

CITY COUNCIL
CITY OF NEW YORK

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TRANSCRIPT OF THE MINUTES

Of the

COMMITTEE ON CONTRACTS

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HELD AT: Committee Room - City Hall

B E F O R E: HELEN K. ROSENTHAL
Chairperson

COUNCIL MEMBERS: Peter A. Koo
Ruben Wills
Costa G. Constantinides
Chaim M. Deutsch
Corey D. Johnson
I. Daneek Miller

A P P E A R A N C E S (CONTINUED)

Michael Owh, Director
Mayor's Office of Contract Services
NYC's Chief Procurement Officer

Marla Simpson, Executive Director
Brooklyn Community Services, BCS

Michelle Jackson, Deputy Director
Human Services Council

Solomon Capellias (sp?)
Building Owner/Landlord

Heidi Aronin, Chief Administrative Officer
JASA, Jewish Association Serving the Aging

CHAIRPERSON ROSENTHAL: Everyone good to go? Alright. [gavel] So welcome to the Committee on Contracts hearing on the Fiscal 2018 Preliminary Budget. My name is Helen Rosenthal. I'm chair of the committee, and I'm very grateful to my colleague Ydanis Rodriguez, Council Member Koo--Council Member Johnson is somewhere--for joining us today, and today we'll hear testimony from my Michael Owh, the City's Chief Procurement Officer, and Director of the Mayor's Office of Contract Services or MOCS as we like to call it. MOCS plays a critical role in management of the city's \$15 billion contracts budget. Last year MOCS testified on expanding outreach with Minority and Women Owned Business enterprises and improving the procurement process. We're eager to hear the results of that progress, of these efforts, and to get updates in other areas of MOCS work. WE want to confirm that the Office of Contracts is fully equipped to perform its critical function, which brings us to the MOCS proposed budget, and what we can expect from its recent expansion. For Fiscal Year 18, MOCS budget totals 20--totals \$12 million, which provides for 158 full-time positions. We want to ensure that resources are

available as MOCS implements its new Passport procurement software and infrastructure. The path to solving many of the hiccups that we hear about in registering a contract is procurement reform. We will examine the city's planned spending for contractual services and review findings from the Fiscal 2016 Agency Procurement Indicators Report. According to the report, in Fiscal 16 New York City procured \$15 billion worth of goods and services through more 41,000 transactions. That will keep you busy. These contracts represent the vital and central piece of New York City's governance, and it is essential that we approach them with the same seriousness and eye toward improvements that we would for any city service. This is especially true in the human services sector where the city often relies on contracted non-profits to deliver services that that city itself is legally required to provide. To that end, the Preliminary Plan adds \$12 million to—excuse me—to Fiscal 17 and \$19 million baselined funding for Fiscal Year 18, and in the out years to provide wage adjustments for daycare workers, for example. However, previous wage adjustments have created significant implementation hurdles for the non-profit

providers. We'll review the progress made to date to full implementation of the cost of living adjustment wage increase provided for contracted human services workers in the Fiscal Year 16 budget, and will decide--will also discuss--we'll decide a few things. We'll discuss how to avoid any hiccups in future wage--implementation of future wage adjustments. We look forward to discussing any additional ways to support the human service non-profits who serve our most vulnerable but continue to struggle to make ends meet regard--despite the wage adjustment, which people repeat often. You know, Council Members and the city is so grateful to Mayor de Blasio for including the wage adjustment and certainly it's problematic that the Governor has not included the same wage adjustments, but we also see, and this is not so much your issue, Director, but, you know, as the cost of rent, maintenance, supplies and infrastructure continue to soar, the city needs--the contract providers need some relief there as well. With nearly one in five city human service providers operating in the red, more must be done to ensure that these providers have the resources they need to keep their doors open both for the million and a half

New Yorkers they serve, and the nine-90,000 employers— Let's star that again. And for the 90,000 New Yorkers that they employ who are staffed to these organizations. To this end, we're interested in learning about the status of the Returnable Grant Fund, the one tool that MOCS has to ease the burden of procurement delays in the human services sector regardless of the source of the delays. It is vital that we as a city ensure that the city's procurement policy is fair and equitable, and that these investment in our contract budget reinvest into our many communities justly. Under the leadership of Director Owh MOCS has always been a tremendous partner in advancing that goal. I look forward to hearing his perspective on these and other issues this morning. I want to thank the staff of the Contracts Committee. I see Regina Pride (sic) O'Neal who is here, who's amazing, Casey Addison, John Russell, Alex Paulenoff our new General Counsel. It's so great to have you here, Brendon West (sic) and my staff Sean Fitzpatrick, and I'd like to welcome—oh, I already welcomed the Council Members. Okay. So, I'm looking forward to hearing the general public after—after MOCS testifies today. I want to

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2 thank you all for being here, and with that, I look
3 forward to hearing from the Director.

4 Good morning, Chair Rosenthal and members
5 of the City Council Committee on Contracts.

6 CHAIRPERSON ROSENTHAL: [off mic] Can you
7 pull the mic a little closer? We want to hear you
8 better. (sic) [background noise, pause]

9 MICHAEL OWH: Better.

10 CHAIRPERSON ROSENTHAL: [off mic] Now it
11 is.

12 MICHAEL OWH: Good. Today I will provide
13 you—my name is Michael Owh, and I am the Director of
14 the Mayor's Office of Contract Services, and the
15 city's Chief Procurement Officer. Thank you for the
16 opportunity to testify before this committee. Today,
17 I will provide you with an update on MOCS' work and
18 some context for the Fiscal 2018 Preliminary Budget.
19 As you know, procurement activities are governed by
20 rules promulgated by the Procurement Policy Board.
21 MOCS is charged with overseeing agency compliance
22 with the PPB rules and various Local Laws related to
23 procurement. We work to ensure procurements are
24 competitive, fair and result in contracts with
25 responsible bidders—vendors. In Fiscal 2016, City

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2 agencies procured \$15.3 billion worth of goods,
3 services and construction through more than 41,300
4 transactions. This represents an 11% increase in
5 total dollar value compared to the prior fiscal year.
6 We are doing business with thousands of vendors
7 across a variety of industries and sectors. Our
8 staff members reflect this diversity, and execute
9 their duties to uphold the integrity of the
10 procurement process by examining contract awards,
11 overseeing overall contract performance, and vendor
12 responsibility, publishing reports to increase
13 transparency and providing technical assistance and
14 training to both agency staff and vendors.

15 In Fiscal 2016, MOCS reviewed 1,499
16 procurement actions valued at \$18 billion and
17 coordinated 16 public hearings for 607 contracts
18 worth \$9.898 billion. Additionally, 107 concession
19 awards were approved with revenues estimated at \$35.3
20 million for Fiscal 2016. There are also three new
21 franchises with a projected revenue value of \$1.9
22 million in Fiscal 2016. MOCS has also supported the
23 Council by vetting more than 7,000 discretionary
24 awards annually. Annual performance evaluations are
25 required for all awarded contracts except for goods

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2 procured by a competitive sealed bids below the small
3 purchase limit. In Fiscal 2016, MOCS processed 5,445
4 agency issued performance evaluations with 98% of the
5 vendors receiving positive ratings. In compliance
6 with Local Law 34, MOCS processed 15,000 doing
7 business data forms allowing us to identify who is
8 doing and seeking to do business with the city. MOCS
9 also maintains legally required technology systems,
10 which allow us to report on the—on these data,
11 examine our relationships to entities doing business
12 with the city, and help us objectively and
13 continuously improve our procurement practices.

14 To support the city's Minority and Women
15 Owned Business Enterprise Program, which is led by
16 Deputy Mayor for Strategic Policy Initiatives in the
17 Mayor's Office of MWBE, MOCS generates performance
18 reports, provides goal setting assistance to
19 agencies, administers the waiver process, and
20 partners with the MOCS—Mayor's Office of MWBE and
21 the Department of Small Business Services to advance
22 policy changes. The city nearly doubled our combined
23 prime and subcontract utilization from 8% in Fiscal
24 2015 to 14% in Fiscal 2016, and is on track to reach
25 our One NYC goal with \$3.5 billion awarded to MWBEs

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2 at the end of Fiscal 2016. We are working with
3 agencies to actively look at ways to increase
4 competition and level the playing field for MWBEs.
5 HHS Accelerator is used to manage the full scope of
6 procurement activities for Health and Human Services
7 from announcing funding opportunities and pre-
8 qualifying vendors to manage—to managing proposal
9 submission, evaluation and selections for award. The
10 system and team also help to manage contract budgets
11 and approval of vendor invoices. Last Fiscal Year,
12 25 RFPs. Were released to the HHS Accelerator System
13 for an anticipated combined award amount of \$715
14 million. The Financials Module is now used to manage
15 \$2.1 billion in contract value. In January, we
16 launched new enhancements to increase usability
17 including upgrading document management features and
18 reporting capabilities. Continuing on our progress,
19 the HHS Accelerator and MOCS teams are merging,
20 creating an opportunity to incorporate widely
21 appreciated procurement best practices from the
22 Health and Human Services sector and strengthen MOCS'
23 ability to coordinate across agencies with the focus
24 on speeding procurement. With the merger, MOCS
25 assumes responsibility for the maintenance of HHS

Accelerator, and gains new team members who will be fully innovated and into operations and support all of MOCS' functions. We are always looking for ways to build on our success. I want to highlight a few initiatives, which are a priority for MOCS, and to which we are dedicating critical resources. Vendors that have a value of more than \$100,000 in contracts with the city within a 12-month period are required to submit disclosures by a hard copy questionnaires for their organization's and principals. MOCS enters this information in the Vendor Information Exchange System, which is in turn used by agencies as part of their responsibility termination process. In Fiscal 2016, MOCS received 12,661 Vindex submission packages. As part of our efforts to modernize procurement and streamline Vindex, MOCS will soon release the first phase of a platform we are calling Passport. The Procurement and Sourcing Solutions Portal to allow vendors to submit Vindex information electronically. This new system will provide a common platform for vendors to submit questionnaires and agencies to access that information, and other vendor information relevant to determining responsibility. In addition, contract performance

evaluations can be entered by agencies, and promptly shared with vendors. This new platform and MOCS' reorganization will bring considerable efficiency to vendor management and agency support. We are pleased to work with the Council to implement necessary legislative changes that would further improve the procurement process. Specifically, I would like to thank Chair Rosen--Rosenthal for Introduction 1271, which requires contractors and subcontractors doing business with the city to submit Vindex questionnaires to electronically. This will support the rollout of Passport, and help relieve administrative burdens. MOCS continues to provide capacity building support to vendors, particularly non-profit providers. In coordination with the Council, since 2008 we have trained more than 5,000 non-profit leaders and umbrella organizations. Additionally, we have responded to nearly 68,000 hotline requests on non-profit contracting issues. Still, we know there is always more that we can do. Under the leadership of Deputy Mayors for Health and Human Services and Strategic Policy Initiatives, and in partnership with the Office of Management and Budget and the Mayor's Office of Operations, MOCS has

been exploring ways for non-profits--exploring ways for non-profits to more easily contract with the city. Since its inception in September 2016, more than 70 non-profit leaders have actively engaged in discussions with us as part of the Non-Profit Resiliency Committee. Thank you again for the opportunity to testify. I'm happy to answer any questions you--you may have at this time.

CHAIRPERSON ROSENTHAL: Thank you so much and I want to welcome Council Member Deutsch to this hearing. I'm going to start with a few questions, or Council Member would you--are there some questions you want to start with?

COUNCIL MEMBER KOO: Actually, you go first.

CHAIRPERSON ROSENTHAL: I go first. Okay, I'll go. Thank you so much for your testimony, and I really appreciate everyone being here, and your staff, and you guys have clearly been working really hard on this. I--and we've heard about your work on the Resiliency Committee. I think it's definitely coming along, and most of the questions that I have more have to do with hiccups I think in the process than systemic problems. I mean to the extent that

there are systemic problems, I don't think they like with your office, but, you know, it would be interesting to explore the variety of options. I also want to welcome Council Member Constantinides to this hearing, who I'm sure will have questions as well. So, I actually want to start with something a little bit off, if that's alright, and that is the Department of Education's procurement process. You know, this is an area where I've had a lot of concerns after it was identified that they were ready—they had signed a \$1.1 billion contract with Computer Service Specialists, and then ended up rebidding it out, and it ended up costing half the amount, \$550 million. What I thought was equally interesting was that the one provider, Computers Service Specialists not only had a history of-of corruption, you know, the president of the company served jail time, prison time, and that was not flagged by DOE or for some reason DOE was willing to accept that. But really interestingly when we talk about MWBEs, many of the—when they re-bid the contract, and there were 14 providers selected, many of them were Minority and Business—Minority and Women Owned Businesses right here in the city. I was

wondering what, you know, the Department of Education doesn't necessarily fall under your direct purview, and I am interested in hearing some of the improvements that have been made in terms of your overview of their contracts. But, what is it that the City does better in terms of getting Minority and Women Owned Businesses that DOE had to do, you know, had to take a second look at it.

MICHAEL OWH: So I think that in my conversations with DOE and especially their Procurement Office, they are very focused on and interested in increasing opportunities for MWBEs. I think one thing that we have that not just DOE, but other jurisdictions may not have is the--the variety and robust services that Department of Small Business Services offers. You know, it's not--I think it's very unusual to have a department and a program that actually--that acts as an advocate for your vendors, and in this case, you know, that's what happens with the MWBEs program. You get certified and you're eligible for all of these great services that SBS has, and I think that's where DOE can definitely I think leverage some of that support that already

exists, and I know DOE is actually interested in doing that.

CHAIRPERSON ROSENTHAL: [off mic, pause]
[on mic] What improvements do you think have been made? Thank you so much.

MICHAEL OWH: So--

CHAIRPERSON ROSENTHAL: [interposing] Or what--where has your role now stepped in with DOE?

MICHAEL OWH: So as you mentioned, legally DOE is a separate entity. However, we have been working very closely with them, and we have been providing technical assistance and reviews around their procurements in particular we've actually worked very closely around Pre-K. This year I think they've issued four Pre-K RFPs through Accelerator, and so we've been involved with evaluation, the--the--the release, the--all of the functions that exist in Accelerator helping them do that--that process. And then in non-human service or Pre-K procurements with we've also been helping out and reviewing those as well. And so it's--the relationship I--I have to say since, you know, the last year has been really--has developed a lot and--and we've been involve a lot more with--with their office.

2 CHAIRPERSON ROSENTHAL: Do you have
3 confidence that they would not make that mistake
4 again?

5 MICHAEL OWH: I do and I think, you know,
6 part of that--part of the purpose of Passport this
7 first phase that we're really see is to increase that
8 visibility across the agencies around the information
9 that might be relevant for that new integrity, and I--
10 and DOE will be a user of--of Passport Phase 1--

11 CHAIRPERSON ROSENTHAL: [interposing] Oh,
12 wow.

13 MICHAEL OWH: --and we'll have access to
14 that information.

15 CHAIRPERSON ROSENTHAL: Okay, that's
16 great. I-I just want to register my annual concern
17 with that issue. I mean that was \$550 million that
18 was about to be wasted on a provider that has a
19 history of corruption, and the fact that that slipped
20 through and was voted on by the PAP is so
21 disconcerting. I mean \$550 million that pays for one
22 year of Universal Pre-K for 65,000 students. You
23 know, it's not chump change, and the fact that, you
24 know, I have not been convinced of any major
25 reorganization in their Procurement Division

continues to disturb me greatly, but I'll speak with the Chancellor about that not you. Okay, Local Law 18, Capita Cost Overruns. Hang on one second. Sorry about that. [pause] Local Law 18, as you know, requires MOCS to provide a quarterly report of capital contracts valued at over \$10 million with contract modifications or extension that exceed the original contract maximum expenditure by 20% or more. As we discussed last year, some of those overruns are actually simply because of a nuance in the procurement process when it's a contract for example that, you know, is to build firehouses throughout the city and, you know, it starts at \$10 million and grows to \$50 million. That doesn't really count as a cost overrun. So, we had talked last year about separating out those two issues, but maybe there are other things that you've noticed on how we can improve the cost overrun report. You know, how you guys use it, how City Hall uses it. Does it really flag cost overruns for anyone? I think the intent of this report is excellent. I—I think that from my look at it, we need to improve it greatly, but—but what are your thoughts on that?

MICHAEL OWH: So we—we've had the conversation about this report and, you know, when we are actually compiling the report for—for the Council, we are engaging very closely with the agencies as well as the commissioners, and the First Deputy Mayor's Office. So, these do in cases where the facts of—of—the actual contract do raise flags. That is—that is triggered in—in ways to the First Deputy Mayor as well as the Commissioners. I will say, you know, the—the—the—the facts surrounding any of these increases are—are very contract specific. We've—we've talked about the—the scenario that you've actually just raised now, but we can also have the situation on the ground where, you know, you're—let's say it's a construction contract, and you didn't know that that pipe wasn't there because it wasn't in the blueprints or something like that. You know those kind of things can also trigger overruns. In terms of improvements, I would love to, you know, discuss more about what improvements could be made. I think one of the things that we've noticed as we're looking at this report it is—it is sort backwards looking, right. So that is something that, you know, if there's a way and to look at it

more in real time, we'd be happy to talk about that. I think that's—that's one thing that we've also recognized.

CHAIRPERSON ROSENTHAL: [pause/off mic] - point because it never would have caught the CFS Contract. It would have—that would have already been let. Does the role of the Chief Technology Officer—I know at some point the city, which had set up a technology steering committee. Does that still provide a function that can help out with this? [coughing] Bless you.

MICHAEL OWH: So the Technology Steering Committee I think looks at projects in particular. I'm not sure if they're looking at specific contracts. I can go back and find out, and get some more information.

CHAIRPERSON ROSENTHAL: Thanks. I appreciate that. Council Member Koo, do you have some questions?

COUNCIL MEMBER KOO: Thank you, Chair Rosenthal and then thank you Michael Owh. My question is with the new administration in Washington, D.C. we have some pending like crashes with the city. So do

2 you foresee any shortfall of funding, and then
3 foresee affect your agency?

4 MICHAEL OWH: So at this point I-I
5 haven't see anything related to shortfalls for-for
6 MOCS or Contracts in particular. So, but I-I'm not
7 sure what to expect at this point, and we'll be
8 working very closely with our partners to-to make it-
9 to identify them as they come.

10 COUNCIL MEMBER KOO: So can you name me a
11 few agencies you don't oversee? I mean I suppose
12 they may. You don't oversee EDC contracts, right
13 with al the DDC and even the hospital? Do you
14 oversee their contracts?

15 MICHAEL OWH: We do not. So we don't
16 oversee H+H. We do not oversee EDC, and so we only
17 oversee the mayoral agencies. So I think those
18 number about 40, and then agencies like EDC or SCA
19 are separate authorities. We wouldn't oversee them.

20 COUNCIL MEMBER KOO: So you don't deal
21 with the infrastructure in construction and those in
22 contracts right?

23 MICHAEL OWH: We do not oversee school
24 construction.

COUNCIL MEMBER KOO: Okay. My question— other questions. Chair Rosenthal asked you the reason that we have a lot of cost overruns is—is for example the Rikers—Rikers Island they have contractor McKenzie and like in the original contract is like \$10 million, and later on it becomes \$18 million. It's a big, you know, jump to high individual with those things. Do, you know, do you have any of the things to prevent it from happening?

MICHAEL OWH: So, I don't know all of the details around that contract, but I believe we can look at any amendments and change orders. There are various sort of oversights that look at these as they come through. Again, some of the reasons for the increases are—are varied. So if—if the reasons for the increases are okay in the context of the contract within scope, all of the things that are anticipated within the contract and—and the funding is available, then they would be approved. If—if they're not, then they wouldn't go forward.

COUNCIL MEMBER KOO: Well, how about NYCHA contracts? Are you over them? Do you oversee them?

MICHAEL OWH: We do not oversee NYCHA.

2 COUNCIL MEMBER KOO: No, okay. Thank
3 you.

4 CHAIRPERSON ROSENTHAL: Council Member
5 Constantinides, did you have some questions?

6 COUNCIL MEMBER CONSTANTINIDES: Thank
7 you, Chair Rosenthal and thank you for always your
8 great leadership. I apologize if you were already
9 asked this question, but looking at the EPP Laws, and
10 compliances as we look to reduce our footprint 80% by
11 2050, what do you feel your role is to help that and--
12 and holding those that we do contracting with the
13 city of New York accountable to meeting environmental
14 standards?

15 MICHAEL OWH: So, we reviewed the
16 contracts that would be--and report on the contracts
17 that would be applicable for this group for the EPP
18 Program. I believe in Fiscal 2016 we directly
19 purchased \$56.5 million in EPP goods, and city
20 agencies also procured indirectly by requiring city
21 construction contractors to use goods that meet EPP
22 standards around of around \$594 million in contracts.
23 So, you know we're always looking for opportunities
24 to increase that if--if that's the recommendation, but
25 that's--but that's sort of our role right now is to

make sure that their requirements are included in the contracts and reporting on those requirements.

COUNCIL MEMBER CONSTANTINIDES: And we're looking across the spectrum, right? It's not just we're—we're staying buttonholed. You know, climate change is something that we're constantly looking through, through every prism, right, and we can't just say well we're looking in this box, but we're not looking on an APP and these particular purchases. So we're looking throughout the entire spectrum?

MICHAEL OWH: That's right for—at least for—for my role the vision is around procurement, but yes, it's across the—across the industries and the--

COUNCIL MEMBER CONSTANTINIDES:
[interposing] And do we—how do we better move that? How do we—how do we get further. You know, as we look to the future, how do we, you know, bring up these indicators? How do we hold those that we contracted to even a higher standard?

MICHAEL OWH: Well, we're, you know, we're certainly like excited to talk to you about potential—potential recommendations on that like include maybe being more inclusive around the requirements, the contract requirements are—are

expanding in that portfolio of goods that would be included in that. That might be one way.

COUNCIL MEMBER CONSTANTINIDES: Okay, thanks. Thank you, Chair Rosenthal.

CHAIRPERSON ROSENTHAL: Thank you very much. I want to ask a little bit about the implementation of the way to increase our mission (sic) and service contracts. Have all the non-profits now have there budgets and contracts been signed to reflect the wage increases for every year so they can go about giving out those wage increases now?

MICHAEL OWH: My understanding is that the vast majority of the previous wage increases have been registered, if not paid. I can go back and get you the exact breakdown.

CHAIRPERSON ROSENTHAL: Well, I mean of course yes. Thank you very much. I appreciate that. The vas majority does that mean 99% or 80%?

MICHAEL OWH: I--so I don't have the exact numbers on me, but I will get back to you, and we are working very closely on the next series of amendments that will be required for these--for the increases that were included in the Preliminary--Preliminary

Budget. We're working very closely with the providers themselves, but also with OMB and the agencies on making sure that the implementation goes well.

CHAIRPERSON ROSENTHAL: did you learn anything? What about why-why should we expect this implementation to go faster than the last one? The last one took two years, and really put the non-profits, you know, in a bad spot. You know, while I empathize with the complexity of procurement, you know, we're talking about people who are waiting for wage increases.

MICHAEL OWH: So, as you-you know, you hit it on the nose. It is complex. It is still going to require a number of amendments across all of the agencies, and so we do think it is going to be complicated, but I think that having the providers also upfront engaged in this-in sort of deciding how the implementation is going to go, hopefully we'll make that go quicker. Because I think part of it was that the engagement, you know, wasn't necessarily like right out front. I thin the amendment sort of started in process, and then those are back and forth. We're hoping to get that back and forth out

of the way up front so that the amendments can be processed very quickly. We're also working with on enhancements for HHS Accelerator to capture some of the information. So that we don't have to make it so complicated within the paperwork itself.

CHAIRPERSON ROSENTHAL: Yeah, it would strike me that all that in—you know, the information about you've now collected all the information about the staff who--the existing staff to give them wage increases. So hypothetically you have that now, or by you I mean the city.

MICHAEL OWH: Yeah, I think that's one of --one of the reasons why it will be easier. We're hoping.

CHAIRPERSON ROSENTHAL: Right. But I'm a little concerned that your--that all the--I mean I understand that you don't necessarily keep the information about which contracts have gotten the wage increases that your office doesn't, but [pause] do you have a sense of which agencies are--which agencies are complete--are done, and which agencies are not? So in other words has DFTA processes all the wage increases or, you know, when we look through the series of agencies, right, so we've got HRA, ACS,

even MOCJ, you know, DFTA, DYCD, have any--do you know if any are 100% complete?

MICHAEL OWH: So I do not have that information on me. It was an agency by agency breakdown, but I can get that.

CHAIRPERSON ROSENTHAL: Right and so I'm surprised because unless my memory is wrong, which is 100% possible, last year at this time we did have that breakdown. Am I wrong in remembering that?

MICHAEL OWH: You're not wrong.

CHAIRPERSON ROSENTHAL: You're younger than I am so, you're--

MICHAEL OWH: You're--you're not wrong. We--we just need to get the updated lists, and I was not able to get that for you in--in time for this hearing, but I will follow up very quickly.

CHAIRPERSON ROSENTHAL: Do you have a sense of when that could--how far? Maybe you could ask your staff how far along we are in getting that, and--and where we are. I'm happy to with--you know me--I'm happy with a draft. I'm happy with incomplete information. If you have the first five back in the office, and can send them that today, but you're

waiting on the next ten. Do-do you have any sense of that?

MICHAEL OWH: We-we'll follow up with the timeline as well as like if we have a draft of-of information around some of the agencies, we'll-we'll provide that for you first.

CHAIRPERSON ROSENTHAL: Okay, I just want to express my disappointment about that, and that's not necessarily directed at you. I mean that may be the agencies aren't getting back to you. So maybe I'm expressing my concern at City Hall for not pushing these agencies to get this information back to you. Sometimes I think this issue drops to the bottom of importance, and people don't realize that we're talking about 90,000 people who work and live in the city who are dependent on these wages, and it's disconcerting to me that we don't have the update. I'm sure it concerns you as well. I'm going to kick it over to Council Member Johnson who I know has some questions.

COUNCIL MEMBER JOHNSON: Thank you, Madam Chair. Good to see you, Michael. So, an issue that the Chair I think has really taken on and championed and we're going to hear more about over the courts of

this budget process is process both preliminary hearings and the executive hearings, and for adoption are the Human Service contracts that are so important to the providers that really step in and do a lot of work at that the city of New York is not able to provide. As Chair of the Health Committee, an issue that Chair Rosenthal and I have worked on together is ensuring that human service organizations, non-profit providers, healthcare providers that when they get a contract with the city, the time it takes to actually register the contract and get reimbursed and all the stuff that has to happen in between at least with regards to the Department of Health and Mental Hygiene is an enormous amount of time. And I'll only speak for myself, though I know that Chair Rosenthal and I have talked about this extensively that there are dozens if not hundreds of organizations that come to us on an annual basis, and tell us that they're given their money either agency money or money from the Council, different pots and that it could sometimes take 10 months, 11 months, 12 months, 14 months, 16 months, 18 months to actually get reimbursed the money for the contract because they start providing the services long before they get the

money from the city. And for small non-profit healthcare providers outlaying that amount of money and not getting reimbursed in a timely manner is a major, major, major problem. So, Council Member—Chair Rosenthal and I are going to I think drill the Department of Health and Mental Hygiene in the budget hearing that I'm having about this issue, and how to make it better. But from a MOCS perspective, it would be helpful to hear how you're addressing the concerns that the Chair has raised, and that I just brought up today.

MICHAEL OWH: So I want to start by saying that we share your concern about this sector, and we agree about its importance. I mean, you know, they're—they're the ones the non-profits the Health and Human Service providers who are actually out there serving our most vulnerable clients. And so, you know, one of the things that I—I do think we've made huge strides on with the—with the sector is the implementation of HHS Accelerator where the—where we have a prequalification process and online data vault for the providers, and then the actual procurements happening electronically. So that we can sort of scoot through that phase of the process. Now, one

thing that is not just exclusive to the—to the Human Service providers, but to all contractors is once you win, what we do is we give the provider, you know, here's your reward. If it's hundreds of pieces of paper that you now have to fill out in order to be—to be eligible for that award and that's Vindex. And that's all done on paper, and so that's where I think having this first phase of Passport go live where now the providers can have a similar system that they're used to like HHS Accelerator where they go in and same ID Password, enter all of their information and once, and keep it updated instead of having to redo it over and over again because that's what happens now. And we think that sort of getting rid of that redundancy allowing agencies to share that information more easily will hopefully drive some speed into the process.

COUNCIL MEMBER JOHNSON: And how many organizations, how many contracted providers are using the Accelerator currently?

MICHAEL OWH: I believe we have—I'll get you the exact number, but I believe we're over 1,500 organizations now in Accelerator, and the Accelerator prequalification process has become the

prequalification process for the discretionary process. So we're adding smaller more community based organizations daily, and we've been working very closely with--with the Council as well.

COUNCIL MEMBER JOHNSON: So if there is a provider that is currently not in the Accelerator, does MOCS follow up with them and say hey we have this great Accelerator. We have a prequalification process. Our staff is willing to help guide you to get you into the Accelerator and make sure you know how to do that. Is that happening right now?

MICHAEL OWH: Yes, definitely. We're-- we're not only doing regular trainings or that type of engagement where we're reaching out to folks, but we actually go out in person if we need to and get them logged in and enrolled on the spot. We also have an in-person training at our offices. Once they're in the system and they're eligible to receive announcements of procurements and actually propose we even call them if we see that they started a proposal and haven't submitted it. And we call them that last week to make sure that they know that they can submit.

COUNCIL MEMBER JOHNSON: So if there are 1,500 contracted providers that are currently in the Accelerator, what is the eligible universe of contractors that should be in the Accelerator?

MICHAEL OWH: But that's a--

COUNCIL MEMBER JOHNSON: [interposing] Is that 10%, is it--is it 30% that is currently in the Accelerator? Should it be--how many--how many--how many people should be in the Accelerator?

MICHAEL OWH: I mean that's a--that's a good question. I'm not sure exactly what percentage that represents out of the whole number of providers that may be interested, but we're constantly reaching out to make sure that we get as many providers as possible.

COUNCIL MEMBER JOHNSON: So--just so--I mean I know the Chair has a much deeper understanding of this than I do, but for folks that don't know all the ins and outs of the--the Accelerator and the process, if you opt into the Accelerator and you do all the prequalification work and you're in and MOCS says you're good to go, you filled out all the paperwork, how much time does that shave off in

getting reimbursed and getting the contract money that you've been awarded by the agency?

MICHAEL OWH: So right now that upfront time, I—I wish I had an estimate for you, but I—we do think that that saves a lot of time in terms of back-up work that used to occur during the proposal process. Remember, we used to require providers to come down to the agency offices with five copies of their proposal on the—on the date of the proposal due date.

COUNCIL MEMBER JOHNSON: When did that stop?

MICHAEL OWH: That stopped in 2000—I want to say 2011 or 2012 when the system went live, and so that by itself now providers don't have to come in from their offices to do that. They can do it online, and so that by itself we think was huge administrative burden decrease right, for them, as well as time. Now, the—the—the issue that I was raising before around Vindex and that information, we know that that's definitely time that's spent on the back and forth submitting information, getting everything entered, and so if we can take that out of the of the process as it exists now, and have it

electronic and also constantly updated so that it's not going to be a barrier to the eventual contract, we think that that will be—that will be a savings of—I mean right now I will tell you that I think on average it takes about 20 to 30 days to get a Vindex submission completed. If we can—if we can even shave off two weeks from that or some—some point of that, then I think that that will be a huge savings.

COUNCIL MEMBER JOHNSON: So how many different agencies does the—does MOCS work with? Every agency?

MICHAEL OWH: We work with all of the mayoral agencies so about 40.

COUNCIL MEMBER JOHNSON: Forty agencies, and what is the point of contact for MOCS in each agency? Is it the ACCO.

MICHAEL OWH: It is.

COUNCIL MEMBER JOHNSON: It's the ACCO, and -and to your knowledge I mean this is more of a question. Forgive me, Chair for I guess OMB because they're--they should be the ones that are looking at headcounts or the individual agencies. Does—do those 40 agencies all have currently an ACCO?

MICHAEL OWH: They do.

2 COUNCIL MEMBER JOHNSON: All of them?

3 MICHAEL OWH: So we--yes.

4 COUNCIL MEMBER JOHNSON: So, the reason
5 why I ask is because when it comes to the Department
6 of Health and Mental Hygiene when I go to them, and I
7 say hey there's a small HIV-AIDS service organization
8 that's running on the--I'm making this up--a \$300,000
9 budget, and \$200,000 of which is a city contract to
10 provide important services, and they don't have the--
11 they don't have the savings in the bank or the bank
12 relationships to be able to withstand being without
13 that \$200,000 in city contracts for 10 months, 11
14 months, 12 months. What I hear all the time is well,
15 you know, we have so many contracts that we have to
16 deal with, and we're dealing with hundred, if not
17 thousands, of contracts, and we don't have enough
18 contracting staff at the individual agency. So we're
19 doing the best that we can, and we know it's an
20 arduous process, and we work with MOCS. You know,
21 the frustration that I think the Chair just expressed
22 is the frustration that I sort of feel in my, you
23 know, fourth year of budget hearings that it feels
24 like Ground Hog Day that every single year we're
25 going back, and I have individual organizations that

call me, and say we've submitted the documents. We've gone back and forth eight times, nine times, ten times, eleven times, and we still don't have the money, and now we're 13 months after when the award was made. It's—it's maddening, and I think it's not in anyway impugning your office of the important work that you do, but it's embarrassing frankly that the city of New York with thousands of qualified civil servants haven't been able to come up with a system that works to get people money in a timely manner. I understand that there are fraud concerns. I understand that the procurement laws are in place, and the contracting laws are in place to ensure that as the Chair said, the City isn't getting ripped by bad folks that shouldn't have been awarded contracts to begin with. But for folks that have been in the system, that have been providing this type of service, that have been doing this work year in and year out, that the money is not a huge amount of money. There should be a way to expedite this. So it's an issue that Chair Rosenthal and I—and I are going to focus on in the DOHMH budget hearing. It will be helpful if you sent staff to that hearing so there were there to potentially answer questions.

When the Chair and I asked these questions of the folks at DOHMH so that they don't say well MOCS isn't here so we can't give you an answer. And then lastly, I just want to say the--the campaign that the Chair has waged over the past few budgets on ensuring that the Human Service contracts are increased to catch up with inflation, and to ensure that these important organizations that are doing this work that there's wage parity that supply costs have gone up, rent costs have gone up, health care costs have gone up, all of these costs have gone up, and there hasn't been an adjustment in the contracts that the city really relies upon to provide these essential services for our most vulnerable New Yorkers. I know that's not a decision that you make. I know it's a decision that the Mayor has to make, and Director Fuleihan has to make and the appropriate deputy mayors and commissioners have to make. But the--the message that I want you to hear is I think there is widespread support on this Council for Chair Rosenthal's campaign and proposal to ensure that happens. And so, if that becomes, and I hope it becomes a major pillar as part of our negotiations through prelim, exec and adoption, my hope is that

we're going to be able to accomplish that. And we do accomplish that that your office is able to execute that quickly, and get it done quickly once the Council fights for it, and hopefully gets the other side of City Hall to agree to that that there's hopefully pre-work that happens between now and then so that after adoption that there's not a one-month, two-month, three-month delay to actually execute the work that the Chair has been focused on for two years or three years. So thank you for the work. I appreciate the fact that the Accelerator is helping shave off some time, but I still think there's a lot more work to do, and I really hope that you will send some of your appropriate senior staff to the Health Committee hearing so that these questions can be answered in tandem with your agency and with the agency that—that I have oversight over. Okay? Thank you very much.

CHAIRPERSON ROSENTHAL: I literally could not have said that better myself. Thank you so much Chair Johnson. I appreciate it because you know the inside out intricacies of the Department of Health, but Contracts. Thank you. And—and along those lines, just a little bit, so specifically the 1,500

providers that you were mentioning do you know how many are DOHMH and do you know—are those all DOHMH?

MICHAEL OWH: I—I do not have the DOHMH number, but I can get that for you.

CHAIRPERSON ROSENTHAL: I'm wondering if there are, you know, I know you guys are training both DOHMH ACCO workers to understand how to work the system, and you're—you're doing that with the organizations as well, but, you know, I'm wondering if any of those folks come in for re trainings if you think DOHMH staff are really equipped to handle all the contracts that the Chair was talking about, in particular?

MICHAEL OWH: Yeah, we-we work constantly with the agencies on-on training and retraining. We'd be happy to go back and work closely with DOHMH.

CHAIRPERSON ROSENTHAL: Do you know if all the—do you know if all the city agency workers have been trained in how to do the Accelerator, and anyone who touches a contract do they understand how the Accelerator works?

MICHAEL OWH: So for the Procurement staff definitely. You know we actually have a

procurement training Institute and then we also track trainings for all of our systems and all of the requirements. I think that one of the complicating factors here is that we do need—it's not just the Procurement teams that touch Accelerator, and so we are—we do constantly work with the—the Financial teams of agencies. We try to engage very closely with the program teams because we know that they're also a face that the vendors see, and that they were also users, and so we're trying to hit everybody. But specifically on the procurement side we know for a fact that they're—they're trained and they'll be retrained as we go through.

CHAIRPERSON ROSENTHAL: Well, and it sounds like you already know that there are some other people that come into contact with the Accelerator who will need training as well.

[background comments]

MICHAEL OWH: Yes, especially like I said on the procurement and—and financial side as well.

CHAIRPERSON ROSENTHAL: Ha, okay so is City Hall aware that—that those trainings have to happen as well as just—or—is the mindset that well, once the Procurement folks went ACCOs, no,

that's it? Does everyone realize that this other staff needs to be strained as well?

MICHAEL OWH: Yes. So we actually do trainings at agencies, and we have regular trainings at our offices as well.

CHAIRPERSON ROSENTHAL: Okay.

MICHAEL OWH: For-for-for everybody.

CHAIRPERSON ROSENTHAL: One of the things that Chair Johnson focused on and that I know the Human Services Council has talked about a lot is cost of--not just cost--cost of living adjustment in wages, and also for the cost of supplies, and rent and maintenance and over head to the extent that those costs increased, you know, they've not kept up for sure. But my question to you is as the Director of the Office--Mayor's Office on Contracts, are you working with the agencies to make sure that as they negotiate new contracts that, in fact, those costs are not left to be flat, but that going forward there are adjustments for the increased cost over years in the cost of rent? For example, in my lease in my district office, you know, my rent goes up \$250, \$300, \$500 a year. It's outrageous, but it's the Upper West Side, and if we want to provide services

for people on the Upper West Side, I need to be able to have the money to pay for my increased cost in rent because if I can't, that means that I have to shut a staff person or, you know, not have the supplies I need in my office to give to constituents, to residents. So, is the direction that you're giving to the agencies as they're renegotiating contracts and trying to have those contracts reflect the true cost of services on an ongoing basis? I mean face it, many of the city's contracts are three years renewable, then for three more years. I mean it's just even being discussed in the Resiliency Committee. How do you think this is being addressed?

MICHAEL OWH: So our role in the contracting piece and the--and the procurements in particular, you know, we do encourage agencies to engage not just with the providers, but also the community at large prior to releasing RFPs. The actual estimates on the contracts themselves and the--and the actual service pro--the program is not something that we are experts at or necessarily engaged in. Our contracts do allow for like you said cost of living increases, but other increases s necessary. And what we really look at--

2 CHAIRPERSON ROSENTHAL: [interposing]

3 Wait--wait. Say that sentence one more time?

4 MICHAEL OWH: The contracts--

5 CHAIRPERSON ROSENTHAL: [interposing] I
6 heard you say that contracts now allow for COLAs--

7 MICHAEL OWH: That's right.

8 CHAIRPERSON ROSENTHAL: --but not--you
9 didn't--did I miss you saying that they also account
10 for OTPS increases or I may have misheard you.

11 MICHAEL OWH: So, I'd have to go back and
12 look at the exact language, but I believe that it's--
13 it's a cost of living increase that's in the contract
14 language.

15 CHAIRPERSON ROSENTHAL: I think that's
16 right.

17 MICHAEL OWH: But--but like I was saying
18 that the MOCS review is really based on, you know,
19 was it fair? Was--was it--did the procurement--were the
20 procurement rules followed, and so we're not
21 necessarily engaged on the--the dollars for this--for
22 the actual program itself.

23 CHAIRPERSON ROSENTHAL: Could that be a
24 role for you to notice that the contract that the
25 city is underfunding the contract so that a provider

might not be able to do the service it's saying it will do?

MICHAEL OWH: So, ant it's certainly something that we can talk about. I'm not sure if, you know, under our current setup I'm not sure if it would fall under expertise. You know, one thing that I will point out is it depends on the program.

CHAIRPERSON ROSENTHAL: Of course.

MICHAEL OWH: Right, and so each program-- some of the programs like the ones that take place right now in NYCHA centers or in schools don't have rent. That's that they don't--they don't charge rent for those facilities, right, for those programs so--

CHAIRPERSON ROSENTHAL: [interposing] But you don't cover those contracts?

MICHAEL OWH: I'm sorry.

CHAIRPERSON ROSENTHAL: Right.

MICHAEL OWH: Right and so, you know, I--I think it's--it's very complicated as--as--as you and I have discussed.

CHAIRPERSON ROSENTHAL: I mean it is and it isn't. I mean it strikes me that the Mayor's Office of Contracts could be the voice that says we're noticing that, you know, of all of the

contracts, you know, only 2% include increased cost for OTPS, but we all know that rent increase over time. I meant it could be your office that notices that in a systematic way. [pause]

MICHAEL OWH: I think it's again something that we'd be happy to discuss. I'm not sure if we would be able to capture that data in that exact way, but it would be interesting to think about it.

CHAIRPERSON ROSENTHAL: Right. Do you think that the Technology Steering Committee might be a better place where if they are the ones who are beforehand thinking about maybe we should expand their role to be wider than just technology. I mean someone has got to be the, you know, the office that's making sure that--is it City Hall? I don't know who it is that needs to make sure that the contracts that we're letting are realistic, right.

MICHAEL OWH: I think, you know, and like I said, when the procurement is actually released, the proposals do come back with--with responses to those contracts. I think as--as you mentioned like one of our roles, too, is--is working with the non-profit Resiliency Committee to identify other areas

2 for-- and opportunities where we could reduce some of
3 these administrative burdens that may potentially
4 decrease costs for providers across the board when
5 they're-

6 CHAIRPERSON ROSENTHAL: [interposing]
7 Youi mean like a--

8 MICHAEL OWH: --engaging and doing
9 business with us.

10 CHAIRPERSON ROSENTHAL: I apologize.

11 MICHAEL OWH: Sorry, that's okay. With-
12 go ahead.

13 CHAIRPERSON ROSENTHAL: Later (sic)

14 MICHAEL OWH: I was going to say, you
15 know, reducing the cost of doing business with the
16 city, which, you know, hopefully will--will make
17 things easier for them as they--as they engage with
18 us.

19 CHAIRPERSON ROSENTHAL: I don't know if
20 you're implying this, but are you talking about going
21 back to the Central Insurance Program where seven
22 years ago, you know, before this administration
23 started certainly but under a previous administration
24 they actually cut the Central Insurance program. It
25 used to be the cat--the case that contracts providers

since they are providing the city's services, you know, would have access to the Central Insurance program. Is that something the--that you discussed in the Resiliency Committee? Would that be something that the Administration is willing to go back on because to go back and pick up just given the fact that under a prior administration when they cut this program, it added a significant burden to the--the provider.

MICHAEL OWH: I know that insurance costs have come up in conversations around the--the Non-Profit Resiliency Committee, but I don't think it has--the--the Central Insurance Program has come up yet, but we can go back and--and check on that for you.

CHAIRPERSON ROSENTHAL: Yeah, I'd be really interested to know. I know that's something that's just weighing heavily on the providers themselves. I want to get back to a--a question quickly that Council Member Koo raised on the risk of--of loss of funding from the federal government, and one thing that we noticed is that of the procurements we don't see a breakdown in the sources of funding to see whether or not--what--what portion of

the contract is or as a whole what portion of the contract is federally funded, state and city-city funded. You know, I imagine this is important in terms of transportation contracts. If the federal government is going to step up and put in more infrastructure money, we'd want to know how much of the current infrastructure contract budget is paid for by the federal government. And then, you know, on the opposite side in the Human Services contract, if this administration is going to cut services, cut funding for services to those most in need, to those who are, you know, just-just barely thriving, if-if at all. If the federal government is going to cut money to foster care, to services for, you know, the elderly, those with disabilities, do we know what portion of those budgets come from the federal government or the state government.

MICHAEL OWH: So, we track procurement data that gets registered, you know, annually on a-on a fiscal year basis. We don't have that specific breakdown from like state, local, federal funding sources as part of the procurement itself because it's just-it-some of it could be combined funding like you mentioned. Some if it could be solely city

funded. All we know is that the funding is available before we—before we update it.

CHAIRPERSON ROSENTHAL: [interposing]
That's right. So it's the agency that would know federal, state and city?

MICHAEL OWH: They should have that funding breakdown.

CHAIRPERSON ROSENTHAL: Again, is that something that you could hypothetically add to Passport that—or the Accelerator that would be easy enough to slip in there as question?

MICHAEL OWH: We can definitely look into that, and—and I guess--

CHAIRPERSON ROSENTHAL: [interposing]
Oh, go ahead.

MICHAEL OWH: Yeah, go ahead. I'm sorry I was just thinking out loud and—and thinking it would be captured sort of in the pre-solicitation phase, and might change depending on how the budgets—the budget changes within the agency, but we—we could look in—look into that.

CHAIRPERSON ROSENTHAL: Right, and then but—but, of course, the DOT contracts are not in the Accelerator or are—is that—that planned?

MICHAEL OWH: DOT is not in Accelerator. WE are looking to capture more information about non-health and human service agencies, and sort of, you know, I—I talked a little bit about Phase 1. Phase 2 is really trying to do a lot of—of the procurement as—as much as possible online and—and electronically as possible, but we don't have a firm timeline for that yet, and—and we are still in design.

CHAIRPERSON ROSENTHAL: Okay. I just want to make—I'm sorry. I was looking at the clock and wanting to make sure that we had enough time for everyone to testify. I think it's important and I know that we're working on that with you, especially as, you know the world may shift or the city's finances might shift with this new administration. Let's see. Oh, Council Member Deutsch has some questions. Can I? Well, thank you.

COUNCIL MEMBER DEUTSCH: That's alright, you can call upon me. Good morning, Commissioner. I see you have your hands full. It seems like every year we're asking the same questions, but we are making some headway from year to year. My question is—is—if the city has—if someone has—a provider has a contract with the city, and that provider rents out

space from a private entrepreneur, and the rent is not paid. Now, does the city continue to pay that provider for whatever services they are doing for the city?

MICHAEL OWH: [pause] So, I-I would need to know more I think about that.

COUNCIL MEMBER DEUTSCH: [interposing]
Well, I'll give you—I'll give you one example. Let's say if this—there's a homeless shelter that is being run by a provider that rents a property, and the—that provider does not pay rent to the—that building owner. So does the city continue to pay that provider for the services that they are providing?

MICHAEL OWH: So, generally speaking that contractual relationship would be between the provider and the city, and if the provider is providing services and—and appropriately and invoicing appropriately then I believe that that would be paid. I think the issue with the actual rent being paid to the—to the owner of the property would be sort of contained within the provider and—and owner relationship. But, you know, I'd be—if there's a specific issue I'd be happy to look into that with you after—after the—hearing.

1 COMMITTEE ON CONTRACTS

55

2 COUNCIL MEMBER DEUTSCH: Oh, great. Thank
3 you.

4 CHAIRPERSON ROSENTHAL: Thank you very
5 much, Council Member Deutsch. You are always very
6 concerned and learned this about you from when we
7 first started about your priors in your district, and
8 I appreciate your paying attention to it through the
9 contracting process.

10 COUNCIL MEMBER DEUTSCH: The feeling is
11 mutual.

12 CHAIRPERSON ROSENTHAL: Oh, okay. I want
13 to shift a little bit and Council Member
14 Constantinides brought this up about the
15 environmental preferred--preferred purchasing. The
16 city's environmentally and practical (sic) purchasing
17 laws were designed to minimize the environmental harm
18 caused by the city in its role as a consumer of
19 goods. This multi-faceted procurement program
20 established environmentally preferable standards to
21 address a host of environment concerns including
22 energy and water use, air quality, greenhouse gas
23 emissions, hazardous substances, recycles and reused
24 materials, and waste reduction. Do you see that law
25 being implemented? Several examples have come to my

attention around purchase of fuel for example, or the amount of organics or recycling that's done, that is less than optimal. Is this an issue that your office covers? What can you tell us about this, and how well the city is achieving the goals of this law?

MICHAEL OWH: So, you know any issues of non compliance, as you mentioned actually have not come to my attention, but I'd be happy to talk to you about that. I think through the contracts we do require that contractors use EPP standards when they're--when they're purchasing goods and we've seen that as we report on it that we've seen that compliance with that contract provision, and then for direct purchases the city has, you know, we report on that as well. So, I haven't seen anything--I-I haven't seen the issues that you're raising right now but again, I'm happy to talk to you about that, and we're also working with our--with our partners and we'd be happy to talk to you about is there a way to, you know, revise the rules to--to include more. I'd be happy to talk to you about that as well.

CHAIRPERSON ROSENTHAL: [off mic] Well, that is like [pause] [on mic]--it is doing as much as

it can to make sure that its procurement is cutting edge environmentally sound?

MICHAEL OWH: Under the current rules as far as I know I—I—I think that we are doing what we need to do under these rules.

CHAIRPERSON ROSENTHAL: [pause] But specifically I was looking at fuel, the type of fuel that was purchased, and thinking about organics recycling, and whether or not the city is equipped to, you know, fulfill its mission in that regard, but we'll continue it offline. Seeing that there are no further questions by all of my Council colleagues who are assembled here, although I'm going to do a quick check with staff. Hang on one second. [pause] Alright, thank you so much for your time. I really appreciate all of your work, Michael. It's—it's a pleasure working with.

MICHAEL OWH: Thank you. Ditto.

CHAIRPERSON ROSENTHAL: Alright, now I'm going to call up two representatives for non-profit-- human service non-profit agencies, Marla Simpson and Michelle Jackson, if you could come up. I'm really looking forward to hearing your testimony. [pause] Before you start, I just want to acknowledge that the

American Council of Engineering Companies of New York submitted testimony for the record as well. [pause] Yeah. [laughs] Alright, guys you have a full half hour, and I'm expecting us to take up all of that time. Did someone want to start and go first? No? Okay. Just make sure the microphone is close, the red light is on. Thank you.

MARLA SIMPSON: Okay. Thank you so much for the courtesy, and I want to again thank the committee for the opportunity to speak, and apologize that this one time I am approaching you with no written testimony, which those of you who know me understand that this rare. However, then I'd also like to thank my colleague Michelle and the organization of which I'm proud to be a member of the Human Services Council for taking the leadership role in this discussion. I'm here to talk about the one of the sets of issues that you were speaking to, which is the request that our sector is making, which is a very urgent request on part for a substantial increase in our funding. We have asked for a 12% increase across the board in our contractual funding, and that is our number one priority, and is certainly the number 1 priority for my organization. I would

like to talk to a couple of the specifics about that, and one of the reasons why I don't have testimony today is because of a—a project, a transaction that my organization has been working on, which I think is illustrative of the length to which our sector is going, and had to go to be able to serve the—the clients that we serve. And it presents my organization with a pivotal moment and an opportunity that we are grateful, but that we also must really put in context in the sense that it is not a legacy that we can invoke every year. BCS is in the process of celebrating our 150th anniversary. We are as non-profit organizations go we are fairly stable. However, we work, we work literally paycheck to paycheck and, you know, vendor bill to vendor bill in order to make ends meet, and it is a constant struggle. I'll give a couple of illustrations speaking to your point on insurance. I happen to be working on the Resiliency Committee's subgroup on insurance, and I looked at our data on that just this morning. My organization's liability expenses tripled since 2012. Now, what that means roughly speaking is that on a \$3 million contract, which would be a large contract for us, our expenses for

liability insurance went from \$5,000 to \$15,000 in five years. That is simply one example of a kind of OTPS expense that has substantially increased. Like you with your illustration from the Upper West Side we are located in Brooklyn. Virtually every neighborhood that we work in is in the process of undergoing major gentrification. Our preventive program, which is in Bed-Stuy is currently being asked by our landlords again for an increase of almost triple. It—it would be 2.8% or something like that. I mean 2.8 times our current rent level for the lease that has expired. I have a number of other properties that are on month-to-month now because we can't arrive at any agreement with our landlords on a—on an amount of rent that we can afford to pay. All of those expenses really pile up. BCS has the great good fortune, thanks to a donor from 1927 who bought us a piece of property and built the headquarters on it that we own a piece of real estate in one of the hottest markers on the planet that being Downtown Brooklyn. Several years ago, we made a decision, which for any organization is a little bit traumatic, but, you know, we—we went through the analysis, of what we needed to do both to preserve

and stabilize our organization and what we needed to do in order to look forward and serve our clients as best as we could. We recognize that our clients do not live, for the most part, in the Downtown Brooklyn area any more the way might have at the turn of the 20th Century. So we know that as we expand our programs, and today we have 25 locations around Brooklyn, that the better place for us to invest our resources is the communities where we are committed to serve the—the people who come to our programs. We wanted to find a way to monetize the resources that we were luck—lucky to have in Brooklyn, in Downtown Brooklyn in a way that would secure our future. We did that in a transaction that will essentially—the moment that happened today is that the construction for the project has finally now after two years been finance. And so as of this morning, we were able to confirm with our bank that we can actually go forward on a transaction that we started two years ago.

CHAIRPERSON ROSENTHAL: Mazel tov.

MARLA SIMPSON: Thank you. We will be taking our headquarters footprint for a \$55,000, a 55,000 square foot space down to about 15,000. We will own that as a condominium in the base of the

building that ill be redeveloped for mixed use, and we will be able to extract a significant amount of the proceeds for our future growth. But what we are going to have to do with roughly 50% of those proceeds is still to dig out of the hole that we had to dig during the recession in 2008 to 2010. Our organization like many, and I would say at this point most of the non-profit sector no longer is able to offer our employees a pension. We once has a pension program. It was a defined benefit program. In 2009 well before I got there, but the--the--the board looked at what was going on in the non-profit sector and realized that we could not sustain that, that our city contracts, you know, one comparison that you guys could look at for example would be the fringe benefit rate. I don't--I--I know what the city's fringe benefit rate was when I left city government. It was just below 50%. I think it's probably about 50% now. Mine is in BCS is about 30% and the entire difference is pension. We do have a pension. We don't--we are not able to offer our employees anything but a small match to a savings program that they have. However, the closed pension program that the board of directors terminated in 2009 has to be

funded under federal rules for the benefit of the people who are its beneficiaries, three-quarters of whom no longer work in my organization. That pension has cost my agency about three-quarters of a million to a million per year in operating funds in order to keep that pension funded. All this is disclosed in our financials, which anybody can read online. So I'm not—I'm not hanging out dirty laundry that hasn't been exhibited before. The real estate proceeds will finally for the first time give us a path to potentially fully fund the pension and get it off our books. While we are proud to be able to meet the expectations of the employees who are entitled to collect under that pension, the chief benefit of being able to fund the pension is that we will get back in our operating budget the monies that we have been having to—to extract every year to support the pension, and hopefully we can try to benefit the—the clients and the employees we have today as opposed to the ones that we had in 2009. So that is a huge issue. We are also again because we have a small endowment, we are able to have a line of credit. That line of credit has been maxed out for the better part of this year. We will now with the potential of

2 our proceeds be able to do a little bit better on
3 that. But the one thing that I--that we won't do--

4 CHAIRPERSON ROSENTHAL: [interposing]
5 Alright, a quick question.

6 MARLA SIMPSON: Sure.

7 CHAIRPERSON ROSENTHAL: And do you have
8 access to the returnable grant fund or no?

9 MARLA SIMPSON: We do when it's
10 available. I mean as you may know, there have been
11 moments because particularly of some of the issues
12 with homeless contracts where the--the returnable
13 grand fund has been maxed out and unavailable. BCS
14 does use it religiously when it is available.

15 CHAIRPERSON ROSENTHAL: Got it. Thank
16 you.

17 MARLA SIMPSON: As you might understand,
18 I--I know how to do that, but in any case, what--what--
19 the challenge, and this is really hard on a day when
20 my organization is going to celebrate the fact that
21 we finally have a--a large amount of proceeds to look
22 forward to. We can't spend that proceeds on
23 operations. We know we can't because they can't sell
24 the building next, we can't sell it the year after
25 that. We can only use the proceeds that we have to

try and remedy some structural financing problems that we have had over time. We still have to be able to run the programs today on the basis of the support that we get today. We will do our very best not to dig another hole, and we understand that while we're not looking at recess--recession at the moment, we are probably look at a moment in history when many of our programs will suffer major costs. We will have to cut our operations when those funding streams are cut. Too often there's a temptation not to do that. I--speaking for at least my organization we understand, and I'm old enough to have lived through the Reagan Administration when this happened before. We--we are see cuts, and we are going to have to do the best we can to serve people with the funds that are available, but we can't pretend that we can continue to serve everyone with funds that are dramatically reduced. So that's another factor that I think we have to be very conservative about.

CHAIRPERSON ROSENTHAL: And do the--does the federal government or the state step up? We're asking the city to step up and they've done an amazing job with--with wages. Where--where does the state fit in?

MARLA SIMPSON: We have at times—I can think of twice in recent years obtain very, very small COLA increases on some of our Medicaid funded programs. I think about 2% on direct service only. In a couple of instances, as you know, through HSC and other members of our coalition, we are actively pursuing the—a similar kind of increase with our stated funders. The one thing I would say that runs counter to that which, you know, is really sort of almost a completely different topic. Most of us who receive state funding, nowadays the bulk of that money is in the Medicaid system, and that means it is in managed care. Managed care is not a system that is designed for community based non-profit organizations to be able to succeed. Managed care pushes risk down the food chain to the provider. We do not have the ability to sustain risk the way a hospital network with 100,000 patients would have at our largest. My mental health programs serve about 500 people. You cannot spread risk on a mathematical basis with 500 people. One person goes off the rails and we will miss our financial targets under managed care. So one of the trends that I think you will see in the city, and throughout the state is that

community based organizations will have to examine what they're doing, and will have to shrink or exit programs that are in managed care. We simply can't sustain that level of risk. As for the federal government, I think the framework that we have to look at is that they're going to step down not up. [background comments]

CHAIRPERSON ROSENTHAL: Okay, a few additional providers have--have come late so oddly we're--we're going to--I'm going to move this through, but thank you for explaining that Marla because people in the Administration are asking me what exactly is in the 12%, and Michelle if you target your answer there as well that's the pushback that we're getting. Thank you for getting that on the record so that we will have that testimony now that we can use. Thank you so much.

MICHELLE JACKSON. You're welcome. Thank you.

CHAIRPERSON ROSENTHAL: Sorry. I want to welcome Council Member Miller. Thank you so much for coming here today. I appreciate your time.

MICHELLE JACKSON: So good afternoon now. [laughs] Chairperson Rosenthal and good morning to

the members of the New York City Council Committee on Contracts. My name is Michelle Jackson. I'm the Deputy Director for the Human Services Council. We're a membership association of about 170 New York City based providers and umbrella coalition. Our mission is really to strengthen New York's non-profit human services sector ensuring that all New Yorkers across diverse neighborhoods, generation, income levels and cultures reach their full potential. The Human Services Council, first of all, I want to thank you, Council Member Rosenthal for your leadership in—in the OTPS ask from last year into diving into these contractual and system issues that this sector is facing, and also to the whole New York City Council for really supporting this investment. We're definitely moving ahead in a way that we haven't before. I just want to take a moment to thank Mayor's Office of Contract Services. They have been a real genuine partner to the sector for many years. Michael Owh is incredible. He's an invaluable partners. He understands our issues, and he's really working hard to address the myriad of people work, and redundancies and bureaucratic red tape that really, you know, prevent our organizations

from being as successful as they could be. The CBO unit led by Jenny Way has helped many of our providers really achieve professional excellence, and then HHS Accelerator led by Dan Simon and now with Ryan Murray coming back, has really been—it's revolutionary. I mean it's really nerdy to say that and get so excited but [laughs] it really is revolution—you know, it's revolutionary. It's helped non-profits and launched us ahead of even some other types of industries, and so I really have to take a moment and say—

CHAIRPERSON ROSENTHAL: [interposing]

You're in the right room for that.

MICHELLE JACKSON: Yeah, exactly right.

[laughs] It's so very rare, and creative parties talking about procurement, and also, you know, we have really impeccable customer service. We do a lot of outreach in the communities, and they're really working to improve institutional hurdles, and I don't have, you know, I really don't say that lightly. They are really a great partner to have. The Mayor has also established the Non-Profit Resiliency Committee I think in part because of our work last year at this very hearing, and bringing a myriad of

providers to testify--so thank you for that as well--to talk about the systemic issues that we face. There's a lot of exciting projects in--in that arena, too, from streamlining audits to program design, you know, how do we fix the RFP system and the structures that prevent funding of contracts at adequate rates and, you know, improving cash flow and other issues. So those are all good things. Unfortunately, our sector really faces some structural barriers and systemic hurdles around underfunding that have created a crisis in the non-profit sector. I think Marla's testimony summarizes it pretty well. She's a well run organization with a small endowment owning some real estate that's now a hot commodity and it's still digging out of the recession, and now we have the federal cuts, which I think are--are definitely going to come, and so we're looking at providers who haven't recovered yet, and are looking at something coming in the future. A group of 218 providers sent a letter to the mayor in December asking for a 12% across the board increase in our contracts. The organizations have signed a letter represented that they serve about 100--1.5 million New Yorkers each year, they represent \$5 billion human services

spending in New York City alone. We're calling for this immediate (sic) investment on our contracts to stop the closure of essential services in New York and, you know, it's really the sector's number one priority. We can't continue to do more with less. Stories like Marla and from what you'll hear from other providers are what we're hearing across the sector. We really are in a crisis, and something needs to be done to shore up our budget. Since this is about contracts, we'll talk about how the contracts really got us into this place. Contracts can be generally underfunded for programs. Sometimes there's an outright match required on the contracts the non-profits enter into, and many times the rates are just not adequate and providers enter into contracts either understanding that they're going to have to fund raise, or become, you know, frank and sign different contracts together [laughs] together to make sure that they get that unit a service price that they need. Second, contracts don't provide an appropriate indirect cost reimbursement. The Stanford Innovation Fund for example estimates that non-profit and direct rates should be between 15 and 25%, which by the way that's still lower than the

lowest of for-profit overhead rates, which start around 30%. But government rarely even pays 10%, and many well-pay well below even the 10% mark, and then as you are also aware there's the Federal OMB Guidance from the feds that say there has to be at least 10% or a federal indirect rate.

CHAIRPERSON ROSENTHAL: And very quickly, I just want to say that the response from City Hall has been gee, you know, non-profit providers really only ask for 8% so what are you talking about?

MICHELLE JACKSON: Right, I'm going to have to think, yes.

CHAIRPERSON ROSENTHAL: So please help me answer that question.

MICHELLE JACKSON: Yes, because they also told me that once, and I went back to my providers and I was like what are you doing? [laughs] And because the contracts are so chronically underfunded, non-profits aren't even able to claim the 10% because they're fundraising for, you know, this 20%, 30% of the contract. So when they go to submit reimbursement, they don't even claim the 10%. Not because they don't want the—the 10% indirect rate, but because the contract itself is so underfunded

that they're not even getting to that 10% rate. So, they're, you know, that's one of the main reasons that provide—if you see where providers are allowed to claim up to 10% and they're not, it's because—because of the way their books are working it just easier to just put all of the money into program, and not claim the indirect rate because they're fundraising and putting money in from other sources. So trust me. If our providers were able to get a fully funded contract, they could use that 10% indirectly and that would still be too low for what—for what they need. And then third, the contracts neither provide for cost escalations for OTPS, nor cost of living increases on the PS lines. So while we're very happy to have the COLA from two years ago, and then the COLA, the 6% COLA over three years that the Mayor has also announced I think that's a really important piece of investing in the workforce. Those come—come from advocacy and kind of benevolent [laughs] decisions made by the Administration. There is nothing in our contracts that allow for cost of living adjustments for staff. For example, they used to be tied to union agreements. So with DC37 got an increase that human service providers would also get

one. So that would be nice. I would be able to advocate on other things instead of cost of living adjustments, and then on the OTPS side, we all know rent goes up, health insurance goes up, liability insurance, but also sometimes we have a cold winter. Not this year, but people remember them. [laughs] Where you have snow removal and other things, the cost of gas goes up, and all of those kind of other costs where the contracts aren't extended. Additionally, as you mentioned, while contracts can go from five to seven years, often times the RFPs are delayed, and so some of these contracts go for ten years, and so providers who even have allocated costs knowing that they'll be, you know, rent goes up 2% each year. They end up going to this contract for five more years, and they do that because it's the right thing to do for the community, but they also do that without any cost escalation. None of the things I've just mentioned are really new issues, nor is government unaware of them. I think the Resiliency Committee is a real opportunity to start to address all of those, but what the Mayor's Office of Contract Services and the Resiliency Committee cannot do is—is make us politically matter [laughs] to be honest, and

so this 12% increase, you know, it's—it's a funding issue. To get us to 10 or 15% indirect rate to talk about their chronic underfunding of these contracts to get OTPS increases, which we've never received before really requires a commitment of funding. And I think to answer your question around why do we need a 12% across the board increase is because Marla told a very specific story about selling a building, and being able to get some of her, you know, deficits covered in that way. Other providers have cut pensions as Marla mentioned or they passed on health insurance costs to their employees. So an already underpaid workforce, for example, is now bearing the brunt of the city's decision to underfund contracts. So our workforce is really carrying the funding decisions of the city on their backs, and this is already a workforce that's underpaid. We have other groups who have not made necessary infrastructure repairs. They've closed programs or cut program hours. So every provider has dealt with the underfunding issues in a different way.

CHAIRPERSON ROSENTHAL: [interposing]

And--

2 MICHELLE JACKSON: So we need that
3 increase across the board.

4 CHAIRPERSON ROSENTHAL: So, I have your
5 testimony in front of me, but to the extent that you
6 can send us specific examples not with the name of
7 the provider—

8 MICHELLE JACKSON: Okay.

9 CHAIRPERSON ROSENTHAL: --because I know
10 how uncomfortable that is--

11 MICHELLE JACKSON: [interposing] Yes.

12 CHAIRPERSON ROSENTHAL: --that would be
13 terrific.

14 MICHELLE JACKSON: Yes, we have specific
15 examples, and actually I'll include—I'll give you a
16 report that we just did around 21 providers who
17 talked about the government deficits that they carry
18 on their contracts, which can be up to 20% when they
19 isolate their government contracts, and all of the
20 different examples that they've taken on. So, you
21 know, from cutting programs. We know a lot of groups
22 have given back Beacon contracts or gotten out of
23 after school for example because the cost just wasn't
24 amenable to—to staying in business.
25

CHAIRPERSON ROSENTHAL: [off mic] And a [on mic] another question I get from colleagues is well if you were going to play the fiscal conservative Devil's advocate, you know if some program is not serving the robust population, why not cut that program.

MICHELLE JACKSON: Uh-huh.

CHAIRPERSON ROSENTHAL: What, you know, and, you know, I certainly have a provider in my district where the number of people being served is dwindling mainly because it's a Holocaust survivor program., but what—what do you do in those situations or do you—what do you think about that?

MICHELLE JACKSON: Yeah, absolutely. I think a lot of our organizations assess the communities that they serve, and as Marla said, you know, she didn't need to have her headquarters in Downtown Brooklyn any more. We have, you know, providers who are getting out of Midtown Manhattan and moving into Brooklyn and other areas because of the populations they serve. So we're not talking, to be very clear, about the natural kind of closure of programs. They're not saying there's—we don't have enough kids in this area to serve. They're saying if

we take on this program or keep this program, the rest of our programs will suffer, and we can't carry the deficit for our programs. So we're seeing a lot of boards and executive directors making decisions about actually serving a community but doing so at the expense of all the other communities they serve. So making decisions that these contracts are really untenable for their organization.

CHAIRPERSON ROSENTHAL: Michelle, I'm seeing that the Commissioner of HRA has walked in right behind us, and I know there's another hearing. So I'm going to ask—I'm going to thank you for your time.

MICHELLE JACKSON: Thank you very much.

CHAIRPERSON ROSENTHAL: And—and to be continued off line.

MICHELLE JACKSON: Absolutely.

CHAIRPERSON ROSENTHAL: Really appreciate it. I'm going to ask Heidi Aronin and Solomon Capellias (sp?) from my district to come up. Solomon, I'm going to ask you to start actually because I'm saving Heidi. So if you could start and unfortunately we have a tiny bit of a time crunch now, but I'm glad you're here.

SOLOMON CAPELLIAS: [off mic] Thank you.

CHAIRPERSON ROSENTHAL: If you could just introduce your name for the record. If you have anything to share, that's great. Don't worry about it. [background comments]

SOLOMON CAPELLIAS: Hi, my name is Solomon Capellias (sp?) Thank you very much for hosting the meeting, and for having-allowing me speak. This is the first time I'm doing this so unfortunately I'm not that experienced. Forgive me. I didn't have a testimony to-to give you, but I am the constituent of-of Helen's and she has been wonderful especially in just as-as a person. The reason why I'm here today is forgive me if I'm a little anxious. I just received a-another message. Basically, we are a property management company, and as well as a landlord. We're very down to earth people, we're-we help out whenever we can. Social services, we've sponsored drug addiction groups in spaces we rented out. We sponsor homecare packages for-for people. Just a couple nights ago I had someone who-who lost his Uber license who lost his car because he was unable to make the payments. We gave him \$10,000 to get his car. We're very-we're

mom and pop people. This is me and my dad. Especially economic Denama (sic) Corporation is running our lives. We made the unfortunate mistake, they're a homeless shelter group/social service provider, which I use that term very informally. The reason why I'm very anxious because I'm very upset because we had a court stipulated [pause] signed documents that they had to pay rent that we had to use to cover our mortgage, and they just stiffed up. We-we-I just literally about ten ago I go the email-- so my voice is trembling--that my-I'm not going to be able to pay--pay my mortgage. [pause]

CHAIRPERSON ROSENTHAL: I'm going to-- just so I hear you, and we've talked about this offline. You know, just by chance, HRA is-is coming for a hearing right after this one, and the Commissioner is here and some of his senior staff, and what I'd like to do is ask them to meet with you right now, and talk with you about that. Because they are the ones who-who are responsible for the contract. So I've asked my staff to go back and-and find them to meet with you, and so if I could ask you to hang on one second. Okay, so they're going to be right-behind this room there's another hearing

chamber, and they're going to be right back to meet with you now. Okay. I hear you. This terrible, terrible provider, and it's my understanding that HRA is severing all contract work with the, and you got your--your building, which is trying to do the right for people with--who--who need services, has gotten--

SOLOMON CAPELLIAS: [interposing] He just got in some more. If he'd pay us.

CHAIRPERSON ROSENTHAL: --caught up in a terrible--

SOLOMON CAPELLIAS: We got something about the money. (sic) This is ridiculous.

CHAIRPERSON ROSENTHAL: Right. It's a terrible, terrible situation, and--and I see someone is back there right now already. So if--if I could ask you to meet with them. Thank you, Solomon. Heidi. If you could introduce yourself and say the name of your organization.

HEIDI ARONIN: Absolutely. Good morning. My name is Heidi Aronin and I'm the Chief Administrative Officer for JASA, the Jewish Association Serving the Aging. For nearly 50 years JASA has been one of New York's largest and most

trusted not-for-profits serving the needs of older New Yorkers.

CHAIRPERSON ROSENTHAL: [interposing] And one second. If I could just ask the sergeant-at-arms to—could you—Mohammed, could you bring Solomon into the other room and introduce him to the Commissioner?

SERGEANT-AT-ARMS: [off mic] Yes, I will

CHAIRPERSON ROSENTHAL: Thank you.

HEIDI ARONIN: That's quite alright.

JASA fights hunger, isolation, and justice with programs and services to promote—promote independence and safety, wellness, community participation and an enhanced quality of life for New York seniors. In total—I know that you're a rush. So I'm going to try to consolidate this. We have a consolidated annual budget of nearly \$115 million and approximately 2,000 staff. JASA's extraordinary staff provides support assistance and programming to New York seniors, but right now, and I'm echoing some of my predecessors at this table. We feel the not-for-profit sector in New York City is at crossroads. The gap between the funding [coughs] we receive from government to provide services and the cost of providing the services, as required by our government funders is

large and growing. The interest of private foundations and individual donors in providing funds to fill the gap is waning and left in the middle not-for-profits like JASA struggling to serve clients in need with insufficient funds and demoralized staff. Size does not mitigate these problems. Larger not-for profits like ours simply face the larger gaps for which to fit-to raise funds. The cries simply the structure of government funding for human services today does not work. We have to raise it for a broad network or not-for-profit organizations, and more importantly for hundreds of thousands of people who rely on us for supporting assistance. We ask the City Council to include in its budget response a request for the Mayor to shore up human service providers by providing a 12% across the board increase on our contracts. This sector is united in its ask, and it is our number one priority. While we will discuss program priorities throughout the budget season, we want to emphasize that this increase is essential in keeping our doors open. Without this investment, we will not be able to provide critical intervention. It has been accepted with in the not-for-profit world that organizations relying on

government contracts for their funding will not receive sufficient administrative cost reimbursements. Government pays for services, and does not take into account fully the additional cost every organization must shoulder: Rent, utilities, payroll, insurance, compliance, information technology, managing human resources functions, purchasing facilities, et cetera. At JASA even with an infrastructure too lean to meet our needs our administrative costs estimated at only 14% of the current services budget out-pays the 10% reimbursement we receive leaving a shortfall of \$1.5 million for which we must fundraise each year. This has been a concern for more years than any of us can remember, and now we must also pursue private funding to pay for our operational core to cover the very real gaps in government funding for the direct costs of providing services. As a result, JASA has turned back contracts, and tapped into our dwindling endowment to make ends meet. Some of the core services JASA provides, services for which we are known throughout the city exemplify the gaps I'm describing. JASA's staff deliver more than 500,000 individual meals to homebound elder-elderly each

year. Often the drivers and meal assistances that deliver those meals are the only people those seniors see each day. The annual budget from the Department for the Aging for providing this core valuable service exceeds \$5 million. This is an extraordinary commitment of public resources to help keep seniors in their homes, and yet, it is insufficient to cover the actual cost of these meals. This year JASA is projected to lose more than \$360,000 on its Home Delivered Meals program, approximately 9% of the program's budgeted government revenue. A significant portion of that loss results from serving a disproportionate number of kosher meals to seniors requiring them in neighborhoods like Coney Island, Brighton Beach and Manhattan Beach. This year's projected loss is an improvement over prior years when our program losses for meals reach \$500,000 because last year the city in response to a coalition of providers and advocates including JASA and the UJA Federation agreed to adjust the meal rates it pays based on providers' average complements of clients, helping to account for cultural differences. We appreciate the city's willingness to make this adjustment, and yet like most providers we are still

subsidizing the government's program. JASA runs 22 senior centers in New York City through contracts with the City's Department for the Aging. Our centers are hubs of activities, socialization, learning and dining known throughout the city by seniors, elected officials and other not-for-profit providers. We are proud of these programs and are known as an innovative leader in senior center programming. We run these programs with limited staffing. The average center has a director, a group work assistance, ad part-time kitchen technician and a part-time community aid. And yet, our senior centers are projected to run a combined deficit of more than \$423,000 this year, approximately 5% of their combined annual budget. The trend is clear, and increasing insurmountable. Program by program we are covering three, four, five percent of the direct cost of running programs plus anywhere from a quarter to half of the cost of running an administration to support those programs. And this does not tell the whole story because the only way that we and many not-for-profits organizations can provide the services government contracts we'd love to provide and even close to what the government pays and that

frequently remains flat year after year, as I'm sure you've heard, is by containing salary costs of the men and women providing those services throughout our communities. Our obligation to ensure that JASA remains a viable and operating not-for-profit has resulted in our falling farther and farther behind the market in salaries. In a particularly noticeable-notable instance, the workers we employed to provide adult protect services to those at risk due to physical or mental incapacity earn \$34,500 on average, 14% less than the city employees providing the very same services. These gaps in salary leave a high turnover recruitment difficulties and demoralized staff. We appreciate last year's cost of living increase for human service contract providers, and the proposed 2% increase for 2018, but after years of limited or no increase these increases, these modest steps cannot stem the tide of turnover, and malaise among the workforce that understandably feels undervalued. When professionals with master degrees in social work are earning salaries in the low \$40,000 range, it is hard to convince that a 2% increase is meaningful to their lives. We seek for our staff what we seek for our clients that they able

to live in a city in which they work with dignity, earning a livable wage for the extraordinary commitment they made. Like all the providers and advocates that come before you, JASA brings experience and conviction to arguing for more total funding for meals, for legal services, for elder abuse prevention, case management services, senior centers and others as they are critical services helping seniors live rich and fulfilling lives. We understand, however, that like us, government only has so much to spend. What we ask then is that government pay for what government asks us to provide. When our funding agencies contracted us to deliver a hundred or a thousand or a million dollars of service, those agencies should pay the full cost of the service provided. If funding to cover the full cost is unavailable, then we understand we may be required to reduce the level of service we provide to meet the available funding, and we are willing to work with government to reach the achievable levels. But it is unreasonable to expect the not-for-profit community to make up the difference that government can't or won't pay. We cannot cover a portion of every service and private funders are not interested

in funding what government will not. More importantly, asking us to do so puts our entire sector at risk because we cannot, any of us, expect to remain in business with year-after-year losses. All we ask is fair funding to provide quality service. With that support in hand, JASA looks forward to the next 50 years of serving aging New Yorkers with the city's agencies and elected officials to make New York a good place to grow old. Thank you.

CHAIRPERSON ROSENTHAL: Heidi, thank you so much, and for full disclosure we work together previously--

HEIDI ARONIN: [interposing] Right.

CHAIRPERSON ROSENTHAL: --in city government. I-I want to ask you when you talk about government not paying a full--

HEIDI ARONIN: [interposing] Uh-huh.

CHAIRPERSON ROSENTHAL: --the full cost of service, how--where does the state fit into this?

HEIDI ARONIN: Well, the state funding is incorporated generally into the--the funding that was through the state is incorporated into our funding so it's taken into account? Periodically, the state

2 will throw a little extra money for-for certain
3 things and so the programs that get that money can-
4 can increase, but generally it's for salaries and
5 which is important. I do not want to minimize--

6 CHAIRPERSON ROSENTHAL: [interposing]
7 Right.

8 HEIDI ARONIN: --the importance of
9 salaries, but it doesn't help to solve the gap that
10 comes from all the other costs, and it is a direct
11 pass-through. So again so if you have a hole and
12 someone says I'm going to give you more money so you
13 can spend more money on salaries, you do that but the
14 hole hasn't gone away. You're-you're handing it over
15 to the staff who absolutely deserve it.

16 CHAIRPERSON ROSENTHAL: Absolutely. I
17 mean they're paid poverty wages. So, so the state
18 when was the last timing for you-how many-you said it
19 right here. I'm sorry. \$115 million consolidated
20 budget. How many programs do you run?

21 HEIDI ARONIN: Well,

22 CHAIRPERSON ROSENTHAL: A lot.

23 HEIDI ARONIN: A lot.

24 CHAIRPERSON ROSENTHAL: Okay.

25 HEIDI ARONIN: A lot.

2 CHAIRPERSON ROSENTHAL: So for you're a
3 lot of programs, when was the most recent time the
4 state increased funding for supplies, increased cost
5 of rent?

6 HEIDI ARONIN: Well, I'm at JASA almost
7 five years. I don't recall it happening in any
8 across the board--

9 CHAIRPERSON ROSENTHAL: [interposing]
10 Ever?

11 HEIDI ARONIN: --way in that time. There
12 are periodically if you--when you apply for new
13 funding you may be able to either get a little bit
14 more for those things or moving things around within
15 the budget.

16 CHAIRPERSON ROSENTHAL: Right, and what
17 you're talking about there is that the contracts you
18 negotiate are multi-year contracts.

19 HEIDI ARONIN: Yes, correct.

20 CHAIRPERSON ROSENTHAL: Has anyone ever
21 put in--has any government level put in a multi-year
22 contract something that would accommodate the
23 increasing costs of rent or not?

24 HEIDI ARONIN: That--well, what we're told
25 is this--this is the amount of money that they have,

and they don't have more to give. We certainly would advocate--

CHAIRPERSON ROSENTHAL: [interposing]
Periodically? So, they have an amount of money that they're going to pay you.

HEIDI ARONIN: They pay--they spend it in the first year, and the money doesn't go up in the second year. So our money doesn't go up in the second year.

CHAIRPERSON ROSENTHAL: I see.

HEIDI ARONIN: I think that certainly I would advocated for some sort of at minimum assumption of a cost of living increase for--for other than salary costs as well. Everyone and even on salary costs remember when we get a file (sic) from our funders for salaries, they're the direct--the direct workers. They're not for all the people behind the direct workers who are doing their paychecks, hiring them, buying their supplies.

CHAIRPERSON ROSENTHAL: Management and administration.

HEIDI ARONIN: Correct. All those people also need to have [laughs] increases in the work that they do, and, and the COLAs don't apply to that. In

fact, last year's COLAs didn't even--they didn't even apply the administrative overhead to the cost of living. So that in effect our--our add-in rate went down when we got salary increases for our workers.

CHAIRPERSON ROSENTHAL: Wait--wait, so only the programs staff--the COLA is only available for program staff and not--

HEIDI ARONIN: [interposing] Program staff salaries.

CHAIRPERSON ROSENTHAL: --and not administrators?

HEIDI ARONIN: Correct, and--and again not even--and it wasn't added onto the cost. So let's say you had \$100 budget, and on top of that you had \$10 for overhead, they added two--they had a based--it's \$100 above salary. They added \$2 there and kept that \$10 on top so that instead of having a 10% over rate--overhead rate, you now have a 9. something for--for salaries.

CHAIRPERSON ROSENTHAL: Salaries. (sic)

HEIDI ARONIN: So that actually in that sense the rate went down when--when the salaries went up.

CHAIRPERSON ROSENTHAL: Okay, that's a little mind numbing. [laughter] Can we go to page 3 where you gave the example of the Adult Protective Service workers?

HEIDI ARONIN: Uh-huh.

CHAIRPERSON ROSENTHAL: What is the title of--are--are the titles the same for the worker in the non-profit sector--

HEIDI ARONIN: [interposing] They're--

CHAIRPERSON ROSENTHAL: --and city?

HEIDI ARONIN: They're similar titles. They're bachelors level case workers. We call them social worker 1s. We actually have a--a special title for adult protective, which is 1-A, but they--they are essentially the same--the same staff, and in this particular program actually what's happened over the years is we hire staff, you know, often right out of school. They work for us for a couple of years, and then they move to the city, which pays higher for the same work. So we're--

CHAIRPERSON ROSENTHAL: [interposing] To the city--they moved to the city agency directly.

HEIDI ARONIN: The city, the HRA provides that service.

2 CHAIRPERSON ROSENTHAL: So HRA—let me
3 just make sure I have it right because this was
4 always your table and not mine, but so HRA has direct
5 staff who provides the work, and they contract out—

6 HEIDI ARONIN: [interposing] Correct.

7 CHAIRPERSON ROSENTHAL: --with a JASA
8 provider to do additional work?

9 HEIDI ARONIN: Correct.

10 CHAIRPERSON ROSENTHAL: Should they in
11 your mind all—[pause] and there's no difference
12 between the workers?

13 HEIDI ARONIN: Not as far as I know. No,
14 to be honest—I mean I haven't done a lot of research
15 into, you know, how many staff they have and how long
16 they've been work and all of that. It could be that
17 they have longer longevity in the jobs, but the work
18 itself is the same work. They are bachelors trained
19 staff. They are not MSW level staff, and they're
20 doing identical work so--

21 CHAIRPERSON ROSENTHAL: So, if you could
22 get me more information about that--

23 HEIDI ARONIN: [interposing] Sure.

24 CHAIRPERSON ROSENTHAL: --I would
25 actually love to pursue that, and one second.

[background comments, pause] I'm just finding out whether or not we have an wiggle room or not--

HEIDI ARONIN: [laughs]

CHAIRPERSON ROSENTHAL: --in the timing, and then when you--given that the Resiliency Committee had been working--

HEIDI ARONIN: [interposing] Uh-huh.

CHAIRPERSON ROSENTHAL: --are--are--when contracts do come up for review now--

HEIDI ARONIN: [interposing] Uh-huh.

CHAIRPERSON ROSENTHAL: --when they come up for renewal, do--do you as JASA have the opportunity to say we need a higher administrative rate or we need to have the OTPS portion increased over each one year to the next? Oh, if you're ready. That was the last question. [laughs]

HEIDI ARONIN: Okay. well, we have the opportunity to say, but we've never had--had anyone actually give it to us. So this year we have, in fact, gone back to our funders and said this is our actual overhead costs, this is how much we--our costs and they've said well, this is how much we have to give you and it's not higher than we have gotten.

2 CHAIRPERSON ROSENTHAL: [interposing] So
3 when we work together, do you remember learning about
4 CPs, which were the things on the construction site
5 if you had a cost overrun--

6 HEIDI ARONIN: [interposing] Yes.

7 CHAIRPERSON ROSENTHAL: --we would
8 approve the CP.

9 HEIDI ARONIN: Yes.

10 CHAIRPERSON ROSENTHAL: Do you have CPs?

11 HEIDI ARONIN: Yes. No, we do not have
12 CPs. What we--what we--do sometimes have is depending
13 on how a program is running if a program may at some
14 point serve somewhat fewer than you expect for two
15 months, you can move money around sometimes within
16 the budget.

17 CHAIRPERSON ROSENTHAL: Uh-huh.

18 HEIDI ARONIN: But when you're fully
19 loaded and fully operating, there's no opportunity to
20 get additional funds on a regular basis.

21 CHAIRPERSON ROSENTHAL: Right. Thank you
22 so much for your time. I really appreciate it--

23 HEIDI ARONIN: [interposing] Thank you
24 very much
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1 COMMITTEE ON CONTRACTS

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2 CHAIRPERSON ROSENTHAL: --Heidi, and I'm
3 going to call this hearing to a close. [gavel]

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C E R T I F I C A T E

World Wide Dictation certifies that the foregoing transcript is a true and accurate record of the proceedings. We further certify that there is no relation to any of the parties to this action by blood or marriage, and that there is interest in the outcome of this matter.



Date March 30, 2017