar challenges. The City increased the size of its cash flow loan program – administered by the Fund for the City of New York – by 150%, to \$20 million. The total number of loans rose by 46% and the total value of loans issued over the course of Fiscal 2010 increased 38%, to \$29.4 million.
- Efficiency in the change order process is another key performance indicator. The cost of design change orders averaged 20% of the original contract value, a significant jump from last year, and processing time for such change orders increased by 22%, to a citywide average of 156 days, as budget challenges led agencies to modify projects, seeking to lower overall their overall construction costs.
- With construction change orders, cost relative to the original contract showed improvement from last year, with change orders coming in at 3% of the original value, down from last year’s 4% figure. Processing time held roughly steady in Fiscal 2010 at 150 days. But because of the impact of change order delays on project costs, shortening these time frames remains a high priority.

#### IV. Contract Policy: Leveraging Our Buying Power

In this final chapter, we track progress under the laws, Executive Orders and policy initiatives governing worker protections, environmentally-preferable purchasing, access for minority- and women-owned business enterprises (M/WBEs) and health insurance coverage equity and availability:

- **Worker Protections:**
  - Agencies launched a series of historic Project Labor Agreements (PLAs) with the Building and Construction Trades Council of Greater New York. The Department of Environmental Protection (DEP) and DDC registered eight contracts, worth \$1.4 billion, during Fiscal 2010.
  - For 119 contracts, worth over \$3.2 billion, agencies mandated participation in apprenticeship programs to afford opportunities for New Yorkers to obtain good-paying construction jobs.
- **Environmentally Preferable Procurement (EPP):** The City purchased over \$144 million worth of goods covered by EPP standards. Over \$450 million worth of the City’s construction work included EPP products, and nearly two billion dollars worth supported “Green Buildings” projects.
- **Local Law 129 of 2005 (LL 129) and M/WBE Contracting and Subcontracting:**
  - During the four-year history of the City’s M/WBE goals program, agencies have awarded nearly two billion dollars worth of work to certified M/WBE firms.
  - In Fiscal 2010, more than three billion dollars worth of the City’s prime contracts were covered by M/WBE participation goals, including more than \$382 million covered by prime contract goals and \$2.9 billion covered by subcontracting goals.
  - M/WBEs obtained over \$714 million worth of City procurements (prime contracts and subcontracts) during Fiscal 2010. M/WBEs won 19% of the City’s small purchases, up from 10% in Fiscal 2009.



- M/WBE certifications rose by 27%, to nearly 2,800 certified firms at the end of Fiscal 2010.
  - Agencies awarded 319 Fiscal 2010 prime contracts that are subject to M/WBE subcontracting goals. Over the life of these contracts, \$252 million in construction and professional services work will be generated for M/WBEs. Thus far, as these contracts have gotten underway, M/WBEs have won 42% of the subcontracts approved, more than \$60 million in total.
  - State and federal goals programs that apply to about \$2.6 billion worth of Fiscal 2010 contracts will also yield \$468 million worth of subcontracts for M/WBEs and disadvantaged businesses. EDC's subcontractor goals will yield nearly \$22 million in similar awards.
  - All told, counting all subcontracts on all prime contracts, including those not covered by any goals program, M/WBEs won nearly \$382 million of subcontract work during Fiscal 2010, which amounts to 30% of the City's total subcontract dollars.
- ***Insurance Equity and Availability***
    - Based on surveys conducted under Executive Order 72, 85% of the City's vendors provide or offer health insurance coverage to their full-time employees, and of those, 47% offer such coverage equally to spouses and domestic partners.
    - Through its Central Insurance Program (CIP), the City provided general liability, workers' compensation, disability and property insurance to over 800 nonprofits that operate day care, Head Start, senior services, home health care, after-school and other programs out of more than 1,000 sites, at a Fiscal 2010 cost of \$135 million. CIP also provided health insurance coverage to day care, Head Start and senior services providers, at a cost of \$118 million.

In the pages that follow, and in the appendices at the back of the report, we expand on each of the topics outlined above. More information on the City's procurement process is available by calling 3-1-1, or at the following web sites:

- For more information on MOCS and the topics covered in this report, [nyc.gov/mocs](http://nyc.gov/mocs)
- For a copy of the City's PPB Rules, [nyc.gov/ppb](http://nyc.gov/ppb)
- For information for vendors and potential vendors, [nyc.gov/selltonyc](http://nyc.gov/selltonyc)
- For information on assistance available to nonprofits, [nyc.gov/nonprofits](http://nyc.gov/nonprofits)
- For more on the City's M/WBE and small business assistance initiatives, [nyc.gov/sbs](http://nyc.gov/sbs)

