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City Sets Up a Corporation to Oversee Its Tech Projects

By DAVID M. HALBFINGER

Scalded by scandal, cost overruns and embarrassments in some of its most ambitious computerization efforts, the Bloomberg administration has hit upon on a new remedy: outsourcing such projects to a new quasi-governmental entity that will operate free of the usual city procurement rules, salary limits and legislative oversight.

The new entity, its proponents argue, will provide a bureaucratically powerful, highly skilled, centralized overseer for the kind of technology projects that have bedeviled this administration for years, and that have raised questions about one of Mayor Michael R. Bloomberg's perceived strengths as a billionaire who made his money through technological innovation.

Deputy Mayor Caswell F. Holloway, who spearheaded a review of the city's technology woes, said the new entity could save taxpayers millions of dollars by reducing the city's reliance on highly paid outside contractors for project conception, development and execution. "There is no reason why every agency in the City of New York should be going out and getting that from consultants," he said. "The city should have an ability to do this."

But veteran city technology managers and consultants expressed doubts, and veterans of city government pointed to a possible political motive.

Harvey Robins, who was operations chief for Mayor David N. Dinkins and who reorganized several city agencies, said the immediate effect would be to distance Mayor Bloomberg from future technology problems. "It's a headache," Mr. Robins said, "and he doesn't want the headache anymore."

The new entity's main goal, according to a confidential document obtained by The New York Times as well as interviews with Mr. Holloway and other officials, is to solve one of the most vexing riddles of Mr. Bloomberg's tenure: how to grant those responsible for tech projects enough authority so they can compel agency commissioners to cooperate, make timely

decisions and accept compromises that might require them to change the way they do business.

Interagency tension hurt the development of the new 911 emergency dispatching system, as police and fire officials warred with one another, preserving fiefs and incompatible systems. It was a problem with CityTime, the city's new timekeeping system, which involved scores of agencies. And it was a constant headache in developing a new personnel system, Nycaps, as agencies sparred and consultants clamored for mayoral intervention. In each case, the results were confusion, years of delays, and hundreds of millions of dollars in cost overruns.

Under the new plan, control is decided by a simple test: if a project will cost more than \$25 million, or more than \$5 million and involves more than one agency, then a new "NYC Technology Development Corporation" will control the project from start to finish. The corporation will oversee design, vendors, installation and training.

The new entity, which was set up as a nonprofit in July, is modeled after the city's Economic Development Corporation, which operates under contract with the city to make deals with businesses, landowners and vendors on the city's behalf without being subject to the same level of contracting rules and City Council oversight that apply to city agencies.

Because the new entity will be able to bypass competitive bidding at times, the city hopes it will choose vendors more quickly.

But several city technology experts, including a senior agency technology officer and an outside consultant, pointed to possible problems, including a potential brain drain if the new entity offered higher salaries to tech managers from city agencies.

Interviewed on the condition of anonymity to preserve their ties to the administration, these experts said that the new entity was the latest in a series of attempts by the Bloomberg administration to address technology design and contracting. Previous efforts by a Technology Steering Committee and a Technology Governance Board did not succeed.

The new entity would not replace the Department of Information Technology and Telecommunications, but rather take on some of its portfolio. "In some ways, it's introducing another party to the already complex governance structure," one expert said. "Perhaps a more competent party — but that's a best-case scenario."

This expert also expressed concern that entrusting oversight to a corporation one step removed from City Hall could increase the risk of a runaway project, noting that the

CityTime project was hurt by corruption that took root in the absence of “much visibility into what was being spent.”

Peter Thorne, a spokesman for the city comptroller’s office, said that it was “always open to exploring ways to save city taxpayers money,” but that it greeted the idea with “a tremendous amount of skepticism” given the administration’s track record on CityTime and the 911 system.

He said that problems at the Economic Development Corporation, which has been faulted by city auditors for hoarding tens of millions of dollars in city money and for failing to oversee its own contractors adequately, “call into question the entire operating model of using independent entities to conduct crucial city functions.”

Mr. Holloway said the new entity would be fully transparent, and would help prevent talented technology workers from leaving government.

Rahul N. Merchant, the city’s new top technology officer, who conceived of the new entity with Mr. Holloway, said he hoped it would be able to deliver, with no more than 20 employees, 6 to 10 projects before Mr. Bloomberg leaves office on Jan. 1, 2014.

But experts questioned whether so much could be achieved in a short time. “Creating a new agency is not easy to do, and all the effort for that time will be spent painting the walls,” one said.

This article has been revised to reflect the following correction:

Correction: August 27, 2012

An article in some editions on Friday about a Bloomberg administration plan to outsource the control of technology projects to a quasi-governmental entity omitted part of the name of that entity. It is the NYC Technology Development Corporation, not the NYC Technology Corporation.