

CITY COUNCIL  
CITY OF NEW YORK

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TRANSCRIPT OF THE MINUTES

of the

JOINT COMMITTEES ON CONTRACTS AND CIVIL SERVICE AND  
LABOR

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City Hall

B E F O R E:

LETITIA JAMES  
MIGUEL MARTINEZ  
Chairperson

COUNCIL MEMBERS:

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

Ms. Lillian Roberts  
Executive Director  
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Henry A. Garrido  
Assistant Associate Director  
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Santos Crespo  
Local 372

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CHAIRPERSON JAMES: Good morning, everyone. My name is Letitia James and I'm joined here by Chair Miguel Martinez, who is Chair of the Civil Service and Labor Committee, and I am Chair of Contracts and today we are holding a joint hearing regarding outsourcing of public services to the private sector.

It is my privilege to participate in this joint hearing today with the Committee on Civil Service and Labor and I'd like to thank all of you for attending. Before we proceed, I want to publicly thank Chair Martinez for letting us join this hearing and for all that he has done to bring us to this day. I'd also like to thank the staff of all of the Committees, their names are too numerous to mention, who have worked to prepare today's hearings.

As this is a joint hearing, I will keep my remarks brief. As has been mentioned last night and in the past, today's hearing has to do with the policy of contracting out work to private companies that could otherwise be performed by city employees.

The city outsources services to

private companies on a regular basis and it is important that the City Council hold hearings, such as this one, in order to make sure that outsourcing is in the best interest of the city or to make that determination. Will it be more effective for the city to contract out certain services rather than having them be performed in-house? Will private companies be able to perform their duties as well as city employees? Will the employees at a private company be screened as well as those that are employed by the city? Will the city have the same oversight of the performance of these functions if the work is performed by non-city employees?

Today's hearing hopes to shed light on these and other questions about outsourcing city jobs and would help the Council exercise effective oversight this issue. Let me just say that a number of City Council members and staff members watched NY1 last night, in fact there was texting and twittering going on as the president of DC 37 was on last night, and we were all commenting about the need for further oversight and this is one way that perhaps we could reduce

the budget gap by looking at this \$9 billion in contracting to private sources.

And so, without any further ado, because we would like to get to the testimony today and hear from Ms. Roberts, I'd like to turn it over to my co-chair Council Member Martinez.

CHAIRPERSON MARTINEZ: Thank you, Chair James. My name is Councilman Miguel Martinez, I Chair the Committee on Civil Service and Labor.

The contracting out of traditional government services is a popular form of privatization that is growing at a remarkable pace in cities and counties throughout the United States. Traditionally, contracting out involve routine commercial activities, such as garbage collection, data processing, janitorial services, and street cleaning. However, often the city also considering turning to private sector to perform highly specialized tasks.

Government often offer two primary reason for contracting out public services to private companies. First, to cut the costs of providing services to taxpaying residents and,

second, to employ specialized skills and resources that may, for various reasons, be unavailable within the city government. However, the public sector union vehemently disagree with this reasoning and have resisted contracting out initiative.

Municipal unions in New York City argue that the city employees are better trained as private sector employees are hired without merit and fitness examination and background checks that the city requires for civil service workers. The union also argue that the city employees are more cost effective. Additionally, opponents of outsourcing are concerned that as private firms began to perform government function, public sector workers will lose their jobs or suffer reduced wages. It is vital that the city policies and contract encourage transparency and openness in contractual relationship and allow for the appropriate public scrutiny.

Today, the committee will look forward to hearing testimony regarding the benefit and challenges of outsourcing public services to

private sector. I may add, Chairman James, that -  
- I'm sorry, Chairwoman James--

CHAIRPERSON JAMES: Chairperson?

CHAIRPERSON MARTINEZ: Chairperson.

Madam Chair, that I am a bit disappointed that the Administration would not engage in this important dialogue, particularly at a time where we in our city are facing budget deficit and I believe this is a time when we all must come together to find a real solution to our financial problems in the city, and I think that as a good faith effort by the local municipal employees union in producing documents that could be looked at both by the Council and the Administration as a means of reducing costs, as means of balancing the budget, where clearly the union and the DC 37 white papers have identified specific areas that we could look at and we have a responsibility of looking at as we try to balance this year's budget. So it is my disappointment that the Administration refuse to engage in this important dialogue and open dialogue of how we could save taxpayers' money and how we could balance the city budget without the interruption of vital city services that are

performed by civil servant employees in the city of New York.

I look forward for testimony and we'll call our first witness.

CHAIRPERSON JAMES: Our first witness is Ms. Lillian Roberts, the Executive Director of DC 37.

MS. LILLIAN ROBERTS: Thank you for inviting me to speak at this joint hearing on the Contracts and Civil Service Committees.

My name is Lillian Roberts and I am the Executive Director of District Council 37, which represents 125,000 employees and 50,000 retirees. Today, I am accompanied by Henry A. Garrido, our Assistant Associate Director.

The City Council is well aware of the financial condition of New York City from Mayor Bloomberg's presentation last week. District Council 37 is a union of dedicated workers who care deeply about the services we provide to the poor and the middle class of our city, the vulnerable, the sick, the young, the old. And I am testifying at this hearing because the problems we have found with city contract



procurement damage these services and waste the hard-earned money of New York City taxpayers, including most of our members, who live and vote in the five boroughs.

Over the past eight years, contracting out has eroded services and raised costs. Many services that used to be provided by career city employees are now performed by contractors at a higher cost, with little accountability, oversight, or transparency.

Time and again we have seen reports of criminal activity by contract employees, we have seen the city pay costs that far exceed the salaries and benefits of permanent employees, and we have seen contractors make fat profits by illegally underpaying these employees.

The contracting out system is tilted toward private profit and away from public services. This is the wrong policy for the era of Barack Obama, the wrong policy for the taxpayers, and the wrong policies for the people of New York City. Despite the current hard times, our union has found that the city can save money and still deliver quality public services. Our most recent

research paper, "Massive Waste at a Time of Need," examined the city's massive budget allocations for contract services. Since 2005, the total has increased by \$4 billion, 37%, to an outrageous \$9 billion, that's Chart #1, which you will see demonstrated behind me. And if the cost of any other part of government climbed that fast, the City Council would be demanding an investigation and heads would roll.

We carefully documented the city's contracting out of the five types of professionals and personnel services, functions generally performed by District Council 37 members, that's Chart #2 and Chart #3. We found increases as high as 147%, which was in the computer services area.

Our report represents 10 cases across eight city agencies where the contracting out simply does not work. In just those 10 cases, we found the city wasting over \$130 million. The city could save the \$130 million by replacing contracts with public employees. The money could alleviate the burden of increased taxes and service reductions proposed by the administration and provide a better quality of public services to

all New Yorkers.

Let me give you these three examples. The Department of Health and Mental Health and the Department of Education pay an average of \$57 an hour to contracting firms for the same work our experienced Public Health Nurses are doing at \$38 an hour, including fringes. By terminating the contract with these vendors, the city could save over \$10 million.

At the Fire Department, a computer consultant gets over \$150 an hour for performing help desk functions that a city Computer Specialist does for \$52 an hour. The city could save over \$20 million a year by reducing this reliance on outside consultants.

Our proposals to find permanent placement for the nearly 3,000 Job Training Participants under the city's Transitional Jobs Program in entry level custodial and cleaning positions that are currently contracted out would save the city \$79 million.

And saving money is not the only reason our public service should be delivered by public servants. As all of us understand,

accountability is absolutely necessary in government. Civil service workers are vetted and fingerprinted. Their merit and fitness for the job are tested. Nepotism and cronyisms are banded, and if they want to work a second job, they have to register with the Conflict of Interest Board. If they are charged with a crime, they have to report within 24 hours or face dismissal and contract employees are not required to meet any of these standards.

Contracting out also violates the principle of transparency in government. In any city agency, the budget officer can tell you the exact number of employees, titles, seniority, educational background, gender, ethnicity, and many other details. Ask the same budget officer about contract employees and they can't give you the total headcount, let alone any detailed information about these employees working in our city offices.

In every budget cycle, city agencies seek allocations for contracts without performing a cost comparison to show whether it could be done more efficient to do the work in-

house. If the City Council wanted to review an agency's contract spending, it would have a hard time separating spending on office supplies from spending on contract personnel. And it would be almost impossible to figure out how much is being spent on each contract employee.

As a union, we know that many contracts are let to very good and worthy non-profits, but at the same time many more contracts are given to organizations that fail to meet the contract requirements, underpay their workers, provide no health coverage, and lack the decency to offer any vacation or holiday pay. The contractors pocket the money, but when they violate the Living Wage and Prevailing Wage laws, the workers suffer.

In July 2007, Mayor Bloomberg issued Executive Order 102, expanding the role of the Mayors Office of Contracts, enforcing Living Wage violations under 6-109 of the New York City Administrative Code. In Fiscal Year 2008, approximately 83 contracts with a total value of \$150 million were subjected to the Living Wage Law. Yet, according to a report by MOCS, not one

review for living wage violations were performed under EO 102. For the record, our union has collected hundreds of pay stubs documenting underpayment by the vendors on behalf of the contract workers and we have filed a citywide complaint of Living Wage Law violations under Section 6-190 with the New York City Comptroller.

It is time to shed some light on the shadow government of private contractors and consultants that employs a parallel workforce to deliver public services at inflated costs without public oversight or accountability. As was stated by Supreme Court Justice Louis Brandeis and repeated recently by President Barack Obama, "Sunlight is the best disinfectant." It is time to let some sun shine on the procurement process and let it work its disinfecting powers on this vast waste of taxpayers' money.

And I want to thank you for granting us the opportunity to make our presentation before you.

CHAIRPERSON JAMES: I just want to recognize Council Member Kendall Stewart from the borough of Brooklyn. And at this time, I'm going

to defer over to Council Member Martinez to begin a round of questioning. Thank you.

CHAIRPERSON MARTINEZ: Thank you. Thank you for your testimony. Has the report Massive Waste at a Time of Need, has this report been delivered to the Administration?

MS. ROBERTS: Yes, it has.

CHAIRPERSON MARTINEZ: Have any of the suggestions made, as you highlighted several in your testimony, but any of the suggestions made or outcomes found in the report, have they been adopted that you know of in the Mayor's recent budget that he presented?

MS. ROBERTS: It has been a statement in his earlier budget, but nothing has occurred. We did meet with Commissioner Dore to express the job training participant's problems and what could be done about them and there was a hearing here held by City Council person de Blasio and nothing has occurred to my knowledge.

CHAIRPERSON MARTINEZ: Let me ask some questions in terms of the outsourcing and some of the arguments made by Administration and some cities. Are you aware of any instance where

the use of outside contract actually saved the city money?

MS. ROBERTS: I'm not aware of it.

CHAIRPERSON MARTINEZ: The charter imposes some requirements on agencies before they contract out services, specifically section 312, what has been the effect of the requirements in contracting out work?

MS. ROBERTS: I'll have my assistant, who does all the research to respond.

MR. HENRY GARRIDO: Good morning.

CHAIRPERSON MARTINEZ: Good morning.

MR. GARRIDO: My name is Henry Garrido, I'm the Assistant Associate Director.

First let me take your previous question regarding whether there had been any instances of savings. You know, they said numbers don't lie, but people who put numbers lie all the time. And one of the things that is supposed to happen under that section is the comparative cost analysis and when, to our knowledge, there have been very little comparative cost analysis done over the last 10 years to ascertain whether



functions that we're talking about that have been routinely contracted out could be done more efficiently or cost effectively here with city workers. One of the things that when there has been a cost savings analysis, the city doesn't take into consideration all the factors that are involved with the contract. Where there is additional tax loss revenue as a result of bringing the work and sometimes contracting the work out of state or where there is an inflated pension costs and health insurance costs for the city workers, that has been the model that we have seen in the very few instances where those cost savings calculations have taken place.

Unfortunately, Section 312 of the City Charter only requires the city to do a cost analysis when there is displacement of city workers and that displacement has been narrowly defined by this Administration as layoffs. So I think part of the problem we have is that that section, we believe should be expanded so that there is more a routine cost savings calculations before the work is contracted out.

CHAIRPERSON MARTINEZ: Now, had

there been a situation where the--has there been a situation where the city has hired employees from the private vendor once that contract has expired? In terms of those employees becoming civil servant?

MR. GARRIDO: In 2003 we went through a similar exercise, we came up with research at the time regarding what we felt was an increase outsourcing, particularly in the area of information technology and, after presenting the documents and a lot of documents in the press and a lot of coverage from the press, the Administration came up with a plan under the Department of Information Telecommunications and Technology that proposed the reduction of computer consultants over a five-year period. The Commissioner-then Menchini indicated that DoITT was going to kind of impose one of the titles, the certified title, in order to reduce the reliance of outside consultants. The title carried a very high salary, which allowed them to be competitive on the IT network, they were simply eliminating the middleman, which was the company that was supplying the consultants, and so they began a

process of doing that and, according to the newspaper reports, the city was supposed to convert 1,000 computer consultants for a savings of \$75 million over a three-year period.

Well, I think they got to about 300 and the process stopped and it stopped because there was a self-imposed hiring freeze by the Administration, so as the agencies got a hiring freeze from OMB, they began to rely back on the old contracting out of computer services.

CHAIRPERSON MARTINEZ: What about the opposite? Let me ask you about the opposite scenario where a city employee had been laid off or fired, then hired by the private vendor when the city assigns a project or contracts out, is that a frequent practice? And, if so, were their wages higher or lower?

MR. GARRIDO: We do have cases of city workers leaving city government to join the workforce of the contract because they either pay better or there is less restrictions, if you will, like the civil service system where you're required to take a test. I think one of the things that happens, we have very specific

language in our contract on Section 11 that prevents displacement of city workers. So if there is a layoff and there's a contract that's being procured in order to do the services that that lay off employee is going to perform, we often take them to court and have been successful in most cases.

The problem is when attrition takes place, so in places where we have, say, a hundred workers performing a functions, we no longer have maybe we have 40 or 50 and as they retire, it has been more of a function of taking the OTPS budget, [off mic] and personnel services budget, and using it to procure contracts because there has not been any regulation on the allocation on that particular budget portion, but there has been a lot of regulation by this Administration into the personnel budget.

MS. ROBERTS: I think--

CHAIRPERSON MARTINEZ: In other words, so what I was trying to get at, if an employee under the civil servant, and Ms. Lillian Roberts mentioned in her testimony, if he or she is involved in a crime or is in violation of his

or her duty having to report or even going through a process where you may lose your job, if an employee loses his job for those reasons, if the city contracts out, can that vendor hire that employee even though he's been found in violation or whatever of his or her duty?

MS. ROBERTS: Yes, they can and they have and there have been investigations that's shown that that employee has been arrested in some cases for doing the same thing that they did in the city.

MR. GARRIDO: Let me give you a specific example. We had a case in the Department of Education where one of the workers were terminated from city services for welfare fraud, that same worker became an employee of the temp agency known as Good Temps and not only was able to get employment with the city services getting paid more than our workers did, but was also able to recruit other individuals or seven individuals in total, who had previously been arrested and proceeded to set up a system where they collected-one of the requirements under the Good Temp contracts is that you place people with

disability, so in the system proceeded to  
handwrite or provide doctors note to other  
employees in order to gain employment with the  
city of New York. So when the Commissioner of a  
special investigation Richard Condon conducted the  
investigation and recommended the termination of  
all these employees and, in some instances. the  
investigation where the proper documentation was  
in place, he sent a letter to the Chancellor of  
the city of New York recommending these actions.  
Some employees were in fact let go and others were  
simply converted to a consultant line, which in  
fact turned out to be a promotion, because there  
is no regulation in the consultant line in the  
Department of Education. So here you have a  
situation where an individual gets terminated for  
cause on the civil service line and yet appears as  
a contractor. That individual was employed for  
over four years before--had it not been for the  
issue of the investigation on the violations by  
one of the whistleblowers on the fact that they  
were getting money for the medical documentation,  
that employee could have continued to work year in  
and year out and seven other individuals who had

previously been arrested.

And that's not our point, you have a workforce that is completely unregulated and do not have to file or complete the merit and fitness, they don't have to fingerprinting, they don't have to have background checks, which our employees not only do, but they pay for. In the very few instances where the contractors are mandated to do a fingerprinting, the city pays for it, but it's still very rare across the board.

MS. ROBERTS: I think--

CHAIRPERSON MARTINEZ: I'll turn--  
I'm sorry, go ahead.

MS. ROBERTS: I was just going to say, and there's one other thing that's really coming down pretty fast and that is the Long Beach decision says that civil service employees should do the work and provisions should be laid out and there's about five years and we have about 20,000 people going to be impacted by that decision and many of them will be laid off, they've been with the city like 20 years, 15 years, and so on, and the city has neglected to give exams and call this and they may be laid off because they didn't pass

the exam, but they've been doing the work all the time, then we have a body of people on the other side who are contract workers sitting side-by-side with them that's not impacted at all. And so that's very unfair to them and to the union for what's happening to them, so it has to be addressed.

CHAIRPERSON MARTINEZ: I'll come with further questions. I'll now turn to co-chair James.

CHAIRPERSON JAMES: Thank you. We've been joined by Council Member Michael Nelson from Brooklyn and Council Member Robert Jackson from Manhattan and also Council Member Melissa Mark Viverito from Manhattan as well.

I listened intently to you last night on NY1 and I have a series of questions. First, let me begin with the decision that you just mentioned. The Long Beach decision, there was legislation enacted in Albany in 2007, I believe, and it basically says the city is required to appoint employees from civil service lists to replace thousands of provisional employees temporary and consultant personnel who



are neither provisionals nor civil service employees. And the question is whether or not the city of New York has been in compliance with that Long Beach decision and with the law as it is in the state of New York.

MS. ROBERTS: Well they're crawling along. There's a few here and there.

CHAIRPERSON JAMES: Would it be fair to say that there have been attempts at compliance, but not to a large degree.

MS. ROBERTS: Well the whole civil service system is being reviewed right now and there's quite a bit of debate and they had hearings here as it related to the current system and they're going to have some in Albany, but in the mean time, in some cases they are beginning to replace some of the provisionals with civil servants.

CHAIRPERSON JAMES: You also indicated last night, and you have made this charge before, that you have described this practice of hiring these consultants, which has ballooned to \$9 billion. At one point, I believe you said last night on NY1 that it was at 4.5 and

then I believe Mayor Bloomberg reduced that number, but now it has since ballooned under his Administration. Did I characterize that correctly, or perhaps you can explain further.

MS. ROBERTS: Well, when the Mayor came into office, I was coming in as a labor leader as well and one of the things that we tried to do is be responsible. So we took our first increase and then Mr. Garrido here-- I call him Detective Gariddo--began to do white papers so that we could prove our case and know what we were talking about and not make demands that was not reasonable. Roaring out of that, we had the first set of white papers where it was over \$8 billion worth of outsourcing, so this is not the first time it's happened, but nobody's ever really looked at it. And we brought that to the Mayor and everybody was saying, oh no, oh no, it doesn't happen. And finally there was an admission on their part that it did happen, so it was rolled back to \$5 billion and we was on our way trying to get things cleared and then we looked around and decided to do our white paper to see where we were, and now it's \$9 billion in the same areas

that the Mayor and the union is familiar with, so it's not like it's new to him and he doesn't know what's going on--he knows.

CHAIRPERSON JAMES: Now, Ms. Roberts, at the briefing that the Mayor provided to the City Council when he issued his executive budget this past Monday, I asked him a question about your white paper and whether or not the private contractors and consultants had ballooned to \$9 billion. His response to me was that these employees are somehow unique, that they have some sort of special skill that only they can perform. He suggested that city employees somehow did not have the requisite experience or skill set to provide these types of jobs, what is your response to that?

MS. ROBERTS: I think that's very sad. When you're contracting out \$79 million for cleaning and custodial work--

CHAIRPERSON JAMES: [Interposing]  
Did you say 79 million?

MS. ROBERTS: That's right.

CHAIRPERSON JAMES: Yes.

MS. ROBERTS: For cleaning and

custodial work and you have welfare recipients who are funded by the state and the city after their five years, they're working and they're looking for jobs and the job that they can do, I mean they're doing it for six months for the city, and you take that money and give it to a private contractor and you don't employ them, how much skill do you need? They certainly have the skill.

And when we have also clerical jobs like dealing with papers on heat programs and special programs such as that, they're all clerical functions and so that is not true.

CHAIRPERSON JAMES: I also followed up with the Mayor at this briefing about this outsourcing and he indicated that most of the outsourcing--he admitted that most of the outsourcing was done in human services, is that a true statement?

MS. ROBERTS: They're the ones who supply the contracts.

CHAIRPERSON JAMES: So primarily it's an HRA, ACS, and DOE would that be fair to say? Any other agencies that I left out?

MR. GARRIDO: The Department of

Health and Mental Hygiene also, right.

CHAIRPERSON JAMES: So in the back of this briefing paper--and by the way, did you bring extra copies of this white paper, this briefing paper for members of the committee? And if you have them, could you please distribute--

MR. GARRIDO: We have--

[Crosstalk]

CHAIRPERSON JAMES: --them?

MS. ROBERTS: Yes, I think we have some--

[Crosstalk]

CHAIRPERSON JAMES: Okay.

MS. ROBERTS: --make sure.

CHAIRPERSON JAMES: In the back of this white paper, it's my understanding that it's also Department of Education, it's a school food delivery services, how many contracts did we outsource in that department?

MS. ROBERTS: Well we've been meeting on that and I'm sure that Henry can tell you what our latest is.

MR. GARRIDO: The food services has now--there are about six contracts that they have

now procured and, incidentally, the cost there has gone up by almost \$10 million in the last two years since--they hire a consultant by the name of Accnture, the same way they hire the same consultant--

CHAIRPERSON JAMES: [Interposing]  
What's the name of the consultant?

MR. GARRIDO: Accnture.

CHAIRPERSON JAMES: Could you spell that for me?

MR. GARRIDO: A-C-C-N-T-U-R-E.

CHAIRPERSON JAMES: Okay. Thank you.

MR. GARRIDO: Similar to what they did with the A&M consultant services for the busing, they bought a consultant service to come in and do a review of what they felt was necessary, and the consultant came in and gave them recommendations of how they could further contract out some of that work and save money through the economy of scales and a number of other things. What resulted was, they kind of merged what used to be about 30 contracts into four large contracts and they divided the

distribution of school food by regions. Well the end result is the contractors couldn't handle that volume so the schools began to miss food, which was evidenced in District 2, we see all the coverage in the paper where kids were given corn and boiled eggs, and so the contractors failed to deliver. And what has resulted is the city had to rely on emergency contracts to deliver the goods and services. Well we have 12 trucks that are idle, sitting in the back of a warehouse in Long Island City simply because they cannot hire enough people to send out and do the work--we want to do the work--

CHAIRPERSON JAMES: Right.

MR. GARRIDO: --you know? So what we were suggesting is, look, you have the trucks, they're refrigerated, now you have contractors that are using non-refrigerated trucks to deliver food to the schools, why don't you just hire other people to do the work? And what we've seen is our people have been limited to deliver paper goods, so the frozen and donated commodities that come even from the federal government have to be provided by the vendor. So we have suggested that

simply hiring the necessary people to put those trucks to work, the city could save money, but there hasn't been any movement in that respect.

CHAIRPERSON JAMES: So let me just recap, in the Department of Education, the school food delivery service we hire private contractors, the contract is now into \$10 million, they even failed to perform service and, in some cases, children went without food and we had to hire an emergency vendor to come in and to fill in the void and yet the discussions with the Administration have gone nowhere. Does that sum up as to the Department of Education?

MR. GARRIDO: That is fairly accurate and I think the--

CHAIRPERSON JAMES: Thank you. And let me ask you this other question, is there anything unique about delivering food services that city employees could not do?

[Crosstalk]

MR. GARRIDO: No.

CHAIRPERSON JAMES: Department of Parks and Recreation, it's my understanding that there's eight facilities to be refurbished and



that they're all being done by private contractors, is that a true statement?

MR. GARRIDO: That is true.

CHAIRPERSON JAMES: And how much money is involved in that agency?

MR. GARRIDO: Well they have \$4 million contract for a facility--

CHAIRPERSON JAMES: You said 400 million?

MR. GARRIDO: No, 4 million per facility for the design and construction.

CHAIRPERSON JAMES: So four times a day?

MR. GARRIDO: Yeah.

CHAIRPERSON JAMES: Okay.

MS. ROBERTS: And just to add onto that, the job training participants, which are the welfare recipients, when they come in and work, they work in Parks, the bulk of them work in Parks, I don't know why they can't even do that.

CHAIRPERSON JAMES: We've been joined by Council Member Larry Seabrook from the Bronx. I'm sorry, go ahead.

MS. ROBERTS: And so I just want to

point out that the welfare recipients work in Parks. I don't know why they can't be part of doing those parks that we're talking about because they're there already, but they don't have a permanent job, they're turned out to pasture.

CHAIRPERSON JAMES: This is about refurbishing these--

MR. GARRIDO: Design and Construction.

[Crosstalk]

CHAIRPERSON JAMES: --parks, okay, go ahead.

MS. ROBERTS: --engineers.

MR. GARRIDO: Yes, yeah.

MS. ROBERTS: The engineers.

CHAIRPERSON JAMES: Okay.

MR. GARRIDO: Right.

CHAIRPERSON JAMES: So the eight facilities that have to be refurbished within the Department of Parks and Engineering, the architectural engineering services consultants, how much again has been contracted out in that agency and in that department?

MR. GARRIDO: As I said, it's \$4

million per park and it's about \$40 million as part of this PlaNYC that the Mayor has put out.

And if I may just give you a good example, in the Morris section of the Bronx, an architectural consultant was hired to do the job. We had an architect already on site, somebody who is capable of doing it, and who came up with a design that was not only cost effective, but it was environmentally friendly. So a contractor is brought in to do the design and failed to meet the same standards that the city workers do, and so they essentially have our member, the architect, to help the contractor to bring his design to what was the original design.

So we just don't see why are we using outside contractors and yet the work seems to be doing fine by the city workers that are there.

CHAIRPERSON JAMES: Anything unique about the architecture and engineering services that could not be performed by city employee?

MR. GARRIDO: No, ma'am.

CHAIRPERSON JAMES: Anything unique about the service that they provide to the city of

New York?

MR. GARRIDO: No, ma'am, in fact, in the Drier-Offerman Park, we do the design, our architects and engineers are doing the design.

CHAIRPERSON JAMES: We have heard throughout the city of New York about the per diem homeless shelters, how much money could we save if in fact, we were not to offer per diem fees to house the homeless in the city of New York?

MR. GARRIDO: About \$14 million.

CHAIRPERSON JAMES: Okay. Now there's a question as to whether or not we have the capacity to house them in the city of New York given the lack of affordable housing in the city of New York. What is your recommendation on how we could cut costs in this area?

MS. ROBERTS: Well first of all, currently there is a large number of the homeless who are living in hotels and motels and I think the family pays--the city pays \$135 a day, I think, for the family and \$95 for an individual and they have warehoused over 6,000 apartments in public housing and I don't know any reason why they can't repair those, take the money that they

give in that regard and do the necessary repairs or painting or whatever they're going to do, and place those families in the public housing so that they're able to have a stable place to live and send their children to school the same as everybody else.

CHAIRPERSON JAMES: So let me just paraphrase, we're paying \$135 a day rate to private hotels, \$95 for single individuals, there's hundreds of indoor--or I would even argue thousands of empty apartments in NYCHA, including in my district, I know of at least 2,000 empty apartments in Ingersoll and Whitman--

MS. ROBERTS: Absolutely.

CHAIRPERSON JAMES: --and these individuals could in fact be housed in NYCHA, is that not a true statement?

MS. ROBERTS: Yes.

CHAIRPERSON JAMES: Thank you.

MS. ROBERTS: And we have 15,000 of our members who live in public housing.

CHAIRPERSON JAMES: Yeah, any media wants to go on a tour of my district, I can show you empty apartments in my district.

311 call center overflow services,  
what services do we contract out there and how  
much money do we spend?

MR. GARRIDO: We contract services  
King TeleServices, which is a contractor that was  
originally brought in for simply overflow area.

CHAIRPERSON JAMES: Could you spell  
that?

MR. GARRIDO: King TeleServices?

CHAIRPERSON JAMES: Yes.

MR. GARRIDO: K-I-N-G-T-E-L-E-S-E-  
R-V-I-C-E-S.

CHAIRPERSON JAMES: Thank you. How  
much money?

MR. GARRIDO: We were going now--  
it's now a \$50 million contract.

CHAIRPERSON JAMES: Anything unique  
about the services that they provide that service  
city employees could not?

MR. GARRIDO: No, ma'am.

CHAIRPERSON JAMES: Let's go to  
Department of Information Technology and  
Telecommunications, that's not a social service  
agency.

2 MR. GARRIDO: It's not, and one of  
3 the largest areas where we think a lot of the  
4 waste is taking place.

5 CHAIRPERSON JAMES: And how much  
6 money is involved there?

7 MR. GARRIDO: Well they're  
8 contracting out about \$145 million worth of  
9 services.

10 CHAIRPERSON JAMES: And what is the  
11 service for?

12 MR. GARRIDO: All kinds of IT  
13 services, and this is one of the areas where they  
14 claim that there's a unique category of employees  
15 and we want to be clear that what we did on this  
16 is there are some cases where those contract  
17 employees either have proprietary license needs or  
18 have special skills for Internet development, web-  
19 based development, or some kind of  
20 telecommunication integration, we have separated  
21 that from our calculations. What we've done is  
22 we've concentrated in areas where day-to-day  
23 functions are now being done by our own employee  
24 help desk--Web design, maintenance of mainframes--  
25 and what we have in many instances--for instance,

if you go to the Brooklyn and the Marriott is we have a room full of about 30 employees, half of them will be civil service--computer associates, certified network administrator--and half of them would be contractors, consultants, so they're doing the same functions the parallel functions. So there's nothing unique about what they're doing that is different than what we're talking about now.

CHAIRPERSON JAMES: Is this the same agency where they're implementing the City Time contract?

MR. GARRIDO: That's correct.

CHAIRPERSON JAMES: And how much is the City Time contract--how much have we spent on the City Time contract in the city of New York? And we've held previous hearings on that.

MR. GARRIDO: Yes, you have.

CHAIRPERSON JAMES: What's the amount, where are we with that?

MR. GARRIDO: Well part of the problem is we don't know exactly how much is spent, but it's in the millions of dollars and we do have some data that will show that they will



spend close to 20.

CHAIRPERSON JAMES: My understanding is that City Time is not in Department of Information Technology and Telecommunications, it's the Office of Payroll and it's now at--how much? Over \$400 million.

MR. GARRIDO: Actually, there is integration issues, see one of the things that we have suggested is DoITT has implemented what they call a traveling team, which was a team of experts of city workers that went from agency to agency providing services to those other agencies on the IT, so that if an agency had an IT need, then DoITT could provide it, and our workers are doing that. We couldn't understand why that concept couldn't be duplicated instead of having each individual agency go and procure contracts where the same contractors to provide the same services.

CHAIRPERSON JAMES: I want to get to these other agencies, so I'm going to go--let's go through them briefly and let's go through them quickly so that we can get to other members that have questions. Department of Transportation installation of street signs, we contract

installation of street signs out?

MR. GARRIDO: Yes--

CHAIRPERSON JAMES: How much?

MR. GARRIDO: --a portion of it is done by us and a portion of it is done by outside contracts, about \$4 million a year.

CHAIRPERSON JAMES: Anything unique about that?

MR. GARRIDO: No, ma'am.

CHAIRPERSON JAMES: Okay.  
Custodian and cleaning services contracts, we contract those out?

MR. GARRIDO: We do, yeah.

CHAIRPERSON JAMES: How much?

MR. GARRIDO: \$79 million.

CHAIRPERSON JAMES: Is it something unique about cleaning and custodial services that I need to know about? That we need to know about?

MR. GARRIDO: No, no, ma'am.

MS. ROBERTS: No, except that they're in the city agency.

CHAIRPERSON JAMES: Do they clean better than your employees?

MR. GARRIDO: There are some

agencies I would even claim whether they claim at all, I mean...

CHAIRPERSON JAMES: HRA and Department of--HRA long-term temporary clerical contracts, do they file better than your employees?

MR. GARRIDO: No, ma'am.

CHAIRPERSON JAMES: Do they answer the phone with more respect and professionalism and...no?

MS. ROBERTS: I think the sad thing there is those contracted employees are exploited because they pay them like eight dollars an hour--

CHAIRPERSON JAMES: [Interposing] And I'm going to get to that in one minute--

MS. ROBERTS: Okay.

CHAIRPERSON JAMES: --Ms. Roberts. How much money do we spend on HRA? Contract out.

MR. GARRIDO: In HRA we spent about \$7 million in contract, but citywide they're \$40 million temporary services contract.

CHAIRPERSON JAMES: Department of Education--excuse me, Department of Health and Mental Service contract nursing agencies in the

school health program, how much is that?

MR. GARRIDO: It's a \$33 million now.

CHAIRPERSON JAMES: Okay. Those are all the agencies that are outlined in your white paper. Let's go to the how much they're paid. It's my understanding that according to what I saw what I heard last night on NY1 that you are alleging that these employees, these private employees are being paid less than what is required under the prevailing wage and/or Living Wage Law of the state of New York. Was that a true statement, Ms. Roberts, last night, and if so--

MS. ROBERTS: Yes.

CHAIRPERSON JAMES: --please elaborate.

MS. ROBERTS: It is a true statement, the contracted employees in some cases are paid \$8 or \$10 an hour, I think we have a chart up there, and the wage was approved by the City Council, I don't know what year, should be \$14.57 and they have brought stubs to us and they know they're being exploited, but they're helpless

to do anything about it. And it's just not fair.

CHAIRPERSON JAMES: So we pass--oh, you say we pass the Living Wage Law, correct?

MS. ROBERTS: Yes.

CHAIRPERSON JAMES: So I thought I heard you say that we had passed a law which said that you could pay these records less, we didn't do that.

MS. ROBERTS: No, no--

MR. GARRIDO: Yeah, yeah, yeah.

MS. ROBERTS: --you past the--

[Crosstalk]

CHAIRPERSON JAMES: The Living Wage Law.

MS. ROBERTS: --\$14.57--

[Crosstalk]

CHAIRPERSON JAMES: [Interposing] So who is responsible for enforcing the living wage law?

MS. ROBERTS: The Comptroller's office.

CHAIRPERSON JAMES: And has the Comptroller of the city of New York, in fact, prosecuted any of these private consultants for a

violation of the Living Wage Law?

MS. ROBERTS: They are reviewing it now, we've taken it to them on behalf of these workers.

CHAIRPERSON JAMES: So you have documented violations of the Living Wage Law and presented it to the Comptroller of the city of New York for possible prosecution and/or review?

MR. GARRIDO: We have over 300 pay stubs of different individuals throughout the city where living wage violations are taking place right now.

Over the last six weeks, we have gone through the process of not only meeting, but organizing those workers to fight for the wages themselves. Two days ago I was at the Hamilton job center in Manhattan, there were about 15 workers in there; I went to Harlem at ACS, Administration for Children's Services at 125th Street, they had about 12 workers in there; 98 Flatbush--I can go location by location where every single one of those locations the living wage violation is not being met. Not only on the issue of wages, which is supposed to be 14.47 an

hour and, as you can see by the chart, they're getting paid by the different contracts, different amounts ranging from \$10 to 11.50, but they're also not paying the statutory fee required under the same legislation for health benefits or supplemental benefits and they're not paying the holiday schedules that are outlined under the law.

CHAIRPERSON JAMES: Last two questions before I move on to my colleagues. Have you posted notices with regards to the requirement under the Living Wage Law at all of these facilities and agencies?

MR. GARRIDO: Yes, we have. The Comptroller has flyers in different languages and one of the things that we've done is we not only put the flyers out, but we actually have met with the workers and given the different schedules under the law so that they understand that they're being underpaid.

So we don't think that the problem is those workers, everybody is trying to get a job and this is what often comes out as the savings that Council Member Martinez mentioned before.

CHAIRPERSON JAMES: Right.

MR. GARRIDO: If you compare a living wage with the existing wage for city workers, the living wage is essentially higher than the entry-level of a city worker. And then on top of it, you have to calculate--or I shouldn't say higher, they're essentially the same. Well the problem is that the contractor gets a profit margin on top of that for placement and that's about 20% of the amount, so what we're suggesting is if you have over 1,300 clerical temporary contracts, and I mean they're there every single day--of the people that I met about 70% of them have been here over 10 years. I've even met some of these temp workers that have been here for 14 and 15 years performing functions for the city day to day for the same clerical functions and they're being underpaid under the--

CHAIRPERSON JAMES: Thank you.

MR. GARRIDO: --Living Wage law.

CHAIRPERSON JAMES: Ms. Roberts, you said that this was a shadow government to any form of union busting, you charged that last night on NY1--

MS. ROBERTS: Absolutely.



CHAIRPERSON JAMES: --and why do you say that?

MS. ROBERTS: Because first of all, many of our members can't even get the promotions because they're held over on the other side, that's number one. And they're holding these workers by contract so that they can't belong to a union and they should be belonging to our union, they're working side-by-side in the same building, same facility, and they're paid less and because they're denied that privilege and because they're working for a contractor, it's union busting.

CHAIRPERSON JAMES: So they're providing the same service, union employees who are providing a service are being paid less--

MS. ROBERTS: That's right.

CHAIRPERSON JAMES: --private--

MS. ROBERTS: That's right.

CHAIRPERSON JAMES: --employees are being paid more and in some cases they're not even being paid according to the Living Wage Law--

MS. ROBERTS: That's right.

CHAIRPERSON JAMES: --and the Administration is doing this in a number of

2 agencies beside human services and there's nothing  
3 unique about the service that they provide and  
4 they're being provided benefits and labor  
5 protections, is that a fair statement?

6 MS. ROBERTS: Absolutely.

7 CHAIRPERSON JAMES: Council Member  
8 Nelson. Council Member Stewart, I'm sorry.

9 COUNCIL MEMBER STEWART: Thank you,  
10 Madam Chair. I want to know a little bit more  
11 about unions. Is there a pension fund that the  
12 city has to be contributing to one who works for  
13 the city within the union?

14 MS. ROBERTS: Well all of the  
15 workers have a pension if they choose to join a  
16 pension plan and most of them do.

17 COUNCIL MEMBER STEWART: All right.  
18 And--

19 MS. ROBERTS: And the worker  
20 contributes as well as the city.

21 COUNCIL MEMBER STEWART: Right, but  
22 what I'm trying to get that I want to know if the  
23 city is using that as an excuse in terms of saying  
24 that they're saving money by not having to  
25 contribute for those contractors. I'm trying to

figure out why would they want to have workers that are working within the union and paying a contractor if it's more that they have to pay to the contractors because you said, they expended more than \$130 million more by going to contracts rather than having the workers. So I'm trying to figure out where--if that is the reason, why they would do that. Why would you want to pay more to do the same work?

MS. ROBERTS: Well a person who is getting more is certainly not the worker, but the contractor, think about them receiving somewhere between 4 and \$600,000 and then they have other deputies and what have you that receives as well. So maybe the workers are an excuse for certain people to get a lot more.

MR. GARRIDO: If I may just add that our calculation, and this is one of the things that's been said that we're not calculating on this stuff, our calculation includes the fringes and the services and we don't make up, figure that figure is done through--

[Crosstalk]

COUNCIL MEMBER STEWART: I unders--

2 MR. GARRIDO: --bargaining--

3 [Crosstalk]

4 COUNCIL MEMBER STEWART: --I

5 understand that fully, but I'm just trying to  
6 figure out if the city is that foolish to be  
7 paying more and you made it clear.

8 And knowing the fact that contracts  
9 is something that is temporary. Tell me, you're  
10 saying that all these contracts are just  
11 automatically renewed because of the services are  
12 needed all the time, so why would we go into  
13 contracts and have the contract renewed every so  
14 often as they expire when we can have people who  
15 are there doing the job?

16 MR. GARRIDO: I think this is an  
17 important question because one of the things that  
18 has happened and we have observed a lot of these  
19 contracts is that it's the same employees over and  
20 over. A new contractor comes in, takes over the  
21 contract, but the same employees remain in place.  
22 So we don't understand why if you need those  
23 employees day in and day out, why not hire them,  
24 right. If you pay more, why not hire them? If  
25 there's no reason for you not to have them there

and the only reason we've seen is the issue of the reason of control. See when you have a union, you have some protections, you cannot be dismissed without proper cause, you cannot be disciplined without going through a process whereas these workers are maintained, they're doing the same functions, and if the city or the agency wants to get rid of them for whatever reason, they'll just get rid of them and bring somebody else to do the work. So you don't have to go through due process, you don't have to go through the number of things. If you have a layoff, you just simply get rid of whoever you want, there is no seniority, there are no provisions on there.

So I think a lot of the issue using these contract workers it's not just the issue of savings, it's the issue of controlling what they do and can do to the workforce as they see fit.

MS. ROBERTS: And who get paid the big money is--

[Crosstalk]

COUNCIL MEMBER STEWART: Right, the other issue to that is the fact that if someone is working, let's assume that the contract is for a

year, on the outside it in privates places you may have the choice to be able to join the union. Why is it that we make it so difficult, if they're doing the same work and they're working there, why is it so difficult that those folks can't join the union? What's the dynamics that is involved there that prevent those folks who are working with this contractor to be able to unionize? What's the dynamics there?

MS. ROBERTS: Well in reality they should be members of the union, but you have in between the city and the union and private contractor and that person who's a private contractor prevents them from being covered by a union they really should be.

COUNCIL MEMBER STEWART: But that in itself is trying to cut on the union side because if you're doing the same work and you're working there time over and time go, time come, you continue to work the same place, you should be allowed to join the union and I'm trying to figure out why would this city not give the opportunity for those workers to be part of the union.

MS. ROBERTS: They should be

automatic.

COUNCIL MEMBER STEWART: It should be automatic as--

[Crosstalk]

MR. GARRIDO: Right.

COUNCIL MEMBER STEWART: --yeah.

MR. GARRIDO: Right.

MS. ROBERTS: ...should because we have a union shop.

MR. GARRIDO: Yeah, but under the National Labor Relations Act also, we have made attempts to organize some of these places like we're doing in the Central Park Conservancy. And what has happened is, number one, there's a cultural fear, which is imposed and instituted on the workers when they even attempt to contact the union.

You know, the second thing is, every time there's an effort as in the Central Park, you get massive layoff or termination of workers those who were actually organizers and many of them got dismissed under Central Park Conservancy for doing that. One of the problems you have with the current system you have is even

though it's the same employer providing the same services year in and year out, they're still classified as temporary workers or independent contractors, if you will, in some instances.

And so under the National Labor Relations Act, independent contractors are a lot more difficult to organize because of the supposed transient nature of the workers. The truth is these are not independent contractors as has already been proven by the IRS coming into the city and say, look these people are actual employees, but the city continues to ask the contractors to put those workers and 1099s which are the forms for independent contractors, which we believe is misclassifying the workers so they don't pay unemployment and workers compensation and there have been a lot of studies and analysis done on this and the state particularly has done a lot of work on this.

But I think there's a larger question here, going back to the issue is, it would be good government to perform a cost savings analysis and where it makes sense to bring the work in-house, do that. You know, if this



Administration has used the paradigm of the city as a business, you would do that as a business because part of doing the regular core is the cost of performing day-to-day functions, that has not happened.

COUNCIL MEMBER STEWART: My last question in light of the fact that you're showing where the city can save millions of dollars in terms of having these folks work as city workers rather than contractors, tell me what's the first thing that we need to do to achieve that goal? What do you think is the first thing that we in the City Council need to do to achieve that goal?

MS. ROBERTS: Well I'd like to see some legislation passed to protect those workers, and then perhaps some kind of placement bureau set up so that those workers who are currently there are screened and brought into their proper place of work, that we would have the welfare recipients, the provisionals that are there-- there's so many people being exploited in this whole situation, the temporary workers, the seasonals and the contract workers brought into some kind of bureau where they can be placed on a

permanent job. And those that are not can be trained and be prepared for the next openings, that what I'd like to see.

COUNCIL MEMBER STEWART: Have you requested some time to sit with the Administration at least to look at some of these, you have done so already?

MS. ROBERTS: Yeah, I have spoke to the Office of Labor Relations, the Commissioner there, I've gone to HRA. I've spoken to the Mayor's office, who passes it on to his deputy, I guess, and nobody's taking it serious and that's why we're here talking to you, because there's so many people that's injured by this and they're afraid. And to be in New York and feel enslaved because you work and you can't tell anybody because you're going to lose your job, you're working side-by-side with someone, even from those contracting areas and they pay different wages and told not to say something to the others about what they're being paid I think is a disgrace and I would love very much for this City Council to look into it. It's there in every one of your districts and if you want, we will have these

people to meet with you, they're afraid, by the way, and we have invited some of the City Council persons to meet with them so that they would know what they're subjected to.

COUNCIL MEMBER STEWART: Thank you. Thank you, Ms. Roberts for your testimony, thank you.

CHAIRPERSON MARTINEZ: Thank you, Council Member. We need to move along, but before I call on the next member for question, Council Member Nelson, I just want to ask a quick question as a follow up both to the issue of prevailing wages and a follow-up to the terms of the issue of what mechanism we have to avoid it. You mentioned Ms. Roberts in your testimony that in July 2007 Mayor Bloomberg issued the Executive Order 102, which expands the role of the office--that the Mayor's Office of Contract in enforcing living wage violation under Charter Section 6-09 in New York City. And you pointed to 83 contracts, a total of \$150 million worth, but you also mentioned yet that there has not been any review performed of living wage violation by the Department of Employment, excuse me under

Executive Order 102. Was there a mechanism in place when the Mayor--what was the mechanism in place should be the question that the Mayor put forward when he issued his Executive Order?

MS. ROBERTS: I don't know what the mechanism is, obviously they don't have one, they haven't used it and that's why we've gone to the comptroller.

CHAIRPERSON MARTINEZ: So why did you mention the comptroller in terms of the one being responsible for enforcing violation of the living wage, or did I misunderstand?

MS. ROBERTS: Well--

MR. GARRIDO: Well if I-I'm sorry.

MS. ROBERTS: You can go ahead.

MR. GARRIDO: Go ahead.

MS. ROBERTS: I was going to say that first you have something in house and then you have a body that oversees which you're supposed to be doing in-house and the comptrollers supersedes the Mayor whenever he's not doing his job in that area, and that's why we brought the complaint to the comptroller.

MR. GARRIDO: I may be able to

clarify this issue. There are two pieces of this: one is the enforcement portion of it when there's an actual complaints, right, but in order for a complaint to occur, the workers have to know that they're being underpaid and one of the things that happened is a lot of the workers think that because they're temporary workers or independent contractors, they don't have to pay, they think that that is only for like construction and prevailing wage. And I have to say that under that the Mayor has performed a lot of reviews on the prevailing wage.

The principle behind Executive Order 102 was a noble one, it was to have essentially said we're going to expand the responsibilities of the Mayor's Office of Contract and review RFPs, Request for Proposals, prior to issuing the actual contract, so that if a contractor bids with wages that are already below the living wage or below the prevailing wage, then that's a clear indicator that the contractor has no intention of abiding by the living wage or the prevailing wage law. According to the procurement indicators that the Mayor's Office of Contract put

out at the end of 2008 essentially said that the reason why they haven't performed any kind of review into the area is because generally that work is being performed under the living wage by no profits and that has not proven to be a problem--this is what they report indicates. The truth is that most of those contracts that we have reviewed over the \$40 million have not been done by non-profits, are in fact being done by for-profit corporations that continue to get the wages from the contracts, because it's part of the language of the contract, but continue to underpay the workers, and I think this is an issue that has to be highlighted. It's not that the city is not paying for it, because the city's paying for living wage, it's paying for the supplemental wage, it's paying for everything, it's the workers who are not receiving the proper wages and in order for them to file it with the comptroller, they have to know. And one of the things that constantly are told with the workers many of the ones I've met because this is one of the questions I ask is, number one, they don't know and, number two, they're often told even when they ask for a

raise after being on the site for five or six years they are told, well, the city doesn't want to give you a raise. When in fact, under the living wage violation that raise takes place every year automatically by contract.

CHAIRPERSON MARTINEZ: Council Member Nelson.

COUNCIL MEMBER NELSON: Thank you, Mr. Chair. Good morning, Ms. Roberts, Mr. Garrido.

MS. ROBERTS: Good morning.

MR. GARRIDO: Good morning.

COUNCIL MEMBER NELSON: Nice to see you. My colleague broached the subject. I wanted to just go on in this line of questioning for a moment. When I read the information you provided, the average of \$57 an hour which the city could really save DoITT by a \$38 an hour with saving the city 10 million and computer consultant from 150 to \$52, saving about 20 million and the entry-level custodial positions also would save even more, 79 million. And he asked you if you met with somebody from the Administration, did they offer any facts why this losing money was in the

best interest of the city?

MS. ROBERTS: Well when I met with Commissioner Dore, he said he would look into it, and after months we didn't hear anything and we asked Councilman de Blasio to have a hearing, which he did, we had the hearing, and still nothing's happened.

COUNCIL MEMBER NELSON: Okay. Obviously I'm sure, knowing the enterprising nature of our Chair, we'll be digging into this more. So that's how they basically responded by almost non-responding--

MS. ROBERTS: That's right.

COUNCIL MEMBER NELSON: --without even disagreeing with your stats, your figures, or anything.

MS. ROBERTS: No, no, because you see the city and the state, the state is involved in this and that they also helped to fund the job training participants. And I'm happy that we have them because they can help them, hopefully we can help them and so we're looking for jobs for them and so we've found -- in fact the Health and Hospital Corporation we raised so much heck until



finally they sent them over there, they had a hiring hall for them, they were more than pleased to get them, they're very good workers that they were able to screen and pull out of there and then this happened no more, it happened probably twice.

MR. GARRIDO: Can I just add to that, Councilman?

COUNCIL MEMBER NELSON: Sure.

MR. GARRIDO: The current budget for 2010, fiscal 2010. Essentially there are agencies like the Department of Finance is in-sourcing, they call it in-sourcing, three computer consultants in order to save \$1.2 million every year on the outyear. Pfizer has a proposal to contract in two computer consultants and save \$600,000; HRA has a proposal to convert two to save \$800,000, so what we're saying is if that's going on individually at a very small scale, imagine what we could save if we had a systematic review and we went to the process of converting 480 consultants, which is what we're concentrating on, that are doing the parallel functions.

So, I mean, the rhetoric is there but the actions have already demonstrated that the

savings can be achieved. Unfortunately this Administration has not taken a systemic approach to the whole issue of costing for personnel, professional and technical titles across the board which we feel would be beneficial under the current budget negotiations.

COUNCIL MEMBER NELSON: Without a doubt, with you're a proponent of outsourcing or in-sourcing the facts will be the facts and this way, obviously it needs to be really dug into a heck of a lot more because, based upon this, they hear you talking over \$100 million right here and, if it is in fact, the fact, it could be certainly hundreds of millions of dollars that the city can scarcely afford to waste right now.

So okay, I think this hearing is on the road to perhaps profitability for the city. All right, thank you, thank you.

CHAIRPERSON JAMES: I received an e-mail yesterday that you're absolutely right, Ms. Roberts, that the HRA is going forward with those JTPA back to work contracts, they're seeking to renew them without restructuring them, reworking them, or saving any funds despite the hearing that

Council Member de Blasio held last week--

[Crosstalk]

CHAIRPERSON JAMES: --and my second point to you and to your assistant is the savings that the fact that employees in the private consultants are not receiving the living wage requirement, is it because the executive director or whoever is in charge of their company is not paying them living wages and keeping the savings? So they are getting paid by the city a living wage--

MR. GARRIDO: Right.

CHAIRPERSON JAMES: --whoever is head of that corporation is keeping the savings and therefore yielding a major, major, major profit to him or herself--

MS. ROBERTS: Yeah.

CHAIRPERSON JAMES: --and/or the staff--

MR. GARRIDO: Right.

CHAIRPERSON JAMES: --and the executive staff--

[Crosstalk]

MR. GARRIDO: [Interposing] Yeah,

the city pays for a living wage, pays for the statutory supplemental benefits, pays for the profit margin, which is built into the contract of about 20% on top, it's the workers who are not receiving the wages and--

CHAIRPERSON JAMES: [Interposing]  
The executive--

MR. GARRIDO: --in talking to over about 150 of these workers over the last six weeks, I can tell you one of the things, there is no consistency by the contractors how they even come up with a hiring wage. Some of them are told well, you know, you were referred by workforce center, some of them are told you have low skills or the city has--the latest one is the city is in a fiscal crisis, so this city cannot afford to pay you what a living wage even though it's required by law, so...

CHAIRPERSON JAMES: Thank you.

MS. ROBERTS: I think, I don't care how you cut it, the city's responsible. They continue to give that contract over and over to a person and they don't even look to see who's going with it.

CHAIRPERSON JAMES: You're  
absolutely--

[Off mic]

CHAIRPERSON MARTINEZ: We've been  
joined by Council Member David Weprin and Councilm  
Member John Liu. Council Member Jackson for  
questions.

COUNCIL MEMBER JACKSON: Thank you,  
Madam and Mr. Co-Chair, I appreciate the  
opportunity as a member of the Contracts Committee  
in order to speak on this matter. And in fact it  
is a shame that the city of New York is not here  
to give testimony concerning this extremely  
important and imperative issue, especially when  
the city of New York contracts out billions of  
dollars to outside contractors. For them not to  
come to this hearing to give testimony clearly  
says to me that they have nothing to say with  
respect to this particular report, because I make  
the assumption since they're not here to refute  
this report, then they agree with everything  
that's contained therein, that's my assumption.  
And if in fact there is a city representative here  
to listen to the testimony, unless you can tell me

this is wrong, I will believe everything that's in here is correct. And in fact, my experience with DC 37 in previous reports that they have put out when I was the Chair of the Contracts Committee, DC 37 has done their homework and they have detailed information, there's no generalities in this report.

And my question to you is this, I assume that everything that you're doing, the information that you're gathering out in the field, the information that you're doing in-house, that you are pursuing every violation of your contract--

MS. ROBERTS: Absolutely.

COUNCIL MEMBER JACKSON: --even going to PERB or the Labor Relations Board and, if necessary, if you're not getting the type of relief that you demand, if necessary, filing lawsuits on behalf of the people that you represent, is that correct?

MS. ROBERTS: I am prepared to do whatever is necessary to protect them, they're victims too.

COUNCIL MEMBER JACKSON: And I did

have the opportunity to watch part of NY1 last night and I must say that it was a long session where you clearly spoke on behalf of the people that you represent. But do you believe -- let me ask this question, do you believe sometimes that where the city has put in a hiring freeze and so if the agency has a hiring freeze, do they circumvent the hiring freeze by going and contracting out in order to get around that hiring freeze?

MS. ROBERTS: I'm going to say yes because as we speak and the reason why we wanted to have a hearing today is because we understand from some of the workers that they were rapidly trying to renew these contracts that we're discussing today, which would end in June and here we have not only a freeze, but we've got layoffs. So it's important that we come to you today to let you know is that something is going on.

COUNCIL MEMBER JACKSON: And I assume that you have written to the Mayor and whoever else the agency had that it's your belief that by circumventing a hiring freeze, that they're doing these contracts, I make that

assumption.

MS. ROBERTS: Well their contracts can grow because they have a need. They force the need, they get rid of us, they force the need, and they hire a private contractor. So there is a motive and I don't know what it is.

MR. GARRIDO: We've even--I'm sorry.

COUNCIL MEMBER JACKSON: Yeah, go ahead, Henry.

MR. GARRIDO: We've even testified at these hearings that the Mayor's Office of Contract has and essentially said before the contracts--

COUNCIL MEMBER JACKSON:  
[Interposing] Before that contract is agreed to--

MR. GARRIDO: --are actually executed and say, we urge you to look at this, there's another option because before we were on a reactive mode to a lot of it, we have taken a position that we're going to be a little more proactive. So when the RFP comes out, we look at it and, if it makes sense and if the job is being done by city worker, we go and we testify, we



communicate with some of the agencies, and their response has been well we're not displacing city workers and they strictly standing to what the Section 312 of the procurement process.

But I think one thing that has to be clear is on this budget that has been recently released, there is a number of positions, a couple of thousand positions that are being reduced--

COUNCIL MEMBER JACKSON:

[Interposing] You mean the executive budget--

MR. GARRIDO: Executive budget, yes.

COUNCIL MEMBER JACKSON: --proposed of 2010.

MR. GARRIDO: Right.

COUNCIL MEMBER JACKSON: Okay.

MR. GARRIDO: It calls for thousands of position reduction, including 3,700 which will be achieved through a combination of attrition and layoffs. At the same time, the budget for a procurement has increased in the same agencies where workers are being laid off. We were at a hearing here where the Commissioner from the Department of Homeless Services was

essentially say they're going to be laying off hundreds of workers in Department of Homeless Services and they're going to be hiring a contractor to do the maintenance of the facility of the homeless shelters.

COUNCIL MEMBER JACKSON: That just doesn't make common sense.

MS. ROBERTS: No.

COUNCIL MEMBER JACKSON: That doesn't make economic sense, so I don't know what type of sense it makes, but obviously they're not here for me to ask what type of sense does it make if it doesn't make economic sense, if it doesn't make common sense. To me that makes crazy sense, I mean, because I can't see the justification, that it'd be a quote crazy sense. I mean, in my opinion you are preaching to the choir. Obviously Miguel Martinez as the Chair of the Civil Service and Labor Committee and Tish James as Chair of the Contract Committee and my colleagues here, you're preaching to the choir. And as you know, part of our responsibility is oversight and as you know, the executive budget hearing starts Monday morning. So if you have questions and concerns

that you want us to be asking at these hearings, even though you will have the opportunity to testify after management testifies, please get that to us because I'm going to be asking these questions that I'm asking now--explain to me how it makes common sense or economic sense. If they can't explain it, then my quote is going to be that makes crazy sense, which is no sense at all.

So let me thank you on behalf of the members that you represent. Unfortunately, I have to go over to 250 Broadway there is a briefing right now that I'm missing part of with ACS concerning the transfer of kindergarten students over to DOE and the negative impacts that that is having on, not only the children, but the workers both at ACS and otherwise.

So let me just thank you co-chairs for allowing me to give my two cents and to ask one or two simple questions.

CHAIRPERSON MARTINEZ: Thank you, before I call on Council Member Melissa Mark-Viverito for question, if you could just describe to us the state issued--Governor issued Executive Orders 6 which established a task force on

personnel service and contracting composed of the Budget Director, the Civil Service Commissioner, the Deputy Secretary of Labor and Finance, among others. Now do we have a similar--I'm trying to make a comparison between Executive Order 102 and Executive Order 6, are they similar in any sense?

MR. GARRIDO: No, one is, well we consider to be a good government piece on Executive Order 6, which is to do an analysis before the contracts are entered into or procured to do a cost savings analysis to see where it makes sense to keep the work in-house or to contract it out. So on their Executive Order 6, state agencies are required to submit their desire to contract out the work or continue to contracting out of the work. Whereas Executive Order 102 is an enforcement requirement by the Mayor's Office of Contract for prevailing wage and living wage violations.

CHAIRPERSON MARTINEZ: And the city does not have to comply with Executive Order 6?

MR. GARRIDO: No.

CHAIRPERSON MARTINEZ: Council Member Melissa Mark-Viverito.

COUNCIL MEMBER MARK-VIVERITO:

Thank you, Mr. Chair, and I think this is a very informative and great hearing.

One question I do have, with regards to all this analysis that was done can you give us a sense between the years that you were studying, I think you were studying three budget cycles I think it was or three budgets, about three budgets, can you tell us how many union jobs have been lost in that period of time with all of this contracting out? That's one thing I haven't heard and I think that's important for us to also understand.

MR. GARRIDO: Yeah, I think that in the same agencies where you continue to contract out the work, you have lost, at least in our membership, we estimate we've lost at least 5,000 positions due to attrition. But over the years, when new work has been created or an expansion of services like the 311 system or like the services that have been expanded in the human service sectors--

COUNCIL MEMBER MARK-VIVERITO:

Right.

MR. GARRIDO: --that work is now being given to the private sector--

COUNCIL MEMBER MARK-VIVERITO: Right.

MR. GARRIDO: --so it's not just the amount of work that have been lost as a result of contracting out existing work, but how new work is created, it's given to the private sector to continue to handle, rather than make an analysis whether it makes sense to do that in-house.

COUNCIL MEMBER MARK-VIVERITO: Yes, I think that one of the things, and I know I had talked a little bit, very briefly to the Chair about this, but I think I really think it's important for us also to really get a sense across unions, you know, you represent a large sector--

MS. ROBERTS: Absolutely.

COUNCIL MEMBER MARK-VIVERITO: --but across other sectors as well, what are we talking about with this contracting out and this privatization of sorts, you know, what are we losing with regards--'cause that really is critical for us. I am a strong supporter of union jobs, I really think it offers incredible

protections and all the benefits, etc., and we're losing that with the contracting out as was presented in our briefing paper. A lot of the protections that a unions fought so hard for are not being provided now to these independent contractors--

MS. ROBERTS: - -

COUNCIL MEMBER MARK-VIVERITO: -- and the individuals that are hired to do that work, so those are very critical concerns. So I don't know if there's been discussions between DC 37 and maybe some of the other unions representing some of the other sectors so that we can analyze what that loss has been over time.

MS. ROBERTS: Our papers in our study has been on the jobs that we totally represent, we have not--

COUNCIL MEMBER MARK-VIVERITO: Right.

MS. ROBERTS: --crossed into any other areas that we don't represent and I would say on new jobs and new opportunities for the people who are civil servants is probably about 50,000 positions, because there's over 100,000

that's being contracted now, easy.

COUNCIL MEMBER MARK-VIVERITO:

Right, well I would say that maybe that's something that I would venture to say that I would say maybe to this committee, but I think that would be great if there could be some sort of a convening of some of the other unions as well and maybe do a more thorough analysis. I really think it's critical especially at this time. So that's just something that--

MS. ROBERTS: Right.

COUNCIL MEMBER MARK-VIVERITO: --I wanted to understand a little bit and getting a sense of how many--

MS. ROBERTS: We'll do that.

COUNCIL MEMBER MARK-VIVERITO: --all this reorganization, and this contracting out and outsourcing, how much has it meant literally to us--

MS. ROBERTS: Right.

COUNCIL MEMBER MARK-VIVERITO: --in terms of union jobs lost.

MS. ROBERTS: And by the way many of these contractors do not pay taxes and they'e



out of state and out of the country.

COUNCIL MEMBER MARK-VIVERITO:

Right.

MS. ROBERTS: We should note that.

COUNCIL MEMBER MARK-VIVERITO: I

mean examples also about the restructuring, we were just having these conversations with regards to the money that we, as a City Council, fought so hard for NYCHA and now we've lost 240 union jobs, right, in terms of the NYCHA centers that were hiring out and now that's moneys been given to DYCD and the nonprofits that are providing the service, those are not union positions.

So it's happening really--we're dealing with it almost piecemeal and I really would like us to deal with it more comprehensively.

MS. ROBERTS: Yeah.

COUNCIL MEMBER MARK-VIVERITO: So

that's just my only, I guess, question. Thank you very much.

MS. ROBERTS: Thank you.

CHAIRPERSON MARTINEZ: Thank you.

Councilman John Liu.

2 CHAIRPERSON JAMES: Council Member  
3 Melissa, we are going to follow up on that  
4 recommendation, I think it's excellent  
5 recommendation because there has been for me, a  
6 pattern and a practice of privatization by this  
7 Administration and we need to again cross  
8 fertilize and talk to other union leaders with  
9 regards to this practice by this Administration.

10 COUNCIL MEMBER LIU: Well thank you  
11 very much, Madam and Mr. Chair. And thank you for  
12 holding this hearing, I look forward to the  
13 hearing I think next week or the week after where  
14 the Administration will come to testify on this  
15 issue.

16 CHAIRPERSON JAMES: Budget.

17 MALE VOICE: The 11th here? This  
18 is a contract bid on the 11th?

19 COUNCIL MEMBER LIU: Okay. I  
20 thought I saw another hearing on the calendar.  
21 Nonetheless, we will follow up all throughout the  
22 month-long series of budget hearings because in  
23 fact this issue spans all the agencies of the city  
24 and we have seen time and again where this  
25 Administration, and it actually started in the

previous Administration, where they like to claim headcount reductions and budgetary austerity, they like to say that the headcounts have not been growing and, in fact, that may be true, but they do that with one hand and then on the other hand, they put out \$9 billion worth of contract dollars, so there is definitely a shell game being played with taxpayers money.

And this pattern that we have where it's as vivid as you can see, this pattern of increasing numbers of contract dollars is, I fear if we're not on top of this, going to be exacerbated even more because the fact of the matter is even though we all have budgetary austerity now, we have an economic stimulus package coming our way and as far as I can tell, it seems like the city agencies will continue to do the same thing that they've been always doing and to use the stimulus dollars on additional contracts as opposed to keeping as much work as possible in-house, which is really what they should be doing to retain jobs, retain the good union jobs that we have in the city and, in fact, to create more wherever possible.

So I would say that this is a starting point, it's a great starting point, but we also now have to look at how the economic stimulus package will actually be used within our city. And if we can maybe start to use that to turn the trend around, as opposed to allowing the trend to continue to skyrocket even further--the trend of contracting dollars as opposed to using the skills and the talents and, most importantly, the commitment of city workers.

Is there some analysis or thought being conducted within DC 37 with regard to how the stimulus package will affect both DC 37 members and city taxpayers?

MR. GARRIDO: We have begun an analysis on an agency by agency basis. For instance, we began with the New York City Housing Authority, which is getting \$457 million from the stimulus and there is a process now of privatizing through a CM or construction management companies in the New York City Housing Authority that has not worked, their own Inspector General had raised serious issues with job completion, cost overrun, and a number of other things. So what we've done

is in an effort to being responsible we met with the Chair of the Housing Authority and we proposed how--we made a presentation on how that work of some of the stimulus money can be done in-house because there's very strict timelines attached to the money coming from the stimulus--you know, 60% has to be used within the first year and for you to go through a procurement process of doing that would require you to put an RFP and go through multiple bidding systems, which will take away from the money because of the requirements. So what we're suggesting is, where there are areas where employees could be employed and used to do that work, you know, reassign, where new hirings should take place to complement the reassignments and that we've already began to do that. But, unfortunately, what we've seen especially in Transit, it's the desire to use more and more of the consultant services that we have in Transit with a lot of the stimulus money coming in.

MS. ROBERTS: I just wanted to make mention the police department and how we've had hearings and we've gone to court, we've done everything and still police officers are doing our

clerical work and these are our promotions, nobody seems to be able to demand that things are done according to the way they're supposed to be done. We've gone through hearings, we've got an arbitration decision, we've gone to court, and still somehow the Administration can't get their Commissioners to do what they're supposed to do, so there has to be teeth placed somewhere.

COUNCIL MEMBER LIU: That's a perfect example, that is just simple mismanagement because the police officers don't want to be there either, so nobody's happy. The taxpayers are shelling out more, people are losing jobs or opportunities and it's simple mismanagement.

I'm glad you brought up the Transit and the funds that are headed toward the MTA. In fact, excuse my tardiness in getting to this hearing because I was next door chairing a Transportation hearing, got that done as quickly as possible. I think the MTA is thankful to you that we let them out pretty quickly today.

But nonetheless, that is precisely a part of the disturbing trend that I see that the funds and a great deal of the funds will be

heading towards the MTA and the DOT, both at the city and the state levels and they're just going to continue to do the same contracting process without regard to creating city jobs that they unfortunately have been doing for a long time. And even worse, those contracts will be let out to the same companies that are not always hiring city residents. So--

MS. ROBERTS: It's true.

COUNCIL MEMBER LIU: --our city takes a double whammy for that.

MS. ROBERTS: Right.

COUNCIL MEMBER LIU: So we need to stand firm on this point and really emphasize to all city elected officials--the ones who are here today, the ones who aren't--that this is a trend that needs to be reversed because city residents will be suffering double--we will be losing good jobs here and we will not be reaping the full benefits of the stimulus package.

MR. GARRIDO: Yeah, we're working on the Transit data we have, we also have information--it's not covered in the white paper, but one of the things that we saw as very

problematic was the MTA created an institution to deal with this capital improvement in seeking and got legislation explicitly prohibiting the work to be done by union workers and explicitly prohibiting the work to be done by civil servants, which to us was very, very disturbing even though when there has been substantial proof that there's been waste, and so we have a substantial number of consultants doing architecture and engineering services in the New York City Transit Authority that we believe should be looked at as an alternative to the kind of things that they are doing, because they're only looking at revenue. And it's the same example for the city, with all of us these bad alternative, why not look at the existing--

COUNCIL MEMBER LIU: Right, right.

MR. GARRIDO: --expenditures, and where it makes sense, save the money.

COUNCIL MEMBER LIU: Well that just seems ridiculous for any agency to have that kind of provision that would seemingly bar union work, so if there is any documentation you could provide us with, I think that would be tremendously



helpful.

MS. ROBERTS: Thank you.

COUNCIL MEMBER LIU: Thank you.

Thank you, Mr. and Madam Chair.

CHAIRPERSON JAMES: Thank you, Council Member Liu. The lights just came on, it's sort of symbolic of the fact that you have shed light which is the best disinfectant for a shadow government and so I just want to thank you.

My last question before I turn it over to Council Member Martinez for closing remarks is if in fact these contracts were not renewed, would that avert layoffs, the layoffs that were incorporated or included or proposed in the Mayor's executive budget, I think it's 13,000 layoffs?

MS. ROBERTS: I don't think so, of course you would have to ask him because there's no way for us to control that.

CHAIRPERSON JAMES: Well you can bet on Monday I will be there on time early with-- and you don't have to provide me with any questions, I have a number of questions on my own that I will be asking the Administration with

regards to these private contracts. So I thank you, and I'll turn it over to my Chair, Council Member Martinez.

MS. ROBERTS: Before we conclude I want to thank you on behalf of our members and the contract workers for being concerned, because nobody has paid attention to them. You are their last hope, and I'm hoping that you can do something to relieve them of what they're witnessing. They're in fear, in a place like New York, of anybody knowing who they are and what have you, but they will meet in the various districts and we're going to work very hard at this because they deserve to be represented and to have a living wage.

CHAIRPERSON MARTINEZ: Thank you, Madam Chair. I also want to just sum up by thanking you for putting together this important document. We have a responsibility, members of the Council, to play our role as we seek to balance a budget and as we seek to get rid of wasteful expenditures, and obviously this document provides us with a clear guide as to where we should start, but the same is true that hearing

from the testimony that you provided and questions raised and answered by you, there is a clear need for changes, not only in follow up or changes to the way contractor issue, but also issue of ensuring that policies that are set by the city are actually adhered to. It is outrageous that there is an Executive Order that requires contractors to pay living wages and we put in place an Executive Order and there is no mechanism of enforcement, I think the Council has a role to play in terms of developing that enforcement mechanism.

The same is true that we should follow the example in the state in terms of before we actually issue [off mic] contract, let's ask the right question, and let's make the analysis. Already it's working in the state where, quoting from your document \$100 million had been saved in the state as a result of Executive Order 6, and if we can't get an Executive Order, we should exercise our right to legislate.

And these are some of the issues that we'll be following up and looking at and discuss as we come together to balance the budget

for 2010. I want to thank you for your testimony, for the information you provided us, and we clearly have a lot of work to do and the guidance to do that work. Thank you.

MS. ROBERTS: Thank you very much.

MR. GARRIDO: Thank you.

CHAIRPERSON MARTINEZ: We'll call our next panel, Santos Crespo and James Parrott. [Off mic] I got to go do a senior center.

[Off mic]

[Pause]

MR. SANTOS CRESPO: Chairman Martinez and Chairman James and committee members, thank you for giving us the opportunity to give this testimony.

Local 372 commends the City Council Contracts, Civil Service and Labor Committee for holding this oversight hearing regarding the outsourcing public services to the private sector. And Local 372 stands firm in our opposition to contracting out any services that could be done better and more economically by the city workers.

I know that you have or have been given the actual testimony and I just want to kind

of highlight some of the things in the testimony to save time and also hopefully get some questions.

Outsourcing is the greatest threat in our city's economy because it creates a steady outward flow of taxpayer dollars, while cutting off the flow of incoming tax revenue. This business strategy creates unemployment and low tax revenues in New York City, while creating jobs and raising tax revenues in other states. How many city workers could be saved and how many more could be created if the DOE, for example, stopped awarding mega-million dollar out-of-state contracts?

Mayor Bloomberg has been consistently spending and overspending taxpayer dollars on incomplete, no-bid contracts to outside source and outsourcing municipal workers' jobs out of the state to private corporations. Some examples, New York City students' attendance should be monitored by Local 372 workers, who are personally dedicated shareholders in their neighborhood and their school. This never made sense to us at all and it probably would not make

sense to you--why would you want to outsource monitoring if in fact, you're really pro-education and you want to make sure that these kids come to school, all right? Why would you want to outsource that to folks that have no relationship to the community in which they're servicing, right? Also knowing that the folks that were doing it originally, like our parent family workers, when they were monitoring, the attendance levels went up. The attendance level consistently went up. Why? Because they would go out and make that home visit. The phone call was just not enough for them, they would go out and knock on that door and if the answer on the other side of that door was come back tomorrow, don't bother me, they would pound on that door until that person opened up that door. These folks from outside, they have no interest--matter of fact, the first raised voice that they would get behind that door, they would run. All right?

Also, I guess the Mayor also thought that if you would get a contract established with these sophisticated phone calls where they would make these calls to find out

where the kids were, that that would suffice.  
Well how impersonal and inhumane is that to get a  
phone call? Why would anyone on the other side  
answer? I mean we all hate when we make a call  
and we get a machine. That's so impersonal to our  
way of life in terms of our communities and that  
definitely indicated that the kids were not going  
to come to schools.

Not only that, the paperwork that  
needs to be done sometimes when we get new  
enrollees into the schools or whatever the reasons  
are, they're done by those same folks. They make  
sure that paperwork that the Ts are crossed and  
the Is are dotted and, again, the Mayor wanted to  
outsource that. When our children come to school,  
they like to know that the adults that are in that  
building care about them and when they recognize  
Maria or Juan or Jeremy from the neighborhood,  
they know they're not going to be able to get away  
with a lot of this stuff that they would when they  
don't recognize those faces because those faces  
mean something within their own respective  
communities.

We have parent coordinators that

are supposed to guide the parents through this maze called the Department of Education, which our understanding is they're going through another phase of changing it again. Well they are being targeted as a possible reduction in this layoff under the Mayor's budget, again, you want to involve the parents as he's been claiming since he became supposedly the Mayor for education. So why are you going to attempt to get rid of that very same source that's going to keep the parents interactive, that are going to make sure that the kids are in schools, they're going to make sure that the kids get what they need in terms of that educational process. Why would you want to contract those services out to folks that really do not care? They have no invested interest.

The vendors. Vendors cheat the DOE out of millions of dollars through the practice of lowball bidding and I understand that earlier there was testimony giving regarding the lowball bidding, it keeps escalating, totally and completely escalating. And I give you an example, two years ago a report, the DOE spent \$48 million a year for delivery service--that was an increase



of \$18 million since the last time. Two vendors were named in the [off mic] 2004 report for overcharging the Office of School Food Services where some contract was Chef's Choice and Teri Nichols had been established. In that report it said that they should be carefully watched, that any overcharge should be recouped by the city, all right, and with the big question mark and flagging that the city should not do any further business with this company. Yet, lo and behold, city went on and still did business with this particular company.

So it seems that no one is watching, they give you a lot of lip service in terms of we'll take care of it, we'll get back to you, we can wait 'til hell freezes over to get back a phone call when we make the DOE and the Mayor's people aware of the situation and nothing is ever resolved, which is why we're currently here right now.

The outsourcing needs to stop. In a prior testimony that I gave we questioned why tax levy monies are being taken out of city of New York, because these contracts that are made, the

majority of them do not reside in the city of New York and I think that needs to be much further looked at.

And I'll rest with that and I hope I get some questions.

CHAIRPERSON MARTINEZ: The next witness and then we'll come for questions.

MR. JAMES PARROTT: Is that on now? Okay, thanks. I know the buttons used to be reversed.

Good morning. James Parrott is my name, I'm the Deputy Director and Chief Economist of the Fiscal Policy Institute. We're a non-profit organization that focuses on New York City and State budget and economic issues. We look closely at the condition of New York workers at the city and the state level.

I'll be very brief, I'd like to make three points today. One, that contracting in offers considerable budget savings, greater efficiency, and quality in the delivery of city-funded services.

Two, contracting in serves a critical New York City economic need in promoting

better quality jobs for New Yorkers and discouraging illegal misclassification of workers as independent contractors.

And, three, I would recommend that the Council further consider how to reform the contracting process and decision-making in order to ensure that city-funded services are delivered in a more cost effective manner that also enhances the quality of the jobs needed to deliver those services.

I'd like to echo the earlier comments about the tremendous growth in the contracting area, part of the city budget. The Mayor's Executive Budget proposal includes \$9.25 billion for contracted out services spread across over 17,500 contracts. This amount exceeds the budgeted amounts for pensions, for fringe benefits, for Medicaid, or debt service. After personnel services, it's the largest single component in the city's budget. Roughly 70% of the contract budget goes toward a range of social and health services and youth and student related services. Much of the balance, however, is for various personal, professional, and maintenance

services, many of which could be performed by city employees. These include clerical functions, cleaning and security services, and accounting, engineering, architectural, computer-related, and other services.

I have not attempted to develop a precise estimate, but I would suggest that, conservatively, at least 500 million to 700 million--the number is probably much higher than that--in such contracted services in the operating budget could be performed by city workers. This estimate does not extend to the contracted professional services that are funded under the capital budget of the city.

In 2005 we conducted a study of professional services contracting out by the State of New York. We estimated that the state could easily save \$500 million a year by increasing the state's workforce in the fields involved in the contracts and reducing cost-ineffective contracting out. Our study drew upon earlier analyses by State Comptrollers Regan and McCall and a study by accounting giant KPMG prepared for the State Department of Transportation. We found

that the use of outside contractors cost the State from 50% more in the case of legal services to 500% more for computer consultants.

The methodology that we use is very similar to the methodology that DC 37 used in their study. I've reviewed their study carefully, I found it very thorough and I would support the findings of their study, not only the most recent one, but earlier ones that they have done over the years.

Contracting in also has the potential to benefit, not only the city budget and taxpayers, but also the workers who provide New York City's public services. While the total cost of a service contract usually exceeds the cost of city service provision using city workers, contract workers utilized by the contractor are not necessarily paid more than city employees, sometimes they are, but in the case of contracts outside the professional services area, they rarely are. And regardless of whether they are professionals or workers in other areas, contract employees rarely enjoy decent health insurance coverage and other fringe benefits. Service

contracts with for-profit providers are more costly because of the very high cost of overhead and profit margins.

I don't want to cover the same ground that's been covered earlier very thoroughly in DC 37's testimony and in the broad range of questions asked by Council Members.

Let me conclude by saying and agreeing in effect with the consensus here that this is an area that needs greater oversight and study and it is a way where the city potentially can realize significant cost savings and it's incumbent upon the city to try and exploit those opportunities as much as possible in trying to close the budget gap and figuring out how we're going to do that.

I'd be happy to answer any questions.

CHAIRPERSON MARTINEZ: Thank you. Would you be of the opinion that in New York City we also need to follow the model of Executive Order 6? The state Executive Order.

MR. PARROTT: We would like to think that Executive Order 6 was partly a response

to the report that we did in 2005. I think Executive Order 6 is an excellent start it has led to some modest savings, substantial. the state level, modest, could be more, but a lot more could be done. And I think that if there were a way to broaden the task force that now is just made up of representatives of the executive to include representatives of the state comptroller's office and the state legislature, I think the pace at which we're seeing savings realized at the state level would probably increase.

So I would urge a more broadly focused approach at the city level, the city Comptroller's office obviously has a lot of responsibilities in this area, but it really takes the oversight and the watchful eye of the Council to make sure that the Administration moves forward and does the common sense things that need to be done.

CHAIRPERSON MARTINEZ: And you stated also that the Fiscal Policy Institute has supported, endorsed the findings study by DC 37 "Massive Waste at a Time of Need?"

MR. PARROTT: Right.

CHAIRPERSON MARTINEZ: So, Council Member James, Chair James, in her line of questioning highlighted the various agencies and the amount of money that could be saved in the job category in her line of questioning and you agree with the numbers that we find in the studies in terms of what can be saved?

MR. PARROTT: I agree with the method used in the study and with the findings and with the conclusion that that's probably a minimum amount for the potential savings that are out there, there a host of other areas that were not looked at--the capital budget side of the city budget wasn't really covered in this analysis.

Many DC 37 members work in the engineering area and so on and could perform a lot of the engineering and design functions that are now covered by capital budgets that are contracted out.

So I think that they're estimate represents the minimum amount of potential savings.

CHAIRPERSON MARTINEZ: Mr. Crespo, we share your same frustration with the Department



of Education in terms of the way that they contract out the lack of transparency in the department's budget. You pointed out to one of the hearings that was held in which the comptroller did in fact spoke about the lowballing and we share the same frustration in terms of the operation in the Department of Education.

Now has your local 372, can you describe in terms of the areas where you've seen more and more of the services that could be done in-house being contracted out? You gave a description of the, I believe it was the SAPIS workers?

MR. CRESPO: Yes, our SAPIS workers, which stands for Substance Abuse Prevention and Intervention Specialists, they've been in the system since 1971, I'm proud to say that I come out of that title. Those members still continually reside in the community in which they were hired or very much similar communities. They go far beyond, their job has grown throughout these 30 plus years. They have involved themselves in peer leadership training programs, gang violence involvement, domestic violence,

rape, after school programs to enhance talents that they pick up that these kids do have.

They are actually--when a student runs into a problem, whether it be out of the home or in the community through peer pressure, the folks they go to see are these SAPIS workers. The SAPIS workers have a reputation of being forthright, caring, nurturing, honest. We've had SAPIS that have gone to jail on behalf of a kid, a student, either to protect them. We've had SAPIS workers that have put their lives on the line by preventing a child from jumping out of a six floor school building, I'm going back many years, but there was a SAPIS worker that did that. We've had SAPIS workers that have intervened during a gang war, and right in the middle, to prevent kids from getting killed. I, myself, for some reason became the uncle of every kid when I was working in Harlem and I would get calls in the morning from police precincts to pick up my nephew--I never had so many nephews, but that was the job.

Our family workers are also as dedicated. They make sure that these kids' records go through the process, the school aides

make sure that that school runs, otherwise you would have the teachers trying to teach at the same time and run the school. The parent coordinator, again, they really have gotten a lot of bad press as a result of the boards inept, they could not return phone calls, the parents, because the Department of Ed didn't pay a \$56,000 bill on their cell phones and so they got cut off. Our parent coordinators have been told by principals not to take their job too serious. Principals did not want--and I'm generalizing, because not all principals are this way--did not want them too involved because they didn't want to have to answer and hear from parents as to the failures of the system.

And so it's our members are basically the glue to the system. Outsourcing our folks, it would actually fall apart and one would have to say and wonder if that's actually the intention.

CHAIRPERSON JAMES: To Mr. Parrott, you are an independent entity and so one would argue that you basically do not have an axe to grind and that your report and your analysis is

not based on a philosophical slam, but in fact, it's based on the numbers. So based on your review, are there any flaws contained therein within the report that was done by DC 37? Was their analysis--

MR. PARROTT: Right.

CHAIRPERSON JAMES: -- was their analysis consistent with the rules of analysis--

MR. PARROTT: [Interposing] Their analysis seemed to be very--

CHAIRPERSON JAMES: Accurate?

MR. PARROTT: --very thorough and accurate and there aren't any flaws that I'm aware of.

CHAIRPERSON JAMES: And again, I don't know if you were here, based on my line of questioning I had a question to the Mayor of the city of New York at our briefing last week where he indicated that the vast majority of the jobs that they outsource are unique and that the skills that employees--the skills that these consultants provide are skills that cannot be provided by city employees because of the uniqueness--

MR. PARROTT: Right.

CHAIRPERSON JAMES: --of their job set, of the job.

MR. PARROTT: Undoubtedly there are some contracts that cover tasks like that, but I would think that by far the majority of the services that we're talking about are services that city employees currently provide and are currently capable of providing.

CHAIRPERSON JAMES: In your testimony, you indicated that conservatively, we could save about 500 to \$700 million if in fact, we were to contract in these services--

MR. PARROTT: [Interposing] I'm sorry, I was using that estimate as the total amount of personal and professional services contracts where city employees could provide that, so that would be the total amount. Again, that's a very conservative estimate, it could be two to three times that.

CHAIRPERSON JAMES: Okay.

MR. PARROTT: It could be more if you add in the capital budget. So that's the total amount of the current contracts.

CHAIRPERSON JAMES: So let's go

with your conservative estimate, it's estimated that there is a \$4 billion budget deficit in the city of New York. So clearly we could use these savings, we could utilize the saving in filling the budget gap if, in fact, we were to contract in, is that a fair statement?

MR. PARROTT: If we were to contract in, we could realize--of course, it would be hard to do it overnight because some of these are multi-- [clears throat]--excuse me-- are multiyear contracts that you can't terminate right away.

CHAIRPERSON JAMES: Right.

MR. PARROTT: But over, say the two or three year contract life, it does seem as though the city could save \$100 million plus readily.

CHAIRPERSON JAMES: On page--

MR. PARROTT: [Interposing] You know, and given the magnitude of the budget gap, that's something the city obviously needs to pursue.

CHAIRPERSON JAMES: I agree.

MR. PARROTT: And it would have the

added benefit, which I think is very important, a lot of the analysis in the work that we do looks at the condition of typical workers in New York City. We have far too many workers who don't make a living wage, who don't have decent benefits, who have a hard time staying above the poverty line and providing decent living standard and it's important for the city to use its resources in ways to support the creation and maintenance of good paying jobs.

CHAIRPERSON JAMES: And on page 3 you talked about a Cornell University study which examined state unemployment insurance audits and estimated that nearly 1 out of every 10 New York workers were misclassified by their employees as independent contractors. Can you elaborate further, what that means?

MR. PARROTT: Increasingly there is a tendency because there's been lax oversight by the labor departments at the state and federal level, although the situation has improved dramatically at the state level under the current Commissioner of Labor, although I understand she's being confirmed today for a solicitor of the US

Department of Labor, so I'm not sure who the next Commissioner of Labor of New York State's going to be.

But we've had a situation where more and more employers have resorted to classifying their workers as independent contractors--misclassifying them as independent contractors and the incentive to do that is that they don't have to pay the payroll costs, they don't have to pay into the social insurance funds like Social Security, Medicare, unemployment compensation, workers compensation. And in some industries where the workers compensation might be very high like in construction where it's 15% alone because of the hazardous nature of that work, that offers considerable savings for employers at--savings for employers at the expense of everybody else, of other employers who are playing by the rules and paying into those funds, certainly other workers and of the taxpayers.

We did a study--it's a little bit related to this--of employment conditions in the construction industry in New York City. We did two studies actually, one looked at the employment



conditions in the affordable housing construction sector, a sector that exists solely because the city subsidizes that sector. And we concluded from that that there was significant misclassification of workers as independent contractors or workers who were simply paid off the books entirely and we tried to estimate what the fiscal cost to the city of that was and of how the costs were shifted from those contractors to other businesses that have to then pay higher workers comp premiums and so on.

So this is a practice that has been growing at the national and federal level. We've done a fair amount of work on this and looked at how it's affected the unemployment compensation system, the workers compensation system, and so on. We don't have any numbers on how many workers who were employed by private contractors under contract to the city providing professional or personal services, no one knows for sure. But I think the city should know and the city should investigate that sort of thing because it's obviously creating added fiscal cost for the city and other levels of government and it certainly

undermines the living standards of the workers involved. So here's the city spending billions of dollars in this contracting area and not taking any responsibility for the employment consequences.

CHAIRPERSON JAMES: Thank you. Mr. Crespo, as far as you know, are any of these contracts vetted by the city of New York?

MR. CRESPO: No, which is one of the problems is that they're not. Classic example was on the food delivery. There were actually strangers coming into the building to deliver food and they were never cleared by the Department of Ed, you didn't know whether you had an ex-offender or you had a predator delivering these foods. In some cases, we had these vendors that would leave the food outside of the school building, because they did not have refrigerated trucks, although in their contract they claimed that they did, all right, so it became a horrendous situation.

CHAIRPERSON JAMES: Mr. Crespo, you indicated in your testimony that most of these contractors are contractors from out of state, yes?

MR. CRESPO: Yes.

CHAIRPERSON JAMES: Do we know the demographics of their workforce?

MR. CRESPO: No, that I do not have.

CHAIRPERSON JAMES: Do we know the residency of their workforce?

MR. CRESPO: And one of them we found out that they were--and I think it's also included in the testimony--and that had to do with a company, which was located down south that was providing a service, some sort of a tracking system--that's right, Maximum--clearly not a New York City company and in the course had overruns already. And the company was a company that, at one point, was even flagged under the Giuliani Administration for scrupulous dealings regarding city contracts, yet the Chancellor gave them another contract.

CHAIRPERSON JAMES: So we don't know the demographics of their workforce--

MR. CRESPO: No.

CHAIRPERSON JAMES: --we don't know whether or not they're residents of the city and

or state of New York, and we know that they have not been vetted, their employees have not been fingerprinted, and there have not been any background checks.

MR. CRESPO: The one I can say with certainty is that they have not been vetted.

CHAIRPERSON JAMES: And there have been cost overruns in some of--

[Crosstalk]

MR. CRESPO: Absolutely.

CHAIRPERSON JAMES: Thank you, Mr. Crespo.

MR. CRESPO: Thank you, thank you.

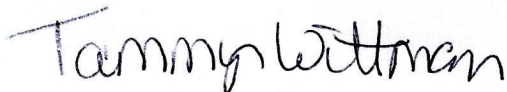
CHAIRPERSON MARTINEZ: Thank you both for your testimony. Seeing no further question from any members of the Committee and no additional panel, meeting is adjourned.

MR. CRESPO: Thank you.

CHAIRPERSON JAMES: Thank you.

C E R T I F I C A T E

I, Tammy Wittman, certify that the foregoing transcript is a true and accurate record of the proceedings. I further certify that I am not related to any of the parties to this action by blood or marriage, and that I am in no way interested in the outcome of this matter.

A handwritten signature in black ink that reads "Tammy Wittman". The signature is written in a cursive style with a large initial 'T'.

Signature\_\_\_\_\_

Date \_\_\_\_June 12, 2009\_\_\_\_\_