

**Testimony of Catherine G. Scott, President
AFSCME District Council 47**

**March 2, 2011
City Council Resolution # 100848**

Good Morning, Chairman Greenlee and other Committee and Council Members. My name is Catherine Scott, and I am President of AFSCME District Council 47. With me today are David Mora, Vice President of Local 2187, and Bob Coyle, an Executive Board Member of Local 2187. Thank you for the opportunity to present testimony to the committee today on the issue of contracting out by the City of Philadelphia. I will confine my comments to the purchase of professional services portion of this resolution.

First, I would like to address the purchase of service contracts in the Department of Public Health. I would like to preface my comments by saying that the Union had great difficulty obtaining this information from the City and the information we received was dated, some of it dating back to 2004 with yearly addendums added. While this analysis was done in 2009, the basic facts remain the same. Our Union did two (2) comparisons. District Council 47 Exhibit 1 shows a comparison between contract employees and all civil service classifications. DC47 Exhibit 2 shows a comparison between contract employees and DC47 represented classes only. These exhibits were created by DC47.

The Exhibit 2 spreadsheet contains the contract number, the division in public health, the contract position title, and the salary based on the hourly rate and numbers of hours called for in the contract. The comparative is the equivalent civil service title, the city salary at Step 3 of the pay range, based on the hourly rate. The contracted agency is next, followed by the salary difference between the contracted salary and civil service position salary.

The final page summarizes the salary totals and adds in the average fringe benefits and administrative costs contained in the contracts.

The comparable civil service positions were identified by reviewing the job descriptions in the contracts and matching them to similar or identical civil service positions. I would like to point out that the fringe benefits at 36% for civil service positions is slightly inflated because many of these positions are less than 30 hours per week, and the City would not be paying health benefits which would reduce the fringe benefit cost.

I would like to focus on an example of this wasteful spending. On page 2 of Exhibit 2 even though the contract is from 2004 it is being renewed on an annual basis. In 2004 a contract pharmacist was paid \$109,200. It is likely that those costs are higher today. A civil service pharmacist starts at \$63,926 and reaches maximum pay at \$82,194 annually. We have used a midpoint salary of \$73,056. Since there have been no pay increases since July 2007, the civil service costs have remained constant. Presently, the City contracts for 5 pharmacists in the City Health Centers. There are three civil service pharmacists. The explanation given last week by the Health Department for the continued contracting out is that the Health Department is not authorized to hire 5 civil service pharmacist employees. In one division in the Health Department, the City is paying \$180,720 more annually for just 5 employees because it is not authorized to hire City employees. Even a rudimentary cost benefit analysis would show that to be a stupid financial decision. Yet, the Department of Health budget is filled with examples of the failure to do any cost benefit analysis.

As you can see from our Exhibit 2, certain professional positions are routinely contracted out, Physician, Registered Nurse, Pharmacist, Medical Specialist, Dentist and Nurse Practitioners. I have included a comparison of the hourly rate of these contract professional positions as opposed to the exact same civil service titles which is Exhibit 4. Clearly, it is much cheaper to hire civil service employees.

Our Union has raised these issues with the Department of Public Health in a series of meetings beginning in 2008 and continuing into 2009. The Department attempted to justify these contracts with a variety of explanations which included they had difficulty recruiting because the salaries were too low and therefore not competitive, the residency requirement was an impediment to hiring, some of the positions were grant funded and therefore did not lend themselves to civil service hiring. Our Union pointed out that raising salaries was within control of the department which would make the jobs competitive, many of the job classifications already had residency waivers from the Civil Service Commission and the Union had negotiated a contract provision to provide flexibility for grant funded positions.

When those attempts failed, Department officials stated that the Finance Department was the driving force behind the contracting out because many times the grants were approved after the grant was to begin and Finance refused to approve the City hiring. We attempted to arrange a meeting with the Finance Department and Public Health officials to discuss the issue. The meeting was scheduled and then cancelled by the City. The meeting has never occurred to this day.

Another example of wasteful spending was brought to the City's attention by our Union (see DC47 Exhibit 3). As part of the Citywide requirements contract with Dell, the City had included all bundled services totaling \$160 per computer. When our Union pointed out that the services should be done by City employees, eventually the Procurement Department agreed to delete the bundled services as an automatic addition to each computer purchase and view those services as options saving the City up to \$160 per computer. According to Allan Frank, the City has approximately 18,000 computers which need to have the hardware updated every 4 years. Using a conservative estimate of 4,000 computers per year, the Union's insistence on debundling the contract has saved the City \$640,000 per year for work City employees are performing.

In the Quarterly City Managers Report ending December 31, 2010, the Department of Public Health had 875 full time positions in Fiscal Year 2010. The adopted budget for Fiscal Year 2011 called for 1,027 full time positions, but as of the report only 864 positions are filled. This is 163 positions fewer than the budgeted number. Conversely, Fiscal Year 2010 purchase of service analysis in Table 0-4 in the same report shows actual spending was \$64,756,624. The Fiscal Year 2011 adopted budget authorized \$69,267,458. Actual spending as of December 31, 2010 was \$63,825,091 which is \$653,012 over the targeted budget. The City increased the purchase of services budget \$4,510,834 in Fiscal Year 2011 in Public Health. Clearly, the City is headed in the wrong direction when it increases the purchase of service category rather than increasing the number of City employees who can do the work and save the City money.

It is clear that the examples I have provided are the tip of the iceberg of expenditures which have had no cost benefit analysis done in the area of purchase of professional services. Further, it would appear from a cursory reading of the charter concerning contracts that competitive bids are not required for professional services contracts. We believe that the City is exploiting this loophole in the charter. We believe that City departments have become comfortable contracting out work. Comfortable with the vendors who provide the services, comfortable with the procurement process where they just renew the contract for another year, and comfortable with reduced management responsibilities and accountability.

What is also clear is that City Council must assume oversight responsibilities for the purchase of service process. This resolution calls for this committee “to conduct a comparative analysis of proposed contracts in order to further the goals of cost efficiency and local job creation”. What this resolution fails to address is a cost benefit analysis of existing contracts for purchased services, especially professional services. Without addressing the present situation and reining in costs, the City will approve another budget without exercising the due diligence required of City Council before authorizing

expenditures for services which could be performed more efficiently and effectively by City Civil Service employees.

On October 21, 2008 I testified before the Fiscal Stability Oversight Committee where I cited savings on contracting out in the Health Department could amount to \$1.2 million annually, based on limited information available at the time. On May 9, 2009 I testified before City Council citing contracting out professional services as a serious budget problem and our estimate of savings in the Health Department had grown to \$12 million per year.

Finally, our Union would suggest that this committee recommend a charter change that would require competitive bidding for professional services contracts which would make the process more transparent and hopefully limit the purchase of professional services to those areas which the Charter originally intended.

Thank you for the opportunity to testify and I am happy to answer any questions you have.