

A Better Way to Save Money

The New York City Department of Finance and the State of New York have shown how governmental units can save millions of dollars without cutting public services or throwing dedicated employees into the streets, simply by cutting back on contracting out.

1. Finance Commissioner David Frankel testified March 4 at the City Council that the agency will save \$5.9 million in FY 2011 by replacing 29 computer consultants with full-time staff.

2. Under new state legislation on in-sourcing (Chapter 500, Section 66, Civil Service Law; enacted December 2009) New York State will save \$15 million by shifting about 500 information technology positions from outside contracts to the state payroll. Governor Paterson's Executive Order #6 requires state agencies to perform cost-benefit analyses before entering into professional, technical or personnel services contracts.

Reducing the waste of contracting out means saving money for the taxpayers, providing jobs and promotional opportunities in the communities of New York City through the Civil Service system, a proven path to the middle class for those too often left out by the private sector.

Recommendations for Change

To end the wasteful practices depicted in this brochure, District Council 37 is calling for legally mandated policy improvements. We are asking our elected officials to pass legislation to implement these important steps:

1. **Cost-benefit studies, consultant "hiring freeze":** No city agency should hire new consultants without a thorough assessment of whether using these consultants is cost-effective. A comprehensive cost-benefit analysis should be done for all existing professional, technical and personnel services contracts. **District Council 37 supports City Council Res. No. 116, which calls on the mayor to require cost-benefit analyses by city agencies before contracting out any personnel or professional services.**

2. **Consultant reduction:** The City should implement a three-year consultant reduction plan aimed at reducing costs by hiring city employees to run its new computer programs.

3. **Saving taxpayers' money, preventing unemployment:** The City should cancel any proposed layoffs of city workers where contractors are doing the same work at a higher cost. No new contracts should be procured in areas where city employees are targeted for layoffs.

4. **Training for future savings:** The City should use federal funds available through the Workforce Investment Act to run a comprehensive workforce development program to train city workers in new technology, especially for responsibilities such as maintaining the new systems that are being implemented throughout city government.

District Council 37 represents 120,000 members and 50,000 retirees who live in all the communities of New York City, vote and pay taxes and do the work that keeps our city running.

For more information, please contact District Council 37:

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A message
from



A better way to balance the budget

Colossal Waste or Human Needs?

In February 2009, District Council 37 released "Massive Waste at a Time of Need," a White Paper that demonstrated the waste in contracting out and called for replacing the outsourcing with a more accountable and reliable city workforce. Using city employees would improve service delivery, save taxpayers' money and provide jobs in communities citywide through the civil service system.

The White Paper analysis of a sample of 10 personnel and technical services contracts in eight City agencies showed that replacing the contractors with city employees would save \$130 million a year. The union asked the city to examine all 18,000 of its contracts for these services, which have increased in cost by 41% from fiscal year 2005 through FY 2010, for work that city employees can do more efficiently at lower cost.

One year later, the recession has cut revenue and driven the city's human needs to record levels, but no such study has been done and the waste has increased. DC 37 is calling for action.

Mayor increasing contract budget

Mass unemployment, foreclosures, widespread hunger and homelessness cry out for action at all levels of government, but the city is turning its back and expanding its waste of tax dollars on overpriced contractors and overpaid consultants.

More workers are needed to cope with the huge lines at city Food Stamp centers, but—according to the January plan for Fiscal Year 2011 — Mayor Bloomberg plans to raise contract spending by more than \$250 million, from \$9.2 billion annually to \$9.5 billion, while cutting services, increasing the burden on taxpayers and eliminating thousands of city workers through attrition and layoffs.

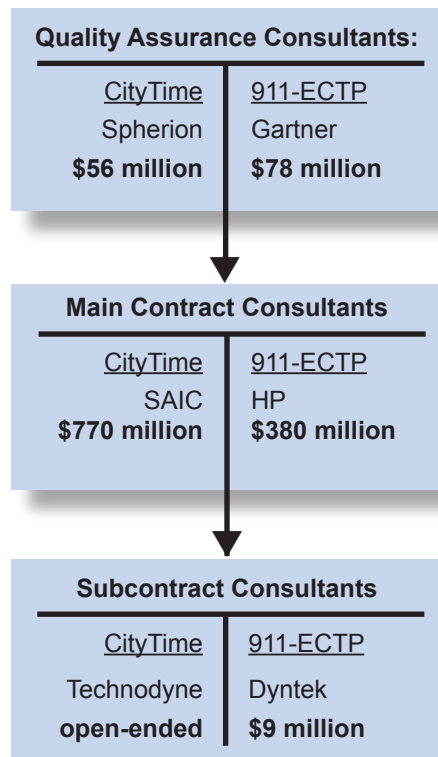


Contracted out CityTime project is 7 years overdue and almost 1,000% over budget.

Consultants Galore

The city's current hiring freeze, job losses in the private sector and efforts to modernize public agencies have combined to create a "perfect storm" attack on the city treasury that lets consultants thrive in city government at the expense of the taxpayers.

DC 37 has continued to investigate the city's vast overspending on outside contracts. Information Technology consultant contracts provide a perfect example of unabated waste on work that could be done more efficiently in-house by city employees. Following are some of the findings of our investigation:



1. District Council 37 has compiled a list of more than 1,500 consultants averaging \$350,000 a year for work that city employees do for \$140,000 (including the full cost of benefits and pensions). Replacing the consultants with employees could save the city more than \$210 million.

2. Our research found extreme waste in the multiple layers of supervision in contract administration. The City assigns quality assurance consultants to supervise and monitor the on-time completion of projects and allows subcontracting schemes under the main consultant contracts. Consultants supervise consultants who supervise more consultants, contributing to the vast waste of taxpayers' money, which could be eliminated by contracting in the work.

3. Some consultants work from other countries through remote computer access, while others work here for contractors who violate federal rules that prohibit using H1B guest worker visas to displace U.S. workers. Using these consultants and out-of-state firms deprives the city of millions of dollars in tax revenue and robs our communities of needed employment opportunities.

4. The city's Department of Information Technology and Telecommunication (DOITT) has over 600 computer consultants. The chart below shows six examples where the city could save more than \$55 million by replacing about 200 consultants with city workers — and this is only the tip of the iceberg.

Replacing 202 DOITT consultants could save \$55.6 million

Vendor	No. of Consultants	Project Assigned	Average Cost of Consultant*	Comparable City Title	Yearly Cost**	Savings
ACCENTURE LLP	64	311 Online	\$336,086	Cert. IT Network	\$146,942	\$12,105,216
DYNTEK	12	HHS Connect	\$339,733	Computer Spec.	\$100,561	\$2,870,064
GARTNER	14	Quality Assurance	\$564,126	Certified IT Adm	\$146,942	\$5,840,576
HEWLETT-PACKARD	86	911 Upgrade	\$457,806	Certified IT Adm	\$146,942	\$26,734,304
IBM	17	Mainframe	\$497,854	Cert. IT Adm.	\$146,942	\$5,965,504
COMSYS INFO.	19	Business Express	\$186,329	Comp. Assoc. II	\$75,613	\$2,103,60
Totals	202					\$55,619,268

* Based on 1,820 hours per year, as used in contracts

** Includes salary, pension and benefits

Source: Contracts registered with New York City Comptroller

The Waste Goes On, the City Keeps Paying: Three Outrageous Examples

1. CityTime

In 1998 the Giuliani administration hired a military contractor, Science Applications International Corporation, to develop a computerized time-keeping system for its 145,000 city employees. Now, after 12 years, CityTime covers only 46,000 workers, but the price has ballooned from the original \$68 million to \$722 million — a cost overrun of nearly 1,000 percent!



Although he admitted publicly that the Office of Payroll Administration program is a "disaster," the Mayor has set aside an additional \$140 million to continue the CityTime deal. OPA Executive Director Joe Bundy came to city government after working for Spherion, the firm hired to provide quality assurance and oversight on CityTime.

The Daily News recently revealed that 11 consultants on City Time have been getting more than \$600,000 a year, 40 are paid over \$500,000 and 230 are averaging \$400,000.

City employees who work around-the-clock with the homeless and children at risk of abuse and neglect report that system malfunctions have repeatedly cost them pay and leave time and that they have been surprised when required direct bank deposits have not been made.

On March 3, City Comptroller John Liu rejected an \$8 million extension of the Spherion contract and called for a freeze on payments for the CityTime project, which he is now auditing.

This entire project should be stopped until a thorough review and audit are completed.

2. Emergency Communication Transformation Project

A \$380 million contract was awarded to Hewlett-Packard to oversee the project to revamp the City's 911 emergency response system, but important portions of the plan are two years behind schedule, others are plagued with glitches and malfunctions and the total cost has ballooned from \$1.2 billion to \$2 billion. H-P consultants average more than \$375,000 a year.

Former Department of Information Technology and Telecommunications Commissioner Gino Menchini and his First Deputy, Larry Knafo, oversaw the selection of Hewlett-Packard in 2005 and then left for top jobs at Northrop Grumman, a major H-P subcontractor.

3. Future Technology Associates

A Florida company has received multiple no-bid contracts to develop a computerized payroll system for the New York City Department of Education and to upgrade the school system's financial management software. The 63 full-time consultants are costing DOE an average of \$250,000 a year each for work that could be done by city workers for less than \$140,000. Many of the workers employed by FTA are working under H1B visas.

FTA operates in DOE's Brooklyn computer center. Its offices in Brooklyn and Jacksonville, Florida, appear to be only mail drop-offs.