

THE COUNCIL OF THE CITY OF NEW YORK

Speaker of the Council  
Christine C. Quinn



Hon. Domenic M. Recchia, Jr., Chair, Finance Committee

Hon. Darlene Mealy, Chair, Contracts Committee

## Hearing on the Mayor's Fiscal 2013 Preliminary Contract Budget *(Joint with Committee on Contracts)*

**March 5, 2012**

**Regina Poreda Ryan, Assistant Director**

**Eisha Wright, Unit Head**

**John Lisyanskiy, Legislative Financial Analyst**



## Table of Contents

Fiscal Year 2013 Contract Budget ..... 1

Contract Budget Highlights ..... 1

Largest Contract Budget Categories ..... 4

Largest Contract Budget Agencies..... 5

Appendix A: Contract Budget by Object Code, 2011-2013 ..... 6



## Fiscal Year 2013 Contract Budget

The New York City Charter mandates the preparation of a Contract Budget to identify expenditures for contractual services.<sup>1</sup> The Charter defines "contractual services" as any *technical, consultant or personal service* provided to the City by means of a contract. The Contract Budget is a subset of the Other Than Personal Services (OTPS) portion of the City's Expense Budget. The Administration prepares a Contract Budget twice each fiscal year and submits it to the Council with the Preliminary and Executive Budgets. The Council adopts the entire budget (Expense, Revenue, Contract and Capital) before the end of each fiscal year.

The Contract Budget sets forth anticipated contractual spending for each agency by unit of appropriation, broken down by object codes, and shows the number of contracts per category and the corresponding dollar value anticipated to be expended in each category. The Contract Budget is a plan -- an agency's blueprint or forecast of what services it anticipates it will need to purchase during the next fiscal year.

The Fiscal 2013 Preliminary Contract Budget proposes spending approximately \$10.45 billion on 17,211 contracts. These planned contract expenditures constitute 15.3 percent of the total Fiscal 2013 Preliminary Budget of \$68.7 billion. Overall, the Fiscal 2013 Preliminary Contract Budget is \$56.9 million or 0.5 percent less than the Fiscal 2012 Adopted Contract Budget of \$10.51 billion.

The Fiscal 2012 Adopted Contract Budget totaled approximately \$10.51 billion for 17,335 contracts. The Fiscal 2012 Contract Budget, as of the February 2012 Financial Plan is \$11.2 billion – an increase of \$687 million, or 6.1%, over the Adopted Contract Budget. Such change is common due to the recognition of State and Federal Categorical Grants during the course of the year, which fund significant portions of a number of contracts, particularly in the social services area.

## Contract Budget Highlights

The table on page 4 "Contract Budget by Category" presents the Fiscal 2012 Adopted and Modified Contract Budgets, and the Fiscal 2013 Preliminary Contract Budget, compared with the Fiscal 2012 Adopted Contract Budget. The contract categories include groups of related Object Codes. Several observations are worthy of note:

- The largest category of contract spending is for education-related purposes, which totals \$4.5 billion or 43% of the total Contract Budget.
- The largest spending increase is for Payments to Contract Schools (object code 670). The vast majority of spending is for payments to contract schools and Carter Cases by the Department of Education which covers tuition charges for students with special educational needs enrolled in private schools, special education pre-kindergarten tuition, and charter schools. In addition it includes some funding for universal pre-kindergarten and summer instructional high school programs. The growth in this category from Fiscal 2012 to Fiscal 2013 is \$83.3 million.
- Contractual spending on equipment maintenance and repair is budgeted to increase in Fiscal 2013 compared to the Fiscal 2012 Adopted Budget by 15%. It is noteworthy that the Fiscal 2012 budget for this category grew by \$154.3 million, or 35%, between Adoption and the February Financial Plan, particularly in the area of "Maintenance and Operation of Infrastructure" (object code 676).

---

<sup>1</sup> City Charter §§100.h and 104.

- Some categories of contract spending decline from Fiscal 2012 to Fiscal 2013 because City Council initiatives are not baselined. One prominent example is “Payments to Cultural Institutions” (object code 667), which shows a decline of 49%, or \$20.4 million. In Fiscal 2012 the Council restored funding to the Department of Cultural Affairs for cultural programs and organizations, which was not baselined.
- Spending in the Personal Services category for legal services, auditing and accounting, computer consultants, security guards, temporary workers and cleaning services is projected to decrease by 7.8% next year compared to Fiscal 2012 Adopted Budget or \$43.8 million. Again, however, the increase between the Adopted budget and the February Financial Plan level is quite significant at \$177.9 million, or 32%. Nearly half of the increase comes in the “Professional Services – Other” (object code 686) category.

### Contract Budget by Category

*Dollars in Thousands*

| Obj. Code                | Category                              | Fiscal 2012 Adopted | Fiscal 2012 Modified | Fiscal 2013 Preliminary | Change from Fiscal 12 Adopted |               |
|--------------------------|---------------------------------------|---------------------|----------------------|-------------------------|-------------------------------|---------------|
| <b>EDUCATION-RELATED</b> |                                       |                     |                      |                         |                               |               |
| 668                      | Bus Transportation-Reimbursable       | \$59                | \$59                 | \$59                    | \$0                           | 0.00%         |
| 669                      | Transportation of Pupils              | 1,126,435           | 1,112,023            | 1,178,415               | 51,981                        | 4.61%         |
| 670                      | Payments to Contract Schools          | 2,180,273           | 2,148,335            | 2,263,596               | 83,323                        | 3.82%         |
| 678                      | Payments to Delegate Agencies         | 342,012             | 352,809              | 281,294                 | (60,718)                      | -17.75%       |
| 685                      | Professional Services-Education       | 844,776             | 829,378              | 904,565                 | 59,789                        | 7.08%         |
| 689                      | Prov. Svcs Curriculum & Development   | 32,677              | 33,241               | 31,469                  | (1,208)                       | -3.70%        |
|                          | <b>Subtotal</b>                       | <b>\$4,526,231</b>  | <b>\$4,475,845</b>   | <b>\$4,659,398</b>      | <b>\$133,167</b>              | <b>2.94%</b>  |
| <b>EQUIPMENT</b>         |                                       |                     |                      |                         |                               |               |
| 602                      | Telecommunications Maintenance        | \$49,304            | \$48,274             | \$60,346                | \$11,042                      | 22.40%        |
| 607                      | Maint. & Repairs Motor Vehicles       | 14,007              | 15,911               | 14,047                  | 39                            | 0.28%         |
| 608                      | Maintenance & Repairs General         | 103,991             | 157,926              | 117,756                 | 13,764                        | 13.24%        |
| 612                      | Office Equipment Maintenance          | 14,275              | 15,364               | 13,985                  | -290                          | -2.03%        |
| 613                      | Data Processing Equipment             | 141,771             | 166,177              | 162,866                 | 21,095                        | 14.88%        |
| 676                      | Maintenance & Oper. of Infrastructure | 123,028             | 197,027              | 145,125                 | 22,097                        | 17.96%        |
|                          | <b>Subtotal</b>                       | <b>\$446,376</b>    | <b>\$600,679</b>     | <b>\$514,124</b>        | <b>\$67,748</b>               | <b>15.18%</b> |
| <b>GENERAL and OTHER</b> |                                       |                     |                      |                         |                               |               |
| 600                      | Contractual Services-General          | \$463,083           | \$689,271            | \$456,815               | -\$6,267                      | -1.35%        |
| 615                      | Printing Contracts                    | 31,327              | 36,479               | 30,733                  | -594                          | -1.90%        |
| 620                      | Municipal Waste Export                | 304,986             | 301,693              | 309,759                 | 4,772                         | 1.56%         |
| 629                      | In-Rem Maintenance                    | 2,147               | 1,979                | 2,107                   | -39                           | -1.83%        |
| 633                      | Transportation Expenditures           | 15,395              | 18,362               | 13,167                  | -2,228                        | -14.47%       |
| 665                      | Legal Aid Society                     | 94,900              | 92,800               | 92,100                  | -2,800                        | -2.95%        |
| 667                      | Payment to Cultural Institutions      | 41,418              | 43,046               | 20,971                  | -20,447                       | -49.37%       |
| 671                      | Training for City Employees           | 14,232              | 23,045               | 14,946                  | 715                           | 5.02%         |
|                          | <b>Subtotal</b>                       | <b>\$967,487</b>    | <b>\$1,206,674</b>   | <b>\$940,599</b>        | <b>-\$26,888</b>              | <b>-2.78%</b> |

**Contract Budget by Category***Dollars in Thousands*

| Obj.<br>Code                          | Category                               | Fiscal 2012<br>Adopted | Fiscal 2012<br>Modified | Fiscal 2013<br>Preliminary | Change from Fiscal<br>12 Adopted |                |
|---------------------------------------|--|------------------------|-------------------------|----------------------------|----------------------------------|----------------|
| <b>FINANCING and INVESTMENT COSTS</b> |  |                        |                         |                            |                                  |                |
| 617                                   | Payments to Counterparties             | \$107,754              | \$64,971                | \$70,767                   | -\$36,987                        | -34.33%        |
| 618                                   | Financing Contracts                    | 69,068                 | 78,189                  | 79,493                     | 10,425                           | 15.09%         |
| 626                                   | Investment Costs                       | 7,779                  | 7,715                   | 7,779                      | 0                                | 0.00%          |
|                                       | <b>Subtotal</b>                        | <b>\$184,602</b>       | <b>\$150,874</b>        | <b>\$158,039</b>           | <b>-\$26,562</b>                 | <b>-14.39%</b> |
| <b>PERSONAL SERVICES</b>              |  |                        |                         |                            |                                  |                |
| 619                                   | Security Services                      | \$81,160               | \$102,501               | \$80,491                   | -\$670                           | -0.83%         |
| 622                                   | Temporary Services                     | 33,951                 | 47,663                  | 34,132                     | 180                              | 0.53%          |
| 624                                   | Cleaning Services                      | 20,327                 | 26,420                  | 20,410                     | 83                               | 0.41%          |
| 681                                   | Prof Services Accounting/Auditing      | 24,768                 | 26,064                  | 25,734                     | 966                              | 3.90%          |
| 682                                   | Professional Services-Legal            | 101,379                | 101,475                 | 94,366                     | (7,013)                          | -6.92%         |
| 683                                   | Professional Services-Engineering      | 3,398                  | 18,440                  | 1,908                      | (1,491)                          | -43.87%        |
| 684                                   | Professional Services-Computers        | 146,546                | 180,548                 | 111,611                    | (34,935)                         | -23.84%        |
| 686                                   | Professional Services-Other            | 148,294                | 234,646                 | 147,323                    | (970)                            | -0.65%         |
|                                       | <b>Subtotal</b>                        | <b>\$559,824</b>       | <b>\$737,756</b>        | <b>\$515,974</b>           | <b>-\$43,850</b>                 | <b>-7.83%</b>  |
| <b>SOCIAL SERVICES</b>                |  |                        |                         |                            |                                  |                |
| 616                                   | Community Consultants                  | \$20,676               | \$28,388                | \$15,528                   | (\$5,149)                        | -24.90%        |
| 640                                   | Social Services-General                | 0                      | 2                       | 0                          | 0                                | 0.00%          |
| 641                                   | Protective Services For Adults         | 19,472                 | 19,472                  | 19,498                     | 26                               | 0.13%          |
| 642                                   | Children's Charitable Institutions     | 489,742                | 494,555                 | 496,267                    | 6,524                            | 1.33%          |
| 643                                   | Child Welfare Services                 | 211,601                | 223,968                 | 212,199                    | 598                              | 0.28%          |
| 647                                   | Home Care Services                     | 263,407                | 328,555                 | 263,407                    | 0                                | 0.00%          |
| 648                                   | Homemaking Services                    | 17,699                 | 18,486                  | 18,486                     | 787                              | 4.45%          |
| 649                                   | Non-Grant Charges                      | 12,414                 | 12,414                  | 11,139                     | (1,275)                          | -10.27%        |
| 650                                   | Homeless Family Services               | 350,793                | 405,833                 | 328,040                    | (22,753)                         | -6.49%         |
| 651                                   | Aids Services                          | 281,498                | 243,427                 | 267,745                    | (13,754)                         | -4.89%         |
| 652                                   | Day Care of Children                   | 668,855                | 706,906                 | 614,873                    | (53,982)                         | -8.07%         |
| 653                                   | Head Start                             | 132,557                | 155,281                 | 132,557                    | 0                                | 0.00%          |
| 655                                   | Mental Hygiene Services                | 636,958                | 630,172                 | 610,992                    | (25,966)                         | -4.08%         |
| 657                                   | Hospital Contracts                     | 127,229                | 127,049                 | 130,536                    | 3,307                            | 2.60%          |
| 658                                   | Special Clinical Services              | 7,996                  | 7,995                   | 11,100                     | 3,105                            | 38.83%         |
| 659                                   | Homeless Individual Services           | 257,848                | 273,494                 | 254,923                    | (2,925)                          | -1.13%         |
| 660                                   | Economic Development                   | 3,821                  | 15,505                  | 14,433                     | 10,612                           | 277.76%        |
| 662                                   | Employment Services                    | 149,347                | 157,924                 | 149,347                    | 0                                | 0.00%          |
| 688                                   | Bank Charges Public Assistance Account | 395                    | 435                     | 395                        | 0                                | 0.00%          |
| 695                                   | Youth Programs                         | 174,177                | 176,347                 | 114,494                    | (59,683)                         | -34.27%        |
|                                       | <b>Subtotal</b>                        | <b>\$3,826,486</b>     | <b>\$4,026,209</b>      | <b>\$3,665,958</b>         | <b>(\$160,528)</b>               | <b>-4.20%</b>  |
|                                       | <b>TOTAL</b>                           | <b>\$10,511,006</b>    | <b>\$11,198,038</b>     | <b>\$10,454,093</b>        | <b>(\$56,913)</b>                | <b>-0.54%</b>  |

## Largest Contract Budget Categories

The following table shows the ten Contract Budget object codes with the greatest projected spending levels for Fiscal 2013. These contract categories constitute over 71 percent of the total contract budget. The largest single category is Payments to Contract Schools, approximately \$2.3 billion, which constitutes nearly 22% of the budget and is entirely within the Department of Education. The Department of Education is also responsible for the second and third largest contract categories, Transportation of Pupils (\$1.2 billion) and Professional Services -Education (\$904) million.

Other large contract categories include Mental Hygiene Services, in the Department of Health and Mental Hygiene (DOHMH); Day Care of Children, in the Administration of Children Services (ACS); Children’s Charitable Institutions (foster care placements) in ACS; Homeless Family Services; Municipal Waste Export contracts in the Department of Sanitation; and Payments to Delegate Agencies in the Miscellaneous budget. The seventh largest category is Contractual Services – General; many agencies account for spending in this category, with the ACS’ contracts accounting for roughly one-fifth of the total.

| <b>Largest Contract Budget Categories</b>            |                                    |                        |                                   |                         |
|--|------------------------------------|------------------------|-----------------------------------|-------------------------|
| <i>Dollars in Thousands</i>                          |                                    |                        |                                   |                         |
| <b>Obj. Code</b>                                     | <b>Category</b>                    | <b>Contract Budget</b> | <b>% of Total Contract Budget</b> | <b>Major Agency/ies</b> |
| 670  | Payments to Contract Schools       | \$2,263,596            | 21.65%                            | DOE                     |
| 669  | Transportation of Pupils           | 1,178,415              | 11.27%                            | DOE                     |
| 685  | Professional Services-Education    | 904,565                | 8.65%                             | DOE                     |
| 652  | Day Care of Children               | 614,873                | 5.88%                             | ACS                     |
| 655  | Mental Hygiene Services            | 610,992                | 5.84%                             | DOHMH                   |
| 642  | Children's Charitable Institutions | 496,267                | 4.75%                             | Various                 |
| 600  | Contractual Services-General       | 456,815                | 4.37%                             | ACS                     |
| 650  | Homeless Family Services           | 328,040                | 3.14%                             | DHS                     |
| 620  | Municipal Waste Export             | 309,759                | 2.96%                             | DSNY                    |
| 678  | Payments to Delegate Agencies      | 281,294                | 2.69%                             | Various                 |
| <b>TOTAL (Top Ten)</b>                               |                                    | <b>\$7,444,616</b>     | <b>71.21%</b>                     |                         |
| <b>Total Fiscal 2013 Preliminary Contract Budget</b> |                                    | <b>\$10,454,093</b>    | <b>100.00%</b>                    |                         |



## Largest Contract Budget Agencies

In the Fiscal 2013 Preliminary Budget ten agencies constitute 93 percent of the total Contract Budget. The Department of Education alone accounts for 45% of the total. Below is a list of the top ten agency contract budgets, which total approximately \$9.7 billion.

### Ten Largest Agency Contract Budgets Fiscal 2013

*Dollars in Thousands*

| Agency Code  | Agency   | Contract Budget     | % of Total Contract Budget |
|--|--|---------------------|----------------------------|
| 040  | Department of Education                        | \$4,696,088         | 45%                        |
| 068  | Administration for Children's Services         | \$1,576,522         | 15%                        |
| 816  | Department of Health & Mental Hygiene          | \$930,158           | 9%                         |
| 069  | Department of Social Services                  | \$701,176           | 7%                         |
| 071  | Department of Homeless Services                | \$587,246           | 6%                         |
| 827  | Department of Sanitation                       | \$360,004           | 3%                         |
| 098/099  | Miscellaneous/Debt Service                     | \$347,418           | 3%                         |
| 260  | Department of Youth and Community Development  | \$176,324           | 2%                         |
| 125  | Department for the Aging                       | \$175,405           | 2%                         |
| 858  | Department of Info Tech and Telecommunications | \$132,279           | 1%                         |
| <b>TOTAL (Top Ten)</b>                               |  | <b>\$9,682,620</b>  | <b>93%</b>                 |
| <b>Total Fiscal 2012 Preliminary Contract Budget</b> |  | <b>\$10,454,093</b> | <b>100%</b>                |

## Appendix A: Contract Budget by Object Code, 2011-2013

| <i>Dollars in Thousands</i>             | 2011<br>Actual | 2012<br>Adopted | 2012<br>Modified | 2013<br>Preliminary | Difference<br>2012 v 2013 |
|---|----------------|-----------------|------------------|---------------------|---------------------------|
| 600- Contractual Services-General       | \$551,070      | \$463,083       | \$689,271        | \$456,815           | (\$6,267)                 |
| 602- Telecommunications Maintenance     | 38,311         | 49,304          | 48,274           | 60,346              | 11,042                    |
| 607- Maint. & Repairs Motor Vehicles    | 15,645         | 14,007          | 15,911           | 14,047              | 39                        |
| 608- Maintenance & Repairs General      | 141,314        | 103,991         | 157,926          | 117,756             | 13,764                    |
| 612- Office Equipment Maintenance       | 8,954          | 14,275          | 15,364           | 13,985              | (290)                     |
| 613- Data Processing Equipment          | 177,896        | 141,771         | 166,177          | 162,866             | 21,095                    |
| 615- Printing Contracts                 | 39,448         | 31,327          | 36,479           | 30,733              | (594)                     |
| 616- Community Consultants              | 28,726         | 20,676          | 28,388           | 15,528              | (5,149)                   |
| 617- Payments to Counterparties         | 39,747         | 107,754         | 64,971           | 70,767              | (36,987)                  |
| 618- Financing Contracts                | 69,953         | 69,068          | 78,189           | 79,493              | 10,425                    |
| 619- Security Services                  | 133,904        | 81,160          | 102,501          | 80,491              | (670)                     |
| 620- Municipal Waste Export             | 300,100        | 304,986         | 301,693          | 309,759             | 4,772                     |
| 622- Temporary Services                 | 47,898         | 33,951          | 47,663           | 34,132              | 180                       |
| 624- Cleaning Services                  | 28,672         | 20,327          | 26,420           | 20,410              | 83                        |
| 626- Investment Costs                   | 7,725          | 7,779           | 7,715            | 7,779               | 0                         |
| 629- In-Rem Maintenance                 | 4,059          | 2,147           | 1,979            | 2,107               | (39)                      |
| 633- Transportation Expenditures        | 13,604         | 15,395          | 18,362           | 13,167              | (2,228)                   |
| 640- Social Services-General            | 3              | 0               | 2                | 0                   | 0                         |
| 641- Protective Services For Adults     | 17,431         | 19,472          | 19,472           | 19,498              | 26                        |
| 642- Children's Charitable Institutions | 515,343        | 489,742         | 494,555          | 496,267             | 6,524                     |
| 643- Child Welfare Services             | 198,508        | 211,601         | 223,968          | 212,199             | 598                       |
| 647- Home Care Services                 | 265,451        | 263,407         | 328,555          | 263,407             | 0                         |
| 648- Homemaking Services                | 18,767         | 17,699          | 18,486           | 18,486              | 787                       |
| 649- Non-Grant Charges                  | 10,854         | 12,414          | 12,414           | 11,139              | (1,275)                   |
| 650- Homeless Family Services           | 572,894        | 350,793         | 405,833          | 328,040             | (22,753)                  |
| 651- Aids Services                      | 249,485        | 281,498         | 243,427          | 267,745             | (13,754)                  |
| 652- Day Care of Children               | 716,957        | 668,855         | 706,906          | 614,873             | (53,982)                  |
| 653- Head Start                         | 166,118        | 132,557         | 155,281          | 132,557             | 0                         |
| 655- Mental Hygiene Services            | 641,206        | 636,958         | 630,172          | 610,992             | (25,966)                  |

| <i>Dollars in Thousands</i>                 | <b>2011<br/>Actual</b> | <b>2012<br/>Adopted</b> | <b>2012<br/>Modified</b> | <b>2013<br/>Preliminary</b> | <b>Difference<br/>2012 v 2013</b> |
|---|------------------------|-------------------------|--------------------------|-----------------------------|-----------------------------------|
| 657- Hospital Contracts                     | \$121,909              | \$127,229               | \$127,049                | \$130,536                   | \$3,307                           |
| 658- Special Clinical Services              | 7,159                  | 7,996                   | 7,995                    | 11,100                      | 3,105                             |
| 659- Homeless Individual Services           | 255,349                | 257,848                 | 273,494                  | 254,923                     | (2,925)                           |
| 660- Economic Development                   | 15,968                 | 3,821                   | 15,505                   | 14,433                      | 10,612                            |
| 662- Employment Services                    | 169,280                | 149,347                 | 157,924                  | 149,347                     | 0                                 |
| 665- Legal Aid Society                      | 88,589                 | 94,900                  | 92,800                   | 92,100                      | (2,800)                           |
| 667- Payment to Cultural Institutions       | 39,562                 | 41,418                  | 43,046                   | 20,971                      | (20,447)                          |
| 668- Bus Transportation-Reimbursable        | 0                      | 59                      | 59                       | 59                          | 0                                 |
| 669- Transportation of Pupils               | 1,046,350              | 1,126,435               | 1,112,023                | 1,178,415                   | 51,981                            |
| 670- Payments to Contract Schools           | 1,731,971              | 2,180,273               | 2,148,335                | 2,263,596                   | 83,323                            |
| 671- Training for City Employees            | 28,986                 | 14,232                  | 23,045                   | 14,946                      | 715                               |
| 676- Maintenance & Oper. of Infrastructure  | 272,316                | 123,028                 | 197,027                  | 145,125                     | 22,097                            |
| 678- Payments to Delegate Agencies          | 354,998                | 342,012                 | 352,809                  | 281,294                     | (60,718)                          |
| 681- Prof Services Accounting/Auditing      | 16,528                 | 24,768                  | 26,064                   | 25,734                      | 966                               |
| 682- Professional Services-Legal            | 79,273                 | 101,379                 | 101,475                  | 94,366                      | (7,013)                           |
| 683- Professional Services-Engineering      | 12,305                 | 3,398                   | 18,440                   | 1,908                       | (1,491)                           |
| 684- Professional Services-Computers        | 162,543                | 146,546                 | 180,548                  | 111,611                     | (34,935)                          |
| 685- Professional Services-Education        | 937,833                | 844,776                 | 829,378                  | 904,565                     | 59,789                            |
| 686- Professional Services-Other            | 277,306                | 148,294                 | 234,646                  | 147,323                     | (970)                             |
| 688- Bank Charges Public Assistance Account | 334                    | 395                     | 435                      | 395                         | 0                                 |
| 689- Prov. Svcs Curriculum & Development    | 93,724                 | 32,677                  | 33,241                   | 31,469                      | (1,208)                           |
| 695- Youth Programs                         | 193,586                | 174,177                 | 176,347                  | 114,494                     | (59,683)                          |
| <b>Total Contract Budget</b>                | <b>\$10,925,912</b>    | <b>\$10,511,006</b>     | <b>\$11,198,038</b>      | <b>\$10,454,093</b>         | <b>(\$56,913)</b>                 |

\*Continuation from previous page