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**Report on the Fiscal 2024 Preliminary Plan
and the Fiscal 2023 Preliminary Mayor's
Management Report for the**

Department of Design and Construction

March 6, 2023

Prepared by Michael Sherman, Senior Financial Analyst



Table of Contents

Department of Design and Construction Fiscal 2024 Budget Snapshot1

Department of Design and Construction Financial Plan Overview1

Financial Summary.....2

 Revenue3

Fiscal 2024 Preliminary Budget Changes.....3

 New Needs.....3

 Other Adjustments3

 Program to Eliminate the Gap (PEG)4

Headcount4

Preliminary Capital Commitment Plan for Fiscal 2023 to Fiscal 2027.....4

Fiscal 2024 Preliminary Mayor’s Management Report5

Budget Issues and Concerns6

Blueprint 2022 Capital Project Delivery Progress Update.....6

Appendices8

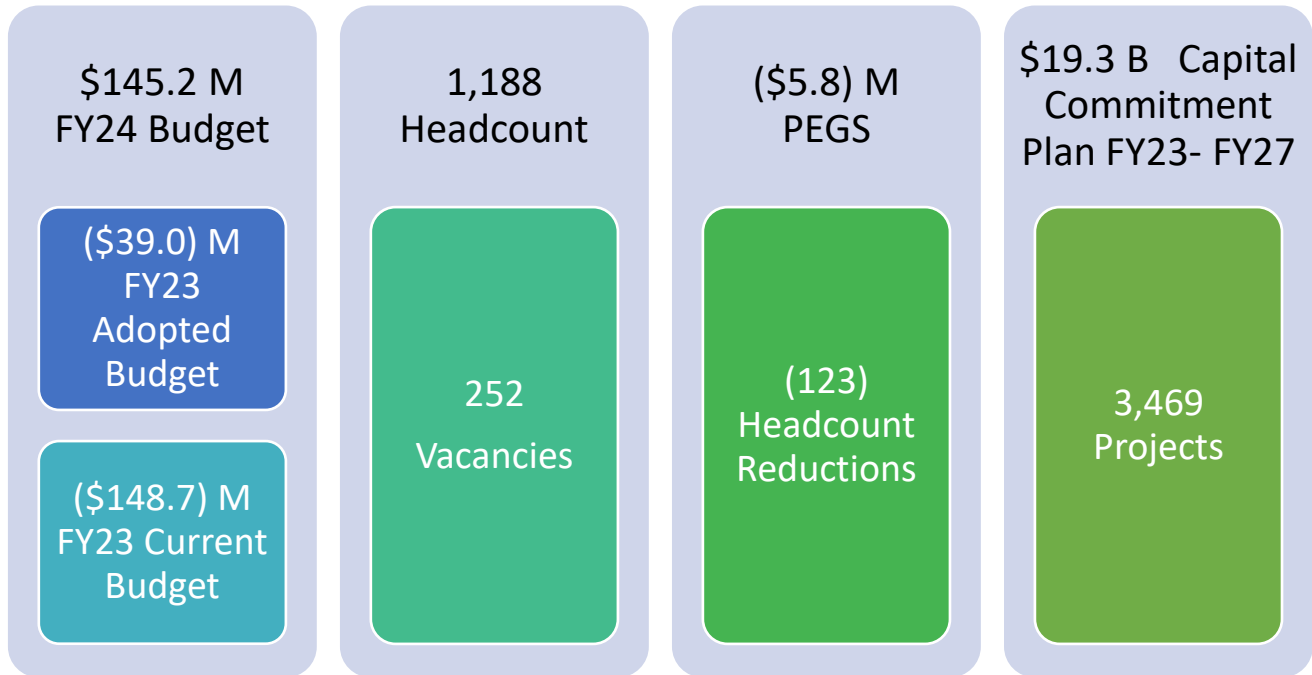
 A. Budget Actions in the November and Preliminary Plans8

 B. Contract Budget.....9

 C. DDC Budget Overview: PS vs. OTPS.....9

 D. DDC Projects By Agency10

Department of Design and Construction Fiscal 2024 Budget Snapshot



Department of Design and Construction Financial Plan Overview

The mission of the Department of Design and Construction (DDC or the Department) is to deliver the City’s capital construction projects in a safe, cost-effective manner while maintaining the highest degree of architectural, engineering, and construction quality. DDC’s projects range from roadways, sewers and water mains to public safety, health and human services facilities, as well as cultural institutions and libraries. DDC uses a combination of in-house staff and private consultants and contractors to execute its mission.

As the City’s capital construction agency, DDC is given much latitude in determining the method by which capital contracts are let. DDC utilizes several different special contracting procedures for awarding capital work, including, but not limited to, requirements contracts, pass-thru contracts, negotiated acquisitions, and sole-source contracts. These methods allow DDC to award contracts in instances when competitive sealed bidding is not practicable or advantageous.

This report provides a review of DDC’s Fiscal 2024 Preliminary Budget, including highlights of the \$145.2 million Fiscal 2024 expense budget and the relevant new needs that were added in the November and Preliminary Plans. The Fiscal 2024 Preliminary Budget for DDC includes few changes. The most notable is a vacancy reduction of \$5.8 million in Fiscal 2023 and \$11.5 million in Fiscal 2024 and in the out years, resulting in the elimination of 122 vacant positions.

DDC Fiscal 2024 Preliminary Contract Budget totals \$10.5 million for 128 contracts, a decrease of \$60 million from the Fiscal 2023 Adopted Budget. Overall, the number of contracts included in DDC’s budget for Fiscal 2024 was decreased by six compared to the Fiscal 2023 Adopted budget number of 134 contracts. The specifics of the agency’s contract budget can be found in Appendix B.

Financial Summary

The Fiscal 2024 Financial Plan (Financial Plan) includes a \$145.2 million budget for DDC, with \$113.6 million in Other Than Personal Services (OTPS) to cover costs related to property, equipment, supplies, and services contracted out to private entities and \$31.7 million for Personal Services (PS) to support 1,188 full-time staff positions. The Fiscal 2024 Preliminary Budget also contains savings of \$5.8 million in Fiscal 2023 and \$11.5 million in Fiscal 2024 as part of the Program to Eliminate the Gap (PEG). DDC's Fiscal Year 2024 Preliminary Budget for Fiscal 2024 is \$38.9 million less than its Fiscal Year 2023 Adopted Budget of \$184.2 million. With \$27.8 million less spending in OTPS and \$11.2 million less PS spending. This difference is largely attributable to a fluctuation in the agency's contract budget for professional services in addition to citywide vacancy reductions implemented by the Administration. In addition, the Fiscal 2024 budget does not yet recognize capital project funding from other agencies.

DDC's Fiscal Year 2023 OTPS budget in the Financial Plan is \$174.5 million and its PS budget is \$119.5 million, a total of nearly \$110 million greater than at adoption. The increased spending for Fiscal Year 2023 is attributed to adjustments made as DDC received contracts from other agencies, and grants from the State and Federal government. Some of these adjustments include \$116.2 million in additional Federal FEMA funds related to Covid-19, \$41.6 million from FEMA for the installation of Covid-19 testing sites, \$10.3 million from the Department of Corrections for the demolition and construction of 850 doors and frames at Rikers Island, and \$3.5 million for the design and installation of an integrated flood protection system. The Fiscal Year 2024 OTPS spending is anticipated to follow this pattern of increase.

DDC receives funding from a variety of sources. The largest source of funding in Fiscal 2024 is Capital – IFA followed by City funds, which account for \$124.9 million and \$20.3 million respectively.

Table 1: DDC Financial Summary
Dollars in Thousands

	2021	2022	2023	Preliminary Plan		*Difference
	Actual	Actual	Adopted	2023	2024	2023 - 2024
Spending						
Other Than Personal Services	\$232,558	\$87,603	\$59,473	\$174,522	\$31,675	(\$27,798)
Personal Services	117,280	113,947	124,724	119,448	113,563	(11,161)
TOTAL	\$349,838	\$201,551	\$184,197	\$293,970	\$145,238	(\$38,959)
Personal Services						
Additional Gross Pay	\$3,100	\$4,906	\$2,098	\$2,098	\$2,098	\$0
Fringe Benefits	2	3	0	0	0	0
Full-Time Salaried - Civilian	112,673	107,315	121,039	115,743	109,878	(11,161)
Other Salaried	0	0	2	2	2	0
Overtime - Civilian	1,183	1,427	1,075	1,095	1,075	0
P.S. Other	(2)	0	0	0	0	0
Unsalaries	324	297	509	509	509	0
SUBTOTAL	\$117,280	\$113,947	\$124,724	\$119,448	\$113,563	(\$11,161)
Other Than Personal Services						
Contractual Services	\$149,994	\$38,220	\$24,654	\$118,988	\$ 4,382	(\$20,272)
Contractual Services - CIGs	0	0	1,500	1,500	0	(1,500)
Contractual Services - Professional Services	47,194	29,044	6,158	27,500	6,158	0
Contractual Services - Waste Export	1	3	3	5	3	0
Fixed & Misc. Charges	5,190	4,012	148	95	148	0
Other Services & Charges	27,652	14,922	24,217	23,895	18,182	(6,035)
Property & Equipment	1,182	200	662	677	670	8
Supplies & Materials	1,345	1,202	2,133	1,862	2,133	0

Table 1: DDC Financial Summary						
<i>Dollars in Thousands</i>						
	2021	2022	2023	Preliminary Plan		*Difference
	Actual	Actual	Adopted	2023	2024	2023 - 2024
SUBTOTAL	\$232,558	\$87,603	\$59,473	\$174,522	\$31,675	(\$27,798)
TOTAL	\$349,838	\$201,551	\$184,197	\$293,970	\$145,238	(\$38,959)
Funding						
Capital- IFA			\$136,475	\$130,731	\$124,943	(\$11,532)
City Funds			47,631	53,521	20,283	(27,347)
Federal - Community Development			0	5,619	0	0
Federal - Other			0	74,433	0	0
Intra City			92	29,372	11	(80)
Other Categorical			0	294	0	0
TOTAL	\$349,838	\$201,551	\$184,197	\$293,970	\$145,238	(\$38,959)
Budgeted Headcount						
Full-Time Positions - Civilian	1,208	1,112	1,310	1,191	1,188	(122)
TOTAL	1,208	1,112	1,310	1,191	1,188	(122)

*The difference of Fiscal 2023 Adopted Budget compared to Fiscal 2024 Preliminary Budget.

Revenue

Table 2: DDC Miscellaneous Revenue Budget Overview				
<i>Dollars in Thousands</i>				
	FY22	Preliminary Plan		*Difference
	Actual	FY23	FY24	FY22-FY24
Revenue Sources				
Charges for Services				
Bid Document Fees	\$ 7	\$ 50	\$ 50	\$43

Actual miscellaneous revenue for Fiscal 2022 totaled \$7,000, \$43,000 lower than the projected revenue of \$50,000 in the Fiscal 2024 Preliminary Plan. The only source of miscellaneous revenue for DDC is bid document fees.

Fiscal 2024 Preliminary Budget Changes

The most significant Preliminary Plan changes include the following:

New Needs

- No new needs.

Other Adjustments

- **Eastside Coastal Resiliency:** The Fiscal 2024 Preliminary Budget includes \$309,000 for environmental impact statement and review as well as environmental support services. This funding is unspent federal funds from previous years and that is rolled over into the current fiscal year.
- **Harlem Court Façade:** The Fiscal 2024 Preliminary Budget includes \$177,000 for the stabilization of the Harlem Courthouse at 170 East 121st Street. This is temporary funding until a larger scale capital project can begin. The funding comes from the Department of Citywide Administrative Services (DCAS).

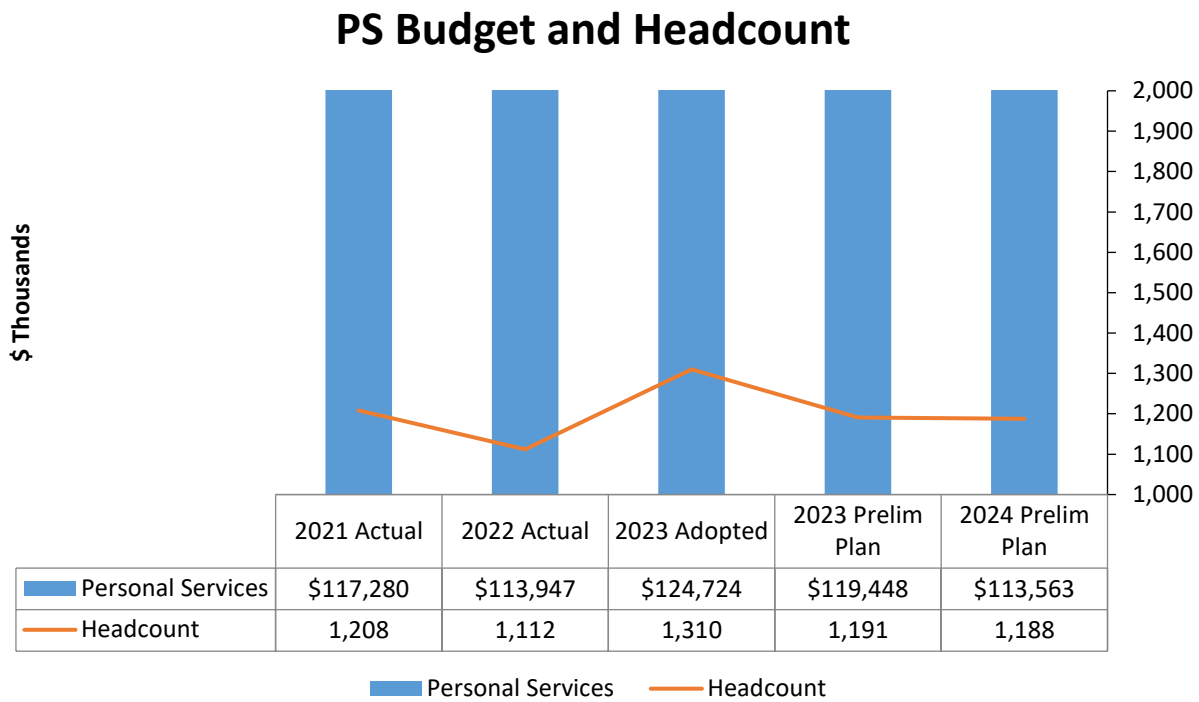
Program to Eliminate the Gap (PEG)

- Vacancy Reduction:** The Fiscal 2024 Preliminary Budget includes headcount reduction of 122 positions with associated savings of \$5.8 million in Fiscal 2023 and \$11.5 million in Fiscal 2024 and in the outyears.

Headcount

DDC’s Fiscal 2024 Preliminary Plan includes a headcount of 1,188 positions in Fiscal 2024 with a PS budget of \$113.6 million. The actual headcount as of December 2022 is 1,058, representing a vacancy rate of 19.2 percent.

Chart 1: PS Budget and Headcount

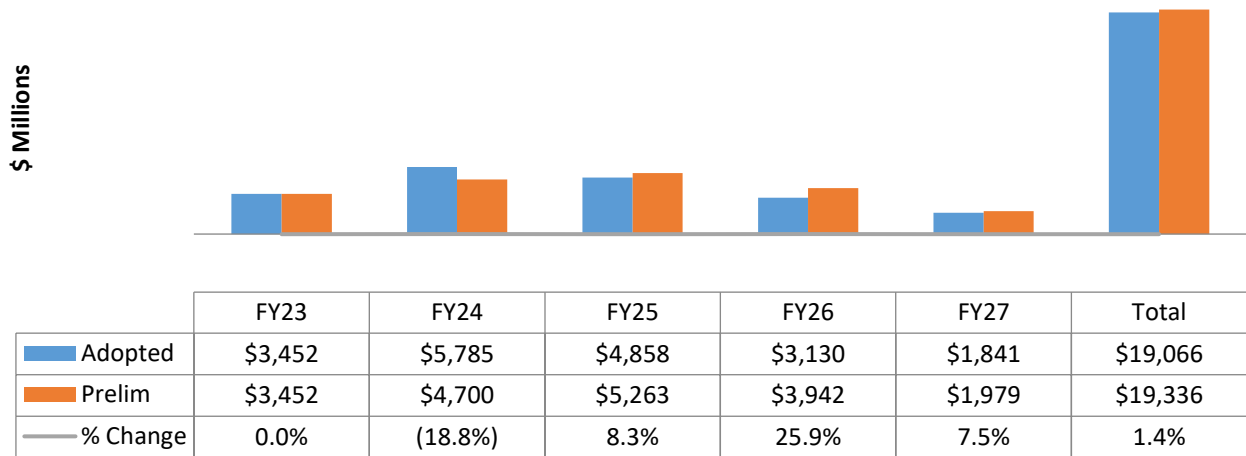


The Fiscal 2024 headcount reflects a reduction of 123 positions from the Fiscal 2023 Adopted Budget with related savings of \$5.8 million in Fiscal 2023 and \$11.5 million in Fiscal 2024 and the outyears.

Preliminary Capital Commitment Plan for Fiscal 2023 to Fiscal 2027

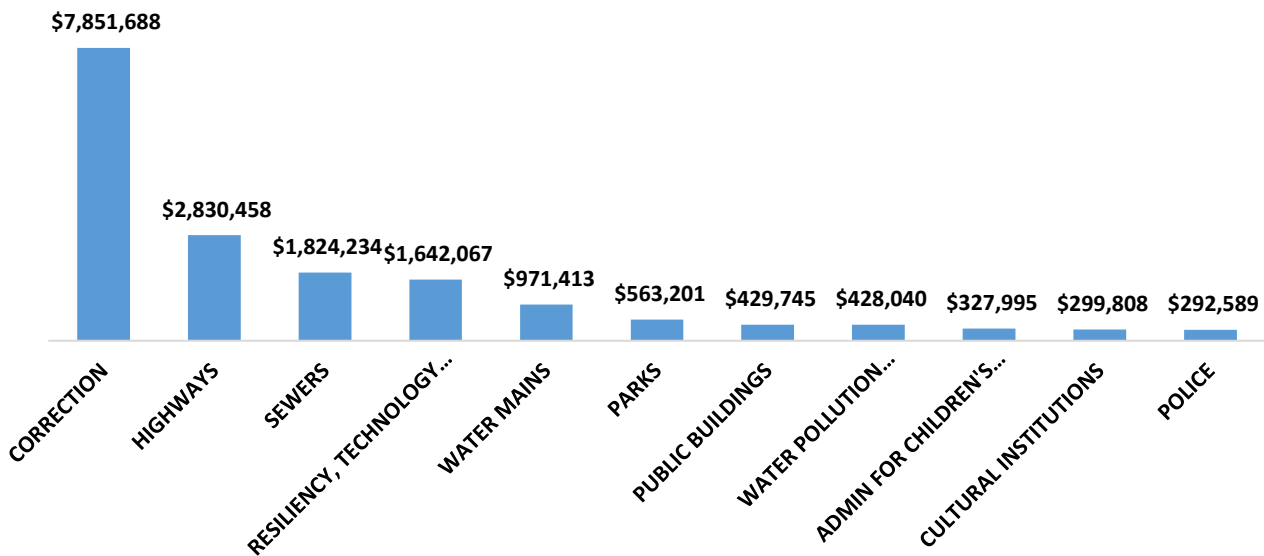
The Fiscal 2024 Preliminary Capital Commitment Plan includes \$19.3 billion in Fiscal Years 2023-2027 for DDC (including City and non-City funds). This represents 20 percent of the City’s total \$96.5 billion Preliminary Capital Commitment Plan.

Chart 2: DDC Commitment Plan



DDC’s largest capital projects are related to Department of Correction (\$7.9 billion), Highways (\$2.8 billion), Sewers (\$1.8 billion), and Resiliency, Technology, and Equipment (\$1.6 billion). More information on DDC’s projects can be found in the DDC Blueprint section of this report and in Appendix C. The below chart summarizes the largest Capital Commitment Plans by project type.

Chart 3: Preliminary Capital Commitment Plan by Type of Project FY23-27



Fiscal 2024 Preliminary Mayor’s Management Report

The Fiscal 2024 Preliminary Mayor’s Management Report (PMMR) includes three goals and one service area. The service area is to design and build quality public buildings and infrastructure. The goals for this service are to 1) complete projects on time and within budget, 2) meet quality assurance and site safety standards for all active projects, and 3) improve customer satisfaction ratings.

There are several performance indicators and operating changes that will have an impact on the Department of Design and Construction moving forward:

- **Complete projects on time and within budget.** Within the first four months of Fiscal 2023 2.12 miles of new sewers were added. This is down 51.6 percent compared to the same period in Fiscal 2022.
- **Design and build quality public buildings and infrastructure.** Sewer miles reconstructed is down 78.2 percent and replaced water mains are down 71.1 percent compared to the same period in Fiscal 2022.
- **Agency customer service.** On-time performance for active design projects stands at 69 percent, below the target rate of 88 percent.

Budget Issues and Concerns

DDC currently has a vacancy rate of 19.2 percent. The Department's vacancy rate is of particular concern as it likely has an effect on the agency's core functions. The Administration has made infrastructure a priority, yet the number of vacant positions in DDC is likely to have a negative impact on the Agency's ability to complete projects on time and within budget moving forward.

Blueprint 2022 Capital Project Delivery Progress Update

DDC released their Blueprint 2022 Capital Project Delivery Progress Update, which outlines several aspects of DDC, including: focus areas, agency performance and metrics, and phase-by-phase improvement.

Design-Build: The State's Public Works Investment Act (PWIA) authorized DDC and other City agencies to use design-build project delivery. Design-build delivery allows DDC to get higher quality projects completed at a lower cost, with less overruns, and fewer delays by having a more streamlined partnership with government agencies, builders, and designers. Since the passage of the PWIA in January 2020, DDC's portfolio includes seven new buildings and three infrastructure projects that have a combined value of nearly \$600 million. Previous authorization allowed DDC to use design-build delivery for the Borough-Based Jails program which includes nine design-build projects, collectively valued at \$8.4 billion. This project will support the closure of Rikers Island by 2027 and will include new community facilities for jails. DDC estimates that it will save up to \$800 million on avoided change orders alone on the 19 projects in its design-build program, with a time savings of an average of 2.1 years each.

Procurement Policy Reform for Increased Flexibility: DDC is advocating reforming the Procurement Policy Board (PPB) rules in order to eliminate prescriptive requirements for design and construction. The rules were put in place to combat widespread corruption in the early 1990s. However, these same rules make it difficult to quickly replace failing contractors, which can lead to construction stalls for months in the event of a contractor default. According to DDC, the results of PPB reform would be months of savings on procurement and contract administration, the flexibility to solve problems as they arise, and further expansion of opportunities for minority and women owned business enterprises (MWBES). DDC cites the temporary suspension of certain PPB rules for work related to the pandemic as proof of changes allowing DDC to function more efficiently, arguing that changes to DDC's oversight process limited red and allowed the Agency to deliver projects significantly quicker.

Agency Performance and Metrics: Blueprint 2022 includes repeatable performance metrics that will be tracked and published regularly by DDC. One metric that is included in the report is the median project duration, an update to how DDC has reported projects in the past. By providing typical durations, DDC can more accurately show progress towards their targets across their entire portfolio. This better aligns with other reporting like the Mayor’s Management Report (MMR) and allows DDC to report back with greater consistency and transparency. Additionally, DDC is creating a database of public buildings information for every building in their portfolio, this will allow easy access to DDC information and the condition of public buildings.

Phase-by-Phase Improvement: In an attempt to streamline and improve the vendor application process, DDC has compiled a standard set of specifications for all Public Buildings projects. These guidelines also encourage designers to choose materials that are readily available to limit supply chain disruptions and building systems with a pre-existing track record. DDC is also incorporating cost adjustments into their contracts in order to offset unanticipated costs associated with inflation and supply chain issues. Overtime compensation is also included in DDC contracts to ensure timely completion of projects, as well as financial incentives to incentivize contractors to complete critical projects early.

Appendices

A. Budget Actions in the November and Preliminary Plans

<i>Dollars in Thousands</i>	FY23			FY24		
	City	Non-City	Total	City	Non-City	Total
DDC Budget as of the Adopted FY23 Budget	\$47,721	\$136,474	\$184,195	\$21,304	\$136,483	\$157,787
Changes Introduced in the November 2022 Plan						
New Needs	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal, New Needs	\$0	\$0	\$0	\$0	\$0	\$0
Programs to Eliminate the Gap (PEGs)						
Capital Ineligible Fund Reduction	(\$640)	\$0	(\$640)	(\$640)	\$0	(\$640)
Reduced Contract Spending	(770)	\$0	(770)	(370)	0	(370)
Subtotal, PEGs	(\$1,410)	\$0	(\$1,410)	(\$1,010)	\$0	(\$1,010)
Other Adjustments						
227 Duffield Stabilization	\$869	\$0	\$869	\$0	\$0	\$0
227 Duffield Stabilization	811	0	811	0	0	0
253 BDWY ELEVATOR	221	0	221	0	0	0
253 Broadway Facade	3,773	0	3,773	0	0	0
BEPA/DDC CLOUDBURST STAFFING	350	0	350	0	0	0
Bronx County Hall of Justice Remediation Project	527	0	527	0	0	0
Breezy Point Coastal Resiliency Project	0	679	679	0	0	0
COVER PARKING EXPENSES	179	0	179	0	0	0
CPSD Transfer	450	0	450	0	0	0
Federal Reimbursement for Construction of Covid-19 Related Projects	0	6,427	6,427	0	0	0
DDC- ADA COMPLIANCE	11,790	0	11,790	0	0	0
DDC- CELL DOORPROJECT	10,296	0	10,296	0	0	0
Design Build Legal Consultant	500	0	500	0	0	0
Design Build Stipends	6,350	0	6,350	0	0	0
FEMA SANDY BELLEVUE FLOODWALL	0	15,131	15,131	0	0	0
Installation of Covid-19 Testing Sites	0	41,601	41,601	0	0	0
FY23BIBOTPSUP	0	128	128	0	0	0
Integrated Flood Protection System in Red Hook	0	3,451	3,451	0	0	0
FY23RDHKDUP2	0	600	600	0	0	0
IC W/DDC - 1014	74		74	0	0	0
Funding for Vaccine Sites	0	463	463	0	0	0
Funding for Vaccine Sites	0	5,731	5,731	0	0	0
Increase FY 23 funds	0	72	72	0	0	0
Construction Management Services	0	2,595	2,595	0	0	0
Increase FY23 Budget	0	106	106	0	0	0
Increase tishman fund	0	1,864	1,864	0	0	0
Move Funds to FY23	0	222	222	0	0	0
Construction Management Services	0	968	968	0	0	0
Subtotal, Other Adjustments	\$36,190	\$80,038	\$116,228	\$0	\$0	\$0
TOTAL, All Changes in November 2022 Plan	\$34,780	\$80,038	\$114,818	(\$1,010)	\$0	(\$1,010)
DDC Budget as of the November 2022 Plan Budget	\$82,501	\$216,512	\$299,013	\$20,294	\$136,483	\$156,777
Changes Introduced in the FY24 Preliminary Plan						
<i>Dollars in Thousands</i>	FY23			FY24		
	City	Non-City	Total	City	Non-City	Total
New Needs	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal, New Needs	\$0	\$0	\$0	\$0	\$0	\$0
Programs to Eliminate the Gap (PEGs)						
Vacancy Reduction	\$0	(\$5,770)	(\$5,770)	\$0	(\$11,540)	(\$11,540)
Subtotal, PEGs	\$0	(\$5,770)	(\$5,770)	\$0	(\$11,540)	(\$11,540)

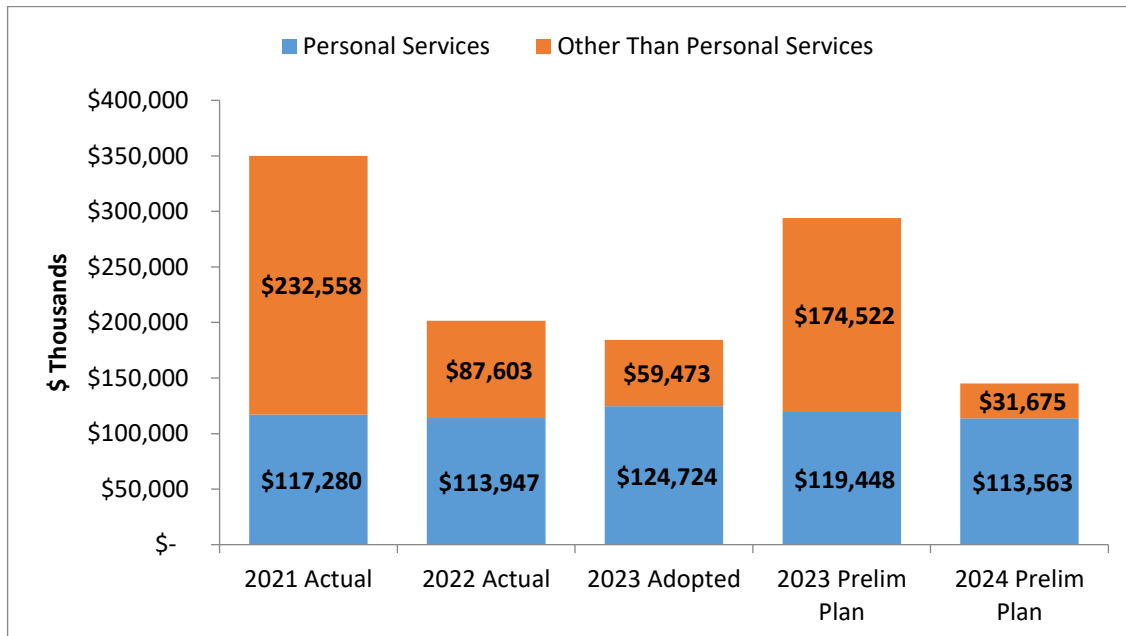
<i>Dollars in Thousands</i>	FY23			FY24		
	City	Non-City	Total	City	Non-City	Total
Other Adjustments						
23T096	\$54	\$0	\$54	\$0	\$0	\$0
45 Monroe Street	15	0	15	0	0	0
Eastside coastal resiliency	\$0	309	309	0	0	0
Harlem Court Facade	177	0	177	0	0	0
Heat, Light and Power	0	26	26	0	0	0
I/C DDC FY23	144	0	144	0	0	0
Subtotal, Other Adjustments	\$390	\$335	\$725	\$0	\$0	\$0
TOTAL, All Changes in the FY24 Preliminary Plan	\$390	(\$5,435)	(\$5,045)	\$0	(\$11,540)	(\$11,540)
DDC Budget as of the FY23 Preliminary Budget	\$82,891	\$211,077	\$293,969	\$20,295	\$124,943	\$145,238

Source: The Office of Management and Budget

B. Contract Budget

DDC Fiscal 2024 Preliminary Contract Budget				
<i>Dollars in Thousands</i>				
Category	Fiscal 2023 Adopted	Number of Contracts	Fiscal 2024 Preliminary	Number of Contracts
Contractual Services - General	\$ 20,534	13	\$ 3,008	8
Prof. Services - Computer Services	3,048	7	170	61
Prof. Services - Other	1,451	13	5,988	21
All Other Contracts	45,523	101	1,377	38
TOTAL	\$70,556	134	\$ 10,543	128

C. DDC Budget Overview: PS vs. OTPS



D. DDC Projects By Agency

Client Agency	<i>Dollars in Thousands</i>		
	Preliminary Fiscal Years 23-27	Adopted Fiscal Years 23-27	Variance Fiscal Years 23-27
ADMIN FOR CHILDREN'S SERVICES	327,995	315,874	12,121
BROOKLYN PUBLIC LIBRARY	172,344	159,939	12,405
CORRECTION	7,851,688	7,851,688	-
COURTS	256,312	196,137	60,175
CULTURAL INSTITUTIONS	299,808	277,891	21,917
DEP EQUIPMENT	30,268	26,016	4,252
DEPARTMENT FOR THE AGING	24,116	22,147	1,969
ECONOMIC DEVELOPMENT	134,788	134,686	102
FIRE	122,064	122,064	-
HEALTH	221,491	212,430	9,061
HEALTH & HOSPITALS CORP.	90,000	90,000	-
HIGHWAY BRIDGES	12,617	12,708	(91)
HIGHWAYS	2,830,458	2,736,820	93,638
HOMELESS SERVICES	142,091	146,444	(4,353)
HOUSING & DEVELOPMENT	32,117	54,822	(22,705)
HOUSING AUTHORITY	44,645	44,645	-
HUMAN RESOURCES	140,888	139,196	1,692
NEW YORK PUBLIC LIBRARY	105,815	106,533	(718)
PARKS	563,201	554,473	8,728
POLICE	292,589	292,793	(204)
PUBLIC BUILDINGS	429,745	528,027	(98,282)
QUEENS BOROUGH PUB. LIB.	208,108	220,463	(12,355)
REAL PROPERTY	7,453	7,453	-
RESILIENCY, TECHNOLOGY & EQUIP.	1,642,067	1,640,606	1,461
SANITATION	91,649	91,435	214
SEWERS	1,824,234	1,732,409	91,825
TRAFFIC	37,635	21,658	15,977
WATER MAINS	971,413	922,148	49,265
WATER POLLUTION CONTROL	428,040	404,020	24,020
Grand Total	19,335,639	19,065,525	270,114