

EXECUTIVE SUMMARY

In Fiscal 2011, New York City procured almost \$15 billion worth of supplies, services and construction, through more than 55,000 transactions. New York City employs procurement as one of its essential tools to serve the public and accomplish critical governmental functions. Agencies procure the goods and services they need to fulfill their missions, from trucks to sweep the streets, to architectural designs for new firehouses, from biodiesel fuel for City vehicles, to nonprofit service providers working in communities throughout the City. The breadth and variety of City contracts reflect the breadth and variety of City services themselves.

With significant restructurings of major client services programs, as well as new investments in core services, infrastructure, waste management and economic development, New York City remains one of the largest contracting jurisdictions in the nation. And under the leadership of Mayor Michael R. Bloomberg, the City has continued to pursue initiatives to improve the procurement process.

This report tells the story of what New York City agencies bought during Fiscal 2011 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.

I. TAKING INVENTORY

Overall, procurements declined in Fiscal 2011 by about 12%, as agencies awarded somewhat less large-scale construction work than they had during Fiscal 2010. Highlights from the Fiscal 2011 procurement inventory include:

- Ten City agencies account for 87% of the City's procurement, and the largest 25 contracts of the year account for 29% of the total dollars awarded. The Administration for Children's Services (ACS) tops the list of awarding agencies, owing to its restructuring of the City's child welfare system, which resulted in 139 request for proposal awards, six of which are among the Top 25.
- Human services – i.e., contracts that agencies enter into with vendors (typically nonprofits) to provide services directly to clients and communities throughout the City – amounted to 48% of the awards in Fiscal 2011. Agencies hold new competitions for these client services contracts in cycles that generally run from three to six years. Because several large programs – including child

¹ Fiscal 2011 runs from July 1, 2010 through June 30, 2011. 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.

welfare, HIV-related health services and indigent criminal defense services – were awarded in Fiscal 2011, the human services category yielded more than seven billion dollars in awards.

- City agencies processed approximately \$11.4 billion in payments on their procurement contracts during Fiscal 2011 – including those initially registered this year and those registered in prior years and still active this year. While registered award values include multi-year (projected) spending, payments reflect actual spending during the fiscal year. By this measure, human services procurements amounted to 26% of the value of Fiscal 2011 contract spending.
- The City’s procurement volume also included goods and commodities (10% of registered awards, 3% of payments), construction (13% of awards, 16% of payments), architecture and engineering services (3% of awards, 21% of payments), other professional services (14% of awards, 5% of payments) and standardized services (12% of awards, 25% of payments).
- The size of City contracts was comparable to prior years. About 81% of all purchasing dollars flowed in contracts that exceeded \$3 million, with only 2% in contracts of \$100,000 or less.

II. PLANNING THE PROCUREMENT

- Over half of City purchasing resulted from competitive procurements, while 6% used selection methods controlled by governmental agencies, 12% relied upon methods with limited competition and 31% reflected renewals and continuations of contracts from prior years.
- Competitiveness remained strong, with 88% of contracts showing high levels of competition (three or more competitors), comparable to last year. Highly competitive procurements dropped to the 82% and 87% level, for human services and goods, respectively, as a result of a handful of large, highly specialized procurements. Competition for small purchases remained strong, with 85% of the transactions reflecting ten or more competitors.
- Three of the City’s human services agencies – ACS and the Departments of Homeless Services (DHS) and Health and Mental Hygiene (DOHMH) – used requests for proposal (RFP) processes to implement over \$5.5 billion in major programmatic contracts to serve New Yorkers in need.
- Construction agencies used tools such as the Construction Pipeline to encourage strong vendor interest in City public works projects, and “Early Project Scoping” contracts to ensure more reliable project scopes of work and more accurate cost estimates.
- The Department of Design and Construction (DDC) awarded over \$100 million of innovative “joint bidding” contracts to expedite Lower Manhattan rebuilding efforts.
- The City purchased nearly \$17 million worth of goods covered by environmentally-preferable purchasing (EPP) standards. Over \$250 million worth of the City’s construction work included EPP products, and over one billion dollars worth supported “Green Buildings” projects.
- The Economic Development Corporation (EDC), processed new awards and contract amendments totaling nearly \$460 million, primarily for construction and development projects.
- The City awarded 129 new concessions and collected nearly \$47 million from 600 operating concessions. The Department of Parks and Recreation (DPR) led in amount raised, with food operations and golf courses as its top revenue-producing uses. The City collected \$197 million from 72 franchises, primarily from the 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 \$15 million for sidewalk cafés and similar uses.

- Agencies also made over \$153 million in grant awards, primarily to cultural and economic development organizations.

III. FINDING QUALIFIED AND RESPONSIBLE BUSINESS PARTNERS

- Over 63,000 vendors have enrolled on the City's bidders lists.

M/WBE Contracting and Subcontracting:

- During the four-year history of the City's Minority- and Women-Owned Business Enterprise (M/WBE) goals program, agencies have awarded nearly two and a half billion dollars worth of work to certified M/WBE firms.
- In Fiscal 2011, more than \$1.2 billion dollars worth of the City's prime contracts were covered by M/WBE participation goals, including more than \$346 million covered by prime contract goals and over \$870 million covered by subcontracting goals.
- M/WBEs obtained over \$561 million worth of City procurements (prime contracts and subcontracts) during Fiscal 2011. M/WBEs won nearly 25% of the City's small purchases, up from 19% in Fiscal 2010.
- M/WBE certifications rose by 16%, to more than 3,200 certified firms at the end of Fiscal 2011.
- Agencies awarded 218 Fiscal 2011 prime contracts that are subject to M/WBE subcontracting goals. Over the life of the contracts, \$137 million in construction and professional services subcontracts will be generated, with about \$54 million slated for M/WBEs, i.e., about 40%.
- State and federal goals programs that apply to about \$547 million worth of Fiscal 2011 contracts will also yield \$89 million worth of subcontracts for M/WBEs and disadvantaged businesses. EDC's subcontractor goals will yield nearly \$10 million in similar awards.
- All told, counting all subcontracts on all prime contracts, including those not covered by any goals program, M/WBEs won over \$186 million of subcontract work during Fiscal 2011, which amounts to 18% of the City's total subcontract dollars, including 39% of the value of subcontracts below one million dollars.

Labor Agreements and Worker Opportunities:

- The City awarded over 905 contracts, worth \$2.2 billion, subject to New York State's prevailing wage laws and 437 contracts, worth \$533 million, subject to the City's Living Wage Law. EDC also processed 36 contract actions, valued at \$467 million, for work subject to prevailing wage requirements. MOCS conducted 34 detailed reviews of proposed contracts for which prevailing wage compliance questions were raised, ultimately approving 31 awards, and disallowing three.
- During Fiscal 2011, agencies awarded 60 contracts, valued at \$445 million, under Project Labor Agreements (PLAs).
- During Fiscal 2011, utilizing the ground-breaking "bring along" provisions of the PLAs, M/WBEs had won 13 prime contracts valued at \$79 million, and 71 subcontracts valued at nearly \$52 million, under those PLAs.

- For 76 contracts, worth nearly \$765 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 90% of the City’s newly-awarded construction procurements provide for apprenticeships.

Protections Against Pay-to-Play Influence:

- 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 over 6,000 businesses and nonprofits that were awarded (or sought) business with the City, as well as over 22,000 key individuals at these entities, and their lobbyists.
- In the most recent election cycle (2009) campaign contributions from individuals doing business with the City were estimated at only 4% of the total funds raised, down from 22% in 2005.

Vendor Responsibility:

- Agencies issued 18 non-responsibility determinations on vendors, primarily on product quality, legal non-compliance and business integrity grounds.
- MOCS processed over 31,000 vendor filings for the City’s comprehensive vendor responsibility database, VENDEX.
- At the request of the City Council, MOCS researched and cleared nearly \$125 million in discretionary awards, i.e., “line items,” after determining that the selected vendors were qualified to provide services to their communities. As part of that clearance process, MOCS provided detailed training to 545 nonprofit leaders from the funded groups. During Fiscal 2011, agencies processed nearly \$169 million worth of such awards, some of which had been cleared by MOCS in prior years. These awards accounted for 1% of the City’s total Fiscal 2011 purchasing dollars.

IV. PROCUREMENT TIMELINESS

- The time between advertisement and contract registration for competitive bids increased to 165 days, up considerably from 137 days in Fiscal 2010. Shorter bid cycle time remains a goal.
- Processing times for human services program contracts also remain unduly long. The major human services agencies averaged 41 days late in registering these contracts, with 11% delayed more than 30 days. Several agencies declined in performance on this indicator, although ACS, with the highest volume of procurements to complete, substantially improved its performance and lowered its long-term lateness level to 8% (from 17% in Fiscal 2010).
- MOCS and the City’s human services agencies stepped up efforts to ameliorate 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 204 loans, valued at nearly \$43 million, to a total of 132 vendors. Loan volume increased by 45% over last year.

V. CONTRACT MANAGEMENT

- Agencies completed detailed performance evaluations for over 88% of their contracts, rating 97% of their vendors as satisfactory (“fair”) or better.
- Through voluntary cost containment negotiations with 89 of the City’s largest vendors, City agencies negotiated contract modifications projected to achieve \$13 million in savings.

- Agency efficiency improved for design change order processing, with the cost of such change orders averaging 9% of the original contract value, down from 20% in Fiscal 2010, while the average processing time also declined from 156 days last year to 109 days in Fiscal 2011.
- For construction change orders, cost relative to the original contract remained steady at 3%. Processing time declined to 125 days, down from 150 days in Fiscal 2011, although some progress is attributable to improved tracking of smaller change orders, which pose less risk to vendors' ability to move forward with major projects. Because of the impact of change order delays on project costs, shortening these time frames remains a high priority.
- Agencies awarded nearly \$500 million in construction work as part of the "damages for delay" pilot program, under which vendors can be compensated for project delays caused by the City.
- The MOCS Capacity Building and Oversight (CBO) unit initiated comprehensive evaluations of the fiscal management and corporate governance practices of 91 of the City's nonprofit vendors.
- 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 2011 cost of \$150 million. CIP also provided health insurance coverage to day care, Head Start and senior services providers, at a cost of \$123 million.
- Based on surveys conducted under Executive Order 72, 87% of the City's vendors provide or offer health insurance coverage to their full-time employees, and of those, 48% offer such coverage equally to spouses and domestic partners.

VI. MEETING ONGOING NEEDS

- Using more than 1,000 requirement contracts, offered mainly by the Department of Citywide Administrative Services (DCAS), agencies placed \$959 million worth of orders for supplies and services. At the top of the list for total dollars were requirement contracts for security guard services, Sanitation trucks and fuel and road salt/de-icing products. The most frequently-used requirement contract was for copy machines.
- Agencies processed task orders worth \$967 million under master agreements, primarily the technology services contracts held by DoITT and the design services contracts held by DDC.
- Small purchases (\$100,000 or less) totaled more than \$112 million, with the Police Department (NYPD) leading in this category. Micropurchases (\$5,000 or less) accounted for \$56 million, with the Department of Housing Preservation and Development (HPD) leading City agencies in such awards. For micropurchases, 20% of City spending was accomplished through the use of innovative "procurement card" technology, up from 17% in Fiscal 2010.

In the pages that follow, and in the appendices at the back of the report, we expand on each of the topics outlined above. Additional information 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
- 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