

October 16, 2013

**Final Report of Andrea Glick, City Chief Procurement Officer,
To the Procurement Policy Board, Pursuant to PPB Rule 3-12(f)
Innovative Procurement – Regarding the Use of Social Impact Investment Funding**

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This is the final report on *the Use of Social Impact Investment Funding* innovative procurement method being tested by the Human Resources Administration (HRA). The report is mandated by the Procurement Policy Board (PPB) Rules, §3-12(f), and supplements the August 6, 2013 interim report. The first contract using this innovative method was registered on February 7, 2013.

At the time of the interim report, the innovative procurement method had led to the successful launch of the nation's first Social Impact Bond (SIB) and thirteen responses to a Request for Expression of Interest (RFEI) for SIB proposals.

The City successfully launched the nation's first SIB by securing funds from a private investor to implement a preventative, evidence-based, cognitive behavioral therapy (CBT) intervention on Riker's Island. Since January 2nd, 2013, all adolescents on Riker's Island have been receiving the CBT intervention, at no cost to the City. Between January 2, 2013 and June 30, 2013, 1011 adolescents received the CBT intervention. The City feels confident that the program will lead to reduced readmissions and resultant long-term City savings.

The thirteen SIB proposals revealed that many providers have ideas about how to improve existing preventative programs or begin new preventative programs that would have a positive impact on the City budget in the short term, because the initial funding would come from sources outside the City, as well as the long term. The City has identified the strongest SIB proposals and is currently moving forward with multiple projects.

The innovative demonstration project has shown that SIBs offer the opportunity to expand government resources during a time of constrained spending and shift government focus to preventative interventions that result in long-term social and financial benefits. Therefore, it is in the City's best interest to encourage providers to approach the City with potential SIB projects.

For a project to be a viable SIB, the intervention must produce enough City savings to not only re-pay the contractor for the initial delivery of the services, funded by an entity other than the City, but also to fund the intervention in the long-term. In developing a SIB, the City must work with providers to determine the feasibility of using the SIB model and develop an approach that produces sufficient City savings. As such, the City must procure for SIBs in a manner that allows for preliminary discussions between the City and potential providers. The City's experience with the innovative demonstration project supports this claim, because the City would not have been able to move forward with any of the SIB proposals it received in response to the RFEI without the innovative procurement method that allowed the City to engage with providers to evaluate and refine their proposals.

The Social Impact Investment Funding Rule would allow the City to explore the viability of individual SIB opportunities through a formalized process. This process would allow the City to engage in preliminary discussions with providers, and the solicitation process would allow proposers to introduce different program models, interventions, and funding mechanisms that would benefit the City's social services programs.

As stated earlier, in the case of SIBs in the context of the RFEI and the process introduced in the proposed Rule, the City will work and negotiate with qualified providers to define the scope of

services. If adopted, the Rule would allow the City to enter into discussions with providers who may bring cost-saving measures and investment funds to the table.

For the reasons stated in the interim report, and for the reasons stated above, I recommend that the PPB codify the innovative method.