

THE COUNCIL OF THE CITY OF NEW YORK

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Speaker of the Council

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Chair, Committee on Finance



Report on the Fiscal 2017 Preliminary Budget and the Fiscal 2016 Preliminary Mayor's Management Report Department of Design and Construction March 1, 2016

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Department of Design and Construction 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. 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. The Fiscal 2016 Adopted Budget included funding for 1,376 employees, which is identical to the current Preliminary Plan.

This report provides a review of the DDC's Preliminary Budget for Fiscal 2017. In the first section, the highlights of the \$549.4 million Fiscal 2017 expense budget are presented along with the relevant new needs that were added in the November Plan, as well as the most current Preliminary Plan. The report then presents the Department's impact of the federal budget actions, the Preliminary Mayor's Management Report for Fiscal 2016 and the Contracts budget. This is followed by a review of the proposed capital budget for the Department with a discussion of significant changes proposed to the \$5.5 billion Capital Plan for Fiscal 2017-2019. Finally, the appendices are included to highlight the Budget Actions in the November and Preliminary Plans and the Contract Budget.

Fiscal 2016 Preliminary Budget Highlights

The City's Fiscal 2017 Preliminary Budget is \$549.4 million, \$14.7 million less than the Fiscal 2016 Adopted Budget of \$564.2 million. The Fiscal 2017 Preliminary Budget reflects significant investments in infrastructure improvements and construction for various City agencies which is outlined below.

Department of Design and Construction Expense Budget						
<i>Dollars in Thousands</i>						
	2014 Actual	2015 Actual	2016 Adopted	Preliminary Plan		*Difference
				2016	2017	2016 - 2017
Spending						
Personal Services						
Additional Gross Pay	\$3,844	\$3,849	\$2,628	\$2,628	\$2,628	\$0
Additional Gross Pay - Labor Reserve	0	1,093	0	0	0	0
Full-Time Salaried - Civilian	84,817	89,211	106,541	107,753	107,718	1,177
Other Salaried	0	0	140	140	40	(100)
Overtime - Civilian	1,886	2,225	1,294	1,294	1,294	0
P.S. Other	(5)	(2)	0	0	0	0
Unsalaries	413	502	716	721	727	11
Subtotal	\$90,955	\$96,879	\$111,318	\$112,536	\$112,407	\$1,089

	2014	2015	2016	Preliminary Plan		*Difference
<i>Dollars in Thousands</i>	Actual	Actual	Adopted	2016	2017	2016 - 2017
Other Than Personal Service						
Supplies and Materials	\$993	\$1,127	\$898	\$1,338	\$1,473	\$575
Fixed and Misc Charges	\$12,195	\$12,865	\$11	\$40	\$11	\$0
Property and Equipment	994	1,594	1,266	3,800	2,653	1,387
Other Services and Charges	10,574	10,552	12,951	12,222	13,076	125
Contractual Services - Professional Services	7,076	17,265	24,986	56,688	6,891	(18,095)
Contractual Services - Waste Export	3	3	0	3	3	3
Contractual Services	4,479	19,994	412,744	426,391	412,911	167
Subtotal	\$36,313	\$63,400	\$452,856	\$500,483	\$437,018	(\$15,838)
TOTAL	\$127,267	\$160,279	\$564,174	\$613,019	\$549,425	(\$14,749)
Funding						
City Funds			\$7,154	\$7,401	\$7,405	\$252
Other Categorical			0	0	0	0
Capital- IFA			119,135	121,827	124,155	5,020
State			0	0	0	0
Federal - Community Development			437,860	476,760	417,817	(20,043)
Federal - Other			19	27	38	19
Intra City			7	7,004	10	3
TOTAL	\$127,267	\$160,279	\$564,174	\$613,019	\$549,425	(\$14,749)
Budgeted Headcount						
Full-Time Positions - Civilian	1,192	1,197	1,376	1,376	1,376	0
TOTAL	1,192	1,197	1,376	1,376	1,376	0

**The difference of Fiscal 2016 Adopted compared to Fiscal 2017 Preliminary Budget.*

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The Department's Fiscal 2017 Budget decreased by \$14.8 million when compared to the Adopted Budget primarily as a result of a decrease of over \$18 million in its professional services budget for design and construction work on a project that has already been completed.

Since Adoption, the Department has identified \$7.4 million in new needs for Fiscal 2017; the only new need, which is city funding, is an additional \$247,053 for the Science Technology Engineering Architecture and Mathematics (STEAM) Initiative. Other adjustments total \$46 million for Fiscal 2016 which represents consultant fees to manage projects funded with Federal Community Development Block Grant dollars totaling over \$400 million in grants the City received to shore up infrastructure needs that were exposed during Superstorm Sandy.

Highlights of DDC's Fiscal 2016 Preliminary Budget

New Needs:

- **STEAM Program.** In Fiscal 2016, DDC created the Division for Community Partnerships and STEAM Initiatives to lead the Department's efforts in outreach programs to enhance student awareness from middle school through employment. Funding totaling \$400,000 was baselined to support six full-time positions. In the most current Preliminary Plan, \$254,000 was added for Fiscal 2017 for other than personal services costs. This includes program instructors, training, equipment, transportation, and supplies for the program. This brings the total cost of the program to \$654,000 per year.

- **Cabling.** The Fiscal 2017 Preliminary Plan includes a total of \$42,700 in funding for cabling work which was done in new office space at 30-30 Thompson, DDC's headquarters. The cabling work is for new telephone and PC network services.
- **Consultants.** The Fiscal 2017 Preliminary Plan includes \$220,000 for consultants to perform professional services to support agency efforts to develop project controls, scope, schedule, and risk management for client agency capital projects.
- **New Lease.** The Fiscal 2017 Preliminary Plan includes \$228,000 in Fiscal 2017 and an additional \$456,000 in funding for Fiscal 2018 and beyond for new office space. This funding was added by OMB to enable DDC to work with DCAS to locate additional leased space to accommodate agency headcount growth. Some additional space has been obtained within 30-30 Thompson, but DDC has continued to work with DCAS to obtain the remainder of the additional space needed.
- **Office Equipment.** The Fiscal 2017 Preliminary Plan includes a total of \$1.4 million in Fiscal 2017 and \$1.2 million in Fiscal 2018 to replace cubicle desk partitions and chairs that have run the course of their useful life at DDC headquarters.
- **Personal Protective Equipment.** The Fiscal 2017 Preliminary Plan includes a total of \$114,300 in baseline funding for personal protective equipment. The new funding is for safety footwear for construction staff to wear while in the field. DDC is ensuring compliance with 29 CFR 1920.135. OSHA General Industry Standards Personal Protective Equipment Foot Protection.
- **Tablets for Staff.** The Fiscal 2017 Preliminary Plan includes \$176,000 in funding for new tablets for staff. Project engineers and project managers in DDC's Public Buildings and Infrastructure Divisions and Safety and Site Support Unit require tablets to access project data and agency information systems while working in the field at construction sites.

Other Adjustments:

- **Housing Recovery Office Funding.** The Housing Recovery Office (HRO) provided \$100 million to DDC in Fiscal 2015 to assist the City's efforts to rebuild the coast line which was devastated by Superstorm Sandy in late October 2012. That funding was designed to assist homeowners, landlords, and tenants in the five boroughs who participate in the Build-it-Back Program (BIB). Over 15,000 homeowners across Sandy-impacted areas of Brooklyn, Queens and Staten Island have applied to this program.
 - In the Fiscal 2017 Preliminary Plan, DDC added \$4.4 million for Build it Back. This budget modification and a subsequent increase for Pre-Construction Services are related to the ramping up of the BIB program in Fiscal 2016.
 - In the Fiscal 2017 Preliminary Plan, as a technical adjustment, DDC rolled \$10.4 million in unspent federal grant funds from Fiscal 2015 to Fiscal 2016 for the BIB program.

- **Emergency Construction and Repairs.** The Fiscal 2017 Preliminary Plan includes \$3.4 million in intra-city funds to do emergency construction and repairs at an ACS-owned facility, The Brooklyn Residential Center at 1125 Carroll Street. This work will be completed at approximately 74 city-leased sites used for early care and education programs.
- **Consultant Environmental Joint Venture.** The Fiscal 2017 Preliminary Plan includes \$6.6 million for a joint venture between Hazen & Sawyer and AKRF Inc. These two consultant firms will jointly provide environmental review and permitting services under a Requirement Service Contract for DDC. Their design fee for environmental review and permitting for the East Side Coastal Resiliency project that DDC manages on behalf of the Mayor's Office of Recovery and Resiliency is \$6.6 million.
- **East Side Costal Resiliency.** The Fiscal 2017 Preliminary Plan includes \$5.5 million in funding for pre-scoping and feasibility for the East Side Coastal Resiliency project that DDC is managing on behalf of the Mayor's Office of Recovery and Resiliency.

This project builds upon the Rebuild by Design proposal for coastal protection for the East Side of Manhattan, from Montgomery Street to East 25th Street. The intent is to protect neighborhoods and infrastructure from future storm surge and rising sea levels, as well as improve public open space and accessibility to the park and waterfront.

- Area One – Project Area One is generally bounded by 14th Street to the North, the west side of the Franklin D. Roosevelt East River Drive, Montgomery Street to the South, and the U.S. Pier-head line in the East River to the East.
- Area Two - Project Area Two is generally bounded by 25th Street to the North, the west side of the Franklin D. Roosevelt East River Drive, 14th Street to the South, and the U.S. Pier-head line in the East River to the East.

Contract Budget

DDC Fiscal 2017 Preliminary Contract Budget <i>Dollars in Thousands</i>				
Category	Fiscal 2016 Adopted	Number of Contracts	Fiscal 2017 Preliminary	Number of Contracts
Contractual Services - General	\$412,158	15	\$412,173	27
Prof. Services - Computer Services	986	30	986	60
Prof. Services - Other	24,000	8	5,906	8
All other Contracts	586	31	740	35
TOTAL	\$437,730	84	\$419,805	130

The City's Contract Budget, as proposed, totals \$13.17 billion in Fiscal 2017, a decrease of \$76 million or 0.5 percent when compared to the Fiscal 2016 Adopted Budget of \$13.24 billion. For DDC, the contract budget for Fiscal 2017 is approximately \$419.8 million, including several large contracts valued at over \$400 million for the repairs and infrastructure improvements related to Superstorm Sandy. This will be funded with federal CDBG-DR funding.

These contracts, using expense dollars, are part of DDC's efforts to assist HRO (Housing Recovery Office) on delivering homes back to the people impacted by Superstorm Sandy. The Build It Back program, which is managed by DDC has hosted city-wide forums and has addressed the construction community. These contracts were awarded through the City's competitive procurement process and were all duly registered.

The agency is working very close with OMB to ensure that all expense dollars that are paid to the three construction manager's will be reimbursed by HUD. HUD is the federal agency that is providing the City with the funding to address this aspect of the Sandy recovery. Typically, the first phases of an emergency like Sandy are funded through FEMA, but once the re-building phase starts for homeowners, the federal funding is managed through HUD.

Capital Program

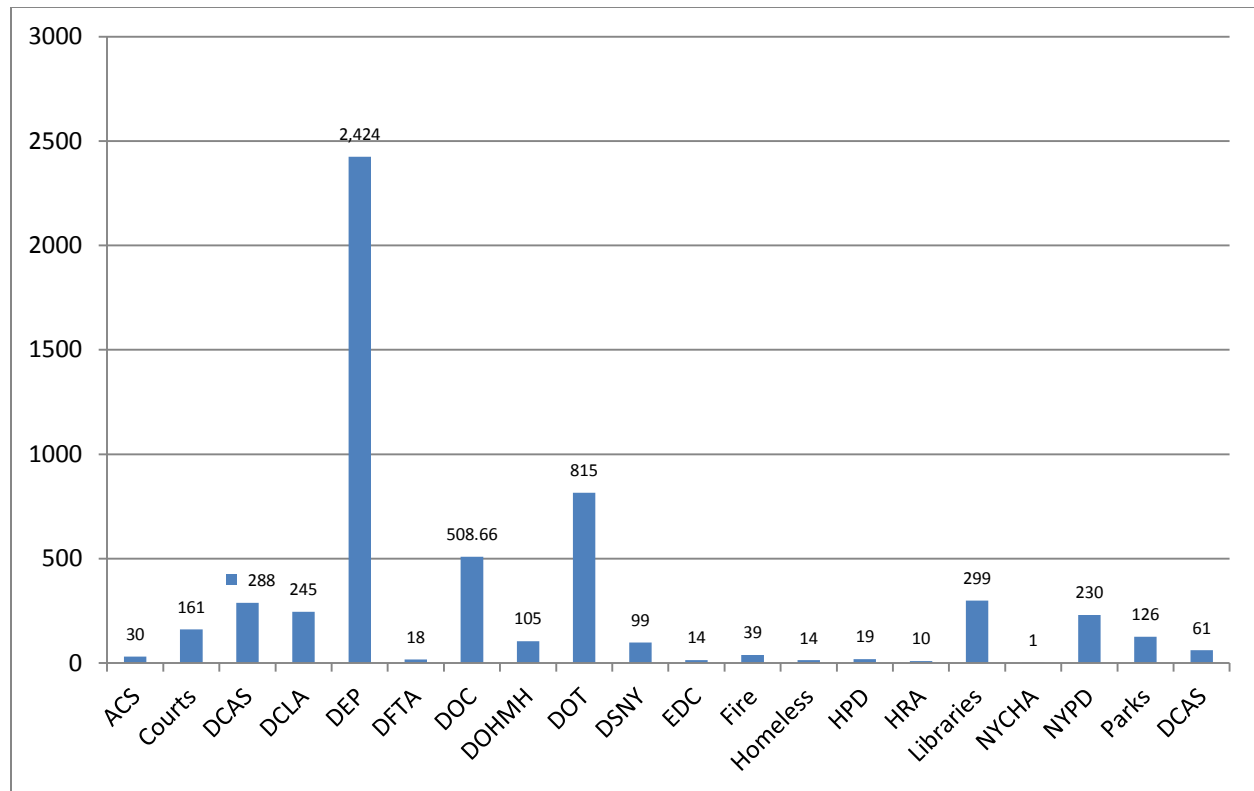
Capital Budget Summary

The Fiscal 2016 Preliminary Capital Commitment Plan includes \$5.5 billion in Fiscal 2016-2019 for the Department of Design and Construction (including City and Non-City funds). This represents approximately 9.6 percent of the City's total \$57.2 billion Preliminary Plan for Fiscal 2016-2019. The agency's Preliminary Commitment Plan for Fiscal 2016-2019 is 9 percent more than the \$5.1 billion scheduled in the September Commitment Plan, an increase of \$446 million.

The majority of the capital projects span multiple fiscal years and it is therefore common practice for an agency to roll unspent capital funds into future fiscal years. In Fiscal 2016, DDC committed \$2.7 billion or 49 percent of its annual capital plan. Therefore, it is assumed that a significant portion of the agency's Fiscal 2017 Capital Plan will be rolled into Fiscal 2018, thus increasing the size of the Fiscal 2016-2019 Capital Plan. Since adoption last June, the citywide total Capital Commitment Plan for Fiscal 2016 has increased from \$19.3 billion in the September Capital Commitment Plan to \$19.7 billion in the Preliminary Capital Commitment Plan, an increase of \$415 million or 2.2 percent.

DDC 2016-2019 Capital Commitment Plan: Adopted and Preliminary Budget					
<i>Dollars in Thousands</i>					
	FY16	FY17	FY18	FY19	Total
Preliminary Plan					
Total Capital Plan	\$2,722,715	\$1,541,651	\$929,687	\$315,046	\$5,509,099
Adopted Plan					
Total Capital Plan	\$2,517,934	\$1,312,730	\$988,743	\$243,729	\$5,063,136
Change					
Level	\$204,781	\$228,921	(\$59,056)	\$71,317	\$445,963
Percent Change	8%	17%	(6%)	29%	9%

The increase in spending is primarily due to the addition of \$229 million in funding for infrastructure projects including sewers, water mains and highways. Most notably, over \$42 million on two water main extensions, one in Manhattan and another in Long Island City, Queens. There is also \$57 million in work on the Porpoise Bridge and tide gate for a pedestrian bridge in Queens and \$20 million for the construction and reconstruction of ramps on E. 92nd Street to E. 91 Street for the Marine Transfer Station in Manhattan.



Currently, DDC manages all or a portion of the capital budgets of 30 client agencies. The bar chart above summarizes DDC's Fiscal 2015 Preliminary Capital Commitment Plan by client agency. DDC manages a portfolio of more than \$5.5 billion in the City's capital program.

Preliminary Capital Highlights

Pugsley Creek Relief Sewer and Repair of Existing Water Main

This project is to reduce the volume of Combined Sewer Overflow (CSO) in Pugsley Creek. It will include the construction of this parallel sewer and replace old, undersized and unlined cast iron water mains within the project limit. Currently, the project is in construction procurement phase with an anticipated bid date sometime in April or May of 2016. DDC anticipates that the actual construction will start in early fall 2016 with a 3 year construction duration.

Replacement of Trunk and Water Mains in Bainbridge Ave

This project calls for the replacement of trunk and distribution water mains and combined sewer rehabilitation in Bainbridge Ave between Gun Hill Rd and Jerome Ave and in Jerome Ave between Holy Lane and E 233rd St, etc., in the Borough of The Bronx. Construction is anticipated for spring 2016 with a 2.5 year construction duration.

Preliminary Mayor's Management Report

The Mayor's Management Report (MMR), which is mandated by the City Charter, serves as a public report card on City services affecting New Yorkers. The MMR is released twice a year. The Preliminary MMR provides an early update of how the City is performing four months into the fiscal year. The final MMR, published each September, looks retrospectively at the City's prior fiscal year's performance.

Performance Goals and Measures

- ✓ **Complete projects on time and within budget.**
- ✓ **Meet quality assurance and site safety standards for all active projects.**
- ✓ **Improve customer satisfaction ratings.**

DDC is experiencing a downward trend in design projects completed early or on time over the three year period spanning Fiscal 2012 through Fiscal 2014. Total design projects completed on time have declined from 87 percent in Fiscal 2012 to 86 percent in Fiscal 2013 to 84 percent in Fiscal 2014. The target rate for this category is 88 percent. Construction projects completed early or on time have increased from 81 percent in Fiscal 2012 and Fiscal 2013 to 84 percent in Fiscal 2014. This is above target, the target for early or on time performance is 82 percent.

DDC's customer satisfaction fell from 93 percent in Fiscal 2014 to 85 percent in Fiscal 2015. Even though this is below target, which is 90 percent, and significantly lower than where it was in previous years, DDC has made a concerted effort to address this issue and has had some early positive results. The first four months of Fiscal 2016 actuals has DDC at 88 percent in its customer satisfaction, considerably higher than it was in Fiscal 2015 during the first four months at 80 percent.

Appendix A: Budget Actions in the November and the Preliminary Plans

<i>Dollars in Thousands</i>	FY 2016			FY 2017		
	City	Non-City	Total	City	Non-City	Total
DDC Budget as of the Adopted 2016 Budget	\$7,154	\$557,020	\$564,174	\$7,158	\$539,521	\$546,679
New Needs						
Cabling	\$0	\$42	\$42	\$0	\$0	\$0
Consultant Services	0	220	220	0	0	0
New Leases	0	228	228	0	456	456
Office Equipment	0	1,388	1,388	0	1,300	1,300
Personal Protective Equipment	0	114	114	0	114	114
Steam Program	247	0	247	247	0	247
Tablets for Staff	0	176	176	0	0	0
Training for Staff	0	125	125	0	125	125
Subtotal, New Needs	\$247	\$2,293	\$2,540	\$247	\$1,995	\$2,242
Other Adjustments						
City Funds	\$0	\$0	\$0	\$0	\$0	\$0
Capital- IFA	0	399	399	0	489	489
Federal - Community Development	0	38,901	38,901	0	5	5
Federal - Other	0	8	8	0	10	10
Intra City	0	6,998	6,998	0	0	0
Subtotal, Other Adjustments	\$0	\$46,306	\$46,306	\$0	\$504	\$504
TOTAL, All Changes	\$247	\$48,599	\$48,846	\$247	\$2,499	\$2,746
DDC Budget as of the Preliminary 2017 Budget	\$7,401	\$605,619	\$613,020	\$7,405	\$542,020	\$549,425

Appendix B: Fiscal 2016 Preliminary Mayor's Management Report Performance Measures

DDC Performance Indicators	Actual			Target		4-Month Actual	
	FY12	FY13	FY14	FY15	FY16	FY15	FY16
Design projects completed	127	128	179	146	*	47	44
Total design projects completed early/on time (%)	87%	86%	84%	88%	88%	NA	NA
- Completed early/on time: Infrastructure (%)	83%	85%	84%	88%	88%	NA	NA
- Completed early/on time: Public buildings (%)	90%	87%	84%	88%	88%	NA	NA
Construction projects completed	117	118	125	102	*	35	42
Total construction projects completed early/on time (%)	81%	81%	84%	82%	82%	NA	NA
- Completed early/on time: Infrastructure (%)	81%	87%	88%	82%	82%	NA	NA
- Completed early/on time: Public buildings (%)	82%	76%	83%	82%	82%	NA	NA
Average cost change for all completed consultant design and construction supervision projects (%)	2.00%	2.7%	2.6%	3.00%	3.00%	3.70%	2.70%
Average cost change for all completed construction projects (%)	1.80%	2.1%	2.0%	3.00%	3.00%	1.60%	2.80%
Projects completed within budget (%)	94%	89%	89%	*	*	84%	85%
Lane miles reconstructed	51.8	42.6	20.4	6	*	3.6	4.5
- Construction completed on schedule (%)	83%	85%	93%	82%	82%	83%	83%
Sewers constructed (miles)	9.9	12.8	9.8	4	*	2.7	3.6
- Construction completed on schedule (%)	88%	84%	85%	82%	82%	84%	92%
Sewers reconstructed (miles)	8.8	6.7	6.1	4	*	1.5	1.1
- Construction completed on schedule (%)	82%	86%	84%	82%	82%	94%	82%
Water mains (new and replaced) (miles)	38.2	31.8	34.6	18	*	14.2	7.6
- Construction completed on schedule (%)	80%	88%	92%	82%	82%	97%	95%
Active design projects: Early/on time (%)	84%	86%	88%	88%	88%	86%	89%
Active construction projects: Early/on time (%)	86%	88%	84%	82%	82%	82%	85%
Active design projects: Difference between projected and scheduled duration (%)	1.60%	2.0%	1.3%	1.50%	1.50%	1.50%	1.30%
Active construction projects: Difference between projected and scheduled duration	1.90%	2.4%	1.9%	2.50%	2.50%	2.00%	1.90%
Projects audited (%)	100%	100%	100%	95%	95%	52%	52%
Project inspections with at least one high-risk deviation (%)	56.3%	72.7%	74.6%	DOWN	DOWN	74.8%	68.4%
Eligible projects with completed post-construction surveys (%)	42%	47%	28%	*	*	25%	69%
Post-construction satisfaction - Surveys returned	47	46	27	*	*	15	37
Respondents rating a completed project as adequate or better (%)	95%	93%	85%	90%	90%	80%	88%
E-mails responded to in 14 days (%)	91%	94%	95%	90%	90%	94%	92%
Letters responded to in 14 days (%)	91%	96%	94%	90%	90%	98%	92%