

EXECUTIVE SUMMARY

In Fiscal 2012, New York City procured more than \$10.5 billion worth of supplies, services and construction, through more than 46,000 transactions. Procurement is one of the City's essential tools to serve the public and to accomplish critical governmental functions. Agencies procure everything from trucks to sweep the streets, to architectural designs for new firehouses, to biodiesel fuel for City vehicles, to human services provided by nonprofit partners working in communities throughout the City. The breadth and variety of City contracts reflect the breadth and variety of City services themselves.

New York City remains one of the largest contracting jurisdictions in the nation. In Fiscal 2012 the City made significant investments in economic development, water infrastructure, and waste management. The City also continued its commitment to providing service to New Yorkers in need through client service programs, and providing City workers with the goods and services necessary to do their jobs. Under the leadership of Mayor Michael R. Bloomberg, the City has continued to improve the procurement process.

This report tells the story of what New York City agencies bought during Fiscal 2012 and how those purchases were made.¹ Indeed, how we buy is just as important as what we buy. The procurement system is designed to achieve three main goals:

- Provide necessary goods and services on time and at the best value for the taxpayer.
- Operate fairly and transparently.
- Ensure the responsibility of our vendors, including their business integrity.

To measure our success achieving these goals, the Mayor's Office of Contract Services (MOCS) tracks key indicators of the performance of the City's procurement system.

In addition to the basic goals of fair and efficient contracting, the City's need for goods and services is an economic opportunity for the thousands of businesses in New York and around the world to compete for the City's business. Moreover, because robust competition for that business lowers prices and increases quality, it is in the City's interest to ensure that as many companies as possible are viable competitors. We also recognize that the procurement of goods and services has environmental impacts - making and delivering goods, exporting trash, fueling the City's fleet, and heating City-owned buildings. So in addition to tracking prices and quality, MOCS also evaluates whether the City's procurement

¹ Fiscal 2012 runs from July 1, 2011 through June 30, 2012. 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 following the Glossary.

methods expand opportunity to potential competitors, and whether they are environmentally sustainable, or “green.”

Throughout this report, the symbols below identify particular procurements or initiatives that illustrate the commitment to these goals. We hope that these visuals provide an easy reference to a thorough reader or a quick browser seeking the areas where New York City procurement operated at its best.

Expanding Opportunity helps make New York City one of the most attractive among the world to new businesses and residents. When the City can be a better partner to the thousands of firms and nonprofit organizations with which we do business, we create jobs for New Yorkers and expand the economy. When more businesses want to become vendors to the City, all New Yorkers receive the benefits of increased service at a lower cost. Initiatives that helped expand opportunities in Fiscal 2012 include nonprofit capacity building and the M/WBE program.



Going Green. The importance of the environment cannot be overstated. Clean air, water, and soil are critical to both the physical and economic health of the City. Because the decisions we make now will affect the future of the City for generations to come, it is necessary to make sure that all procurement decisions are made with the environment in mind. Particular initiatives that furthered this goal in Fiscal 2012 include purchasing food from local sources and encouraging construction vendors to use environmentally preferable materials.



I. TAKING INVENTORY: WHAT WE BUY

Overall, procurements declined in Fiscal 2012 by about 30%, as fewer large human service programs were awarded this year than in Fiscal 2011. Highlights from the Fiscal 2012 procurement cycle include:

- Ten agencies account for approximately 80% of the City’s total procurement dollar value; and the largest 25 contracts of the year account for 29% of the total dollars awarded. The Department of Homeless Services (DHS) tops the list of awarding agencies, owing to the award of contracts for the long term operation of transitional residences, five of which are among the Top 25 procurements in Fiscal 2012.
- City agencies processed approximately \$10.3 billion in payments on their procurement contracts during Fiscal 2012 – including those initially registered this year and those registered in prior years that are still active this year. While registered award values include multi-year (projected) spending, payments reflect actual dollars spent during the fiscal year.
- Human service procurements made up the largest portion the City’s procurement volume, at 28% of registered awards, and 29% of payments. City procurement also included goods and commodities (7% of registered awards, 3% of payments), construction (19% of awards, 32% of payments), architecture and engineering services (6% of awards, 5% of payments), other

professional services (19% of awards, 8% of payments) and standardized services (21% of awards, 23% of payments).

- The size of City contracts was comparable to prior years. About 77% of all purchasing dollars flowed in contracts that exceeded \$3 million. These larger contracts represented just over 1.2% of the total number of procurements made. By contrast, purchases for \$100,000 or less accounted for only 4% of the total dollar value purchased, but over 88% of the number of procurements processed.
- Approximately half of City purchasing resulted from competitive procurements, while 8% used selection methods controlled by governmental agencies, 18% relied upon methods with limited competition and 28% reflected renewals and continuations of existing contracts, or modifications to enhance those contracts.
- Competitiveness increased, with 95% of contracts showing high levels of competition (three or more competitors), compared to 88% last year.
- The City awarded 82 new concessions and collected nearly \$49 million from 584 operating concessions. The Department of Parks and Recreation (DPR) led in amount raised, with food operations and golf courses as its top revenue-producing concession types. The City approved 26 franchise transactions and collected \$214.7 million from 60 existing franchises, primarily from franchises held by the Department of Information Technology and Telecommunications (DoITT) for cable television and by the Department of Transportation (DOT) for street furniture. DOT and the Department of Consumer Affairs (DCA) registered agreements valued at \$23 million for sidewalk cafés and similar uses.

II. HUMAN SERVICES

Human services contracts— i.e., contracts that agencies enter into with vendors (typically nonprofits) to provide services directly to clients and communities throughout the City – amounted to 28% of the total contract-dollars awarded in Fiscal 2012. Agencies hold new competitions for these client services contracts in cycles that generally run from three to six years.

- In 2011, the City announced it would offer nonprofits providing services in New York City free memberships to Essensa, a New York-based group purchasing organization. Essensa helps nonprofits stretch their budgets; at the close of Fiscal 2012, more than 200 nonprofit members with over 780 sites were taking advantage of the discounts.
- Executive Order 159 of 2011 amended Executive Order 50 of 1980, exempting nonprofits from the requirement to submit duplicative paperwork to the Division of Labor Services. Since the change was implemented, over 400 vendors have benefited, representing more than 600 contracts valued at \$850 million.
- Through Executive Order 122 and Local Law 50 of 2011, the City improved its provision of healthy, nutritious and sustainable food. The City’s agency food standards are currently applied to over 270 million meals and snacks served each year. MOCS, in consultation with the City’s Food

Policy Coordinator, promulgated guidelines for City agencies including strategies to procure food from New York State and other local sources.

- Long-term retroactivity in human service contracting held steady at 12% of continuation contracts. MOCS and the City's human services agencies ameliorated cash flow problems caused by late contracting and similar challenges. Through the City's cash flow loan program – administered by the Fund for the City of New York – MOCS issued 124 loans to 85 vendors in Fiscal 2012, totaling \$26.3 million. These totals are down from the prior fiscal year.
- The City's Nonprofit Capacity Building and Oversight unit held training sessions on best practices in nonprofit management attended by over 434 nonprofit leaders and staff from City agencies.

III. CONSTRUCTION

To meet the design, construction, and renovation needs of the City's infrastructure and built environment, the City's eight primary agencies for construction (DDC, DEP, DPR, DOT, DCAS, DOC, DSNY, and HPD) entered into contracts that made up approximately 25% of all Fiscal 2012 procurements.

- During Fiscal 2012, City agencies awarded construction contracts valued at more than \$197 million that included at least one of fourteen possible Environmentally Preferable Purchasing specifications. City agencies also registered over \$784 million worth of contracts that were subject to the more comprehensive Green Buildings Law, Local Law 86 of 2005.
- During Fiscal 2012 alone, agencies awarded 74 contracts, valued at \$318 million, under cost-saving Project Labor Agreements (PLAs). To date, 143 contracts valued at \$2.4 billion have been registered under a PLA. Through these PLAs, the City aims to save more than \$300 million, while preserving approximately 1,800 construction jobs.
- For 61 contracts, worth nearly \$856 million, agencies mandated participation in apprenticeship programs to afford opportunities for New Yorkers to obtain well-paying construction jobs. All PLA contracts also provide for apprenticeship opportunities. In total, about 87% of the City's newly-awarded construction procurements provide for apprenticeships.
- 891 contracts, valued at \$1.6 billion, were subject to prevailing wage requirements, and 284 contracts, valued at \$144 million, were subject to the Living Wage Law.

IV. SUPPORTING CITY AGENCIES THROUGH GOODS AND SERVICES

To keep government running, City agencies need to procure everything from office furniture to ambulances, from cleaning services to information technology. Procurements for Professional Services, Standardized Services, and Goods together make up 47% of Fiscal 2012 contracting.

- Using more than 1,000 requirement contracts, offered mainly by the Department of Citywide Administrative Services (DCAS), agencies placed just under \$1.6 billion worth of orders for supplies and services. The most heavily used requirement contracts (by dollar value) were those

for trucks, and for fuel. The most frequently used requirement contract (by number of orders) was for office supplies from Staples.

- Agencies processed task orders worth just over \$1 billion under master agreements, primarily the technology services agreements held by DoITT, and the design services agreements held by DDC.
- DCAS's Office of Citywide Purchasing entered into new Citywide contracts projected to save the City a total of \$43 million, including procurements for integrated pest management and off-site record storage.
- The City's P-card program continued its rapid rise, allowing City agencies to save time and money. City agencies used the P-card for 30% of all spending at the micropurchase level (\$5,000 or less).

V. EXPANDING OPPORTUNITY FOR MINORITY- AND WOMEN-OWNED BUSINESS

- During the five-year history of the City's Minority- and Women-Owned Business Enterprise (M/WBE) goals program, agencies have awarded more than three billion dollars worth of work to certified M/WBE firms.
- In Fiscal 2012, almost \$1.6 billion dollars worth of the City's prime contracts were covered by M/WBE participation goals, including more than \$389 million covered by prime contract goals and about \$1.2 billion covered by subcontracting goals.
- M/WBEs obtained over \$529 million worth of City procurements (prime contracts and subcontracts) during Fiscal 2012. M/WBEs won nearly 29% of the City's small purchases, up from 25% in Fiscal 2011.
- M/WBE certifications rose by 9%, to more than 3,526 certified firms at the end of Fiscal 2011.
- Agencies awarded 220 Fiscal 2012 prime contracts that are subject to M/WBE subcontracting goals. The contracts will generate \$150 million in construction and professional services subcontracts, with about \$56 million slated for M/WBEs, i.e., about 38%.
- State and federal goals programs that apply to about \$418 million worth of Fiscal 2012 contracts will also yield \$96 million worth of subcontracts for M/WBEs and disadvantaged businesses (DBEs). EDC's subcontractor goals will yield nearly \$7.3 million (16%) in similar awards.
- All told, counting all subcontracts on all prime contracts, including those not covered by any goals program, certified M/WBEs won 31% of all subcontracts approved during Fiscal 2012, including 42% of the value of subcontracts below one million dollars.

VI. THE PROCUREMENT PROCESS: BALANCING THOROUGHNESS AND EFFICIENCY

- To ensure that City agencies have a well-trained procurement staff, MOCS hosts courses on best practices and compliance through its Procurement Training Institute. In Fiscal 2012, 534 people attended one or more of the seventeen classes offered.

- In Fiscal 2012, agencies issued 340 non-responsiveness determinations and 12 non-responsibility determinations.
- MOCS announced VENDEX processing reforms to accelerate the contracting process, including measures to prioritize VENDEX submissions for pending contract awards; tighter timeframes for corrections of incomplete submissions; and moving VENDEX questionnaires online to allow electronic submission.
- The average time between public solicitation and finalization of award for competitive bids increased to 176 days, compared to 165 days in Fiscal 2011. Although quicker cycle times remain a goal, roughly half of the rise this fiscal year is due to increased processing times for large contracts (over \$10 million) which may take agencies additional time to finalize. The other half of the increase stems from the fact that large bid contracts made up 14% of the contracts in the Fiscal 2012 Citywide average, compared to only 5% in Fiscal 2011. For contracts valued at less than \$10 million, the average cycle time in Fiscal 2012 was 166 days, up only slightly from an average of 165 days in Fiscal 2011.

In the pages that follow, and in the appendices available online, we expand on each of the topics outlined above. Additional information can be found at the following web sites:

- For more information on MOCS and the topics covered in this report, nyc.gov/mocs
- For a copy of the City's PPB Rules, nyc.gov/ppb
- For information for vendors and potential vendors, nyc.gov/selltonyc
- For information on assistance available to nonprofits, nyc.gov/nonprofits