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CITY OF BOSTON
FINANCE COMMISSION
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Annual Report

January 31, 1997

The Honorable the Senate and
House of Representatives
State House
Boston, Mass. 02133

The annual report of the Finance Commission of the City of Boston is submitted to your Honorable Bodies in accordance with the provisions of Section 18 of Chapter 486 of the Acts of 1909. The membership and term expiration dates of the Commissioners are as follows:

| | <u>Appointed</u> | <u>Expiration Date</u> |
|----------------------------|------------------|------------------------|
| Dr. John de Jong, Chairman | 8/5/91 | 7/28/96 |
| Tyra B. Sidberry | 12/19/90 | 9/18/95 |
| Karen L. MacNutt, J.D. | 12/15/93 | 7/17/98 |
| William Kuttner | 3/24/95 | 8/9/97 |

During the year the Commission continued its longstanding practice of:

- 1) investigating matters affecting the methods of administration and finances of the City of Boston;
- 2) reviewing all contracts awarded which were not publicly advertised (over 800 contracts during FY '96);
- 3) investigating and responding to complaints from the public and providing information to the public upon request;

4) monitoring the various revenues of the Transportation Department, particularly parking meter receipts, income from the towing and ticketing operation;

5) Consulting with City departments regarding contract and/or management issues.

The staff of the Commission included three full time employees. The Fiscal Year 1997 (July 1, 1996 to June 30, 1997) budget of the Commission is \$150,400. The Commission office is located at 152 North Street, room 309.

All records of the Commission are made available to the public as are all matters of City business. Due to limited resources the Commission has complied with its annual reporting requirement in summary form, although all its records, reports, letters etc. are available for review.

It is the responsibility of the Commission to investigate any and all matters relating to the finances and methods of administration affecting the City of Boston. The Commission has directed its staff to work with the city administration on any number of projects over the years. During 1996 the staff worked on several important issues: property disposition, school bus transportation, school bus insurance, Chapter 30B contract matters, police paid detail management and a variety of issues with respect to the City of Boston Transportation Department.

The Commission issued five reports during the year. In addition, the Commission committed a significant amount of time working towards the implementation of recommendations from reports issued over the past couple of years. The Commission also works with many City departments solving problems and reaching decisions, particularly on matters involving departmental contracting policy.

The Commission issued a report, Paid Details in the Boston Police Department in January, 1996. The major findings in that report included:

The paid detail system is a \$20 million annual business. It increases police presence and enhances public safety. However, it is viewed negatively at times because of mismanagement and costs to taxpayers and vendors. The system has been managed for the benefit of members of the Boston Police Patrolmen's Association (BPPA). Despite the written rules and regulations of the Police Department, the entire system is controlled by the thirty-nine paid detail clerks who give out the financially lucrative paid detail assignments.

It is apparent that paid details in the City of Boston will be performed by police officers. But it is incumbent on Police Commissioner Paul Evans to make the following administrative changes:

- 1) Prioritize paid details;
- 2) Assign paid details centrally with management determining the assignments, not the BPPA;
- 3) Civilianize the administration of paid details and reassign the thirty-nine officers currently performing those jobs to a public safety function;
- 4) Implement a more efficient billing system.

The Commission pursued its recommendations with Commissioner Evans and his staff. By year's end, three of the four recommendations were in place. Details were prioritized and assigned on a priority basis. The billing system was significantly enhanced with penalty provisions built into the system.

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The Commission issued its annual report on January 31, 1996.

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The Commission issued a report to Mayor Thomas Menino on January 16, 1996 concerning a \$27,354 payment to former Corporation Counsel Albert Wallis. It was a lump sum payment broken down into a buy-back of vacation time and a bonus. The buy-back was for four weeks of unused vacation time and the bonus payment was for a nine-week paid leave of absence which dated back to 1993.

The Commission concluded that the payment to Mr. Wallis should not have been made in full. It was determined that Mr. Wallis used 64 days of compensatory time for which he had no authorization. In fact the Commission found that Mr. Wallis had taken all of his authorized time off and was owed nothing in terms of vacation buy back.

Although the Commission found sufficient evidence that Mr. Wallis was granted a paid leave of absence, the Commission was of the opinion that there would have been no issue had Mr. Wallis taken his authorized paid leave of absence. However, to pay him for not taking the leave of absence was a decision that set a terrible precedent for the City of Boston.

A portion of the findings in the Commission's report to the Mayor were legal opinions issued by Mr. Wallis himself in his review of a similar situation regarding buy-back involving former Police Commissioner Francis Roache.

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The Commission issued a report in June, 1996 concerning the Matter of Emergency Contracts, Expenses and Procedures used by the City of Boston Regarding the Opening of School in September, 1995.

Superintendent of Schools, Thomas Payzant, asked the Finance Commission to help resolve some large contractual problems resulting from so-called emergency contracts issued in the fall of 1995. The work involved an expenditure of \$5 million to correct deficiencies found by the Inspectional Services Department (ISD), which refused to issue occupancy permits to 105 of the 117 public schools. The work was performed mostly by outside vendors, almost half of it performed on an overtime basis at a rate of pay of \$81 per hour. Change orders, amendments and a series of small contracts were approved in order to complete the work. One amendment was illegally awarded in an amount of \$1.8 million.

Mayor Thomas Menino along with Superintendent Payzant asked the Commission to assist the city in obtaining a retroactive emergency bidding waiver to allow payment to be made to the major vendor that performed the work. The Commission supported the emergency waiver request only because it was the most expeditious way to allow payment to a vendor which performed work in good faith. However, due to the many improper actions of School Department employees and the Mayor's office the waiver was denied.

The findings of the Commission in the above matter was that the entire series of events was a manufactured emergency readily avoidable with planning and cooperation between City agencies. ISD had neglected its duties in the past with respect

to occupancy permits in the public schools. Contractually a bidding waiver should have been sought at the beginning. It was illegal and irresponsible for City officials to direct a vendor to work without a binding contract. City employees with the support of top school department and administration officials failed to comply with basic contract law and bidding regulations.

The Commission also found that the same amount of work could have been done at a much lower cost. Direct savings would have been:

1. \$300,000 in School Department employee overtime;
2. \$287,000 in overtime labor rates to outside contractors;
3. \$121,000 in profit and mark-up charges billed to outside vendors.

It was also apparent that by not seeking bids for the work the City lost out on the benefit of competition and the volume discounts that occur through a bid process. Likely savings would have included:

1. \$300,000 in lighting supplies that resulted because the exit lighting expense was much higher than through a bid process;
2. A reduced hourly labor rate of \$4 to \$6 hourly had the contract been bid as opposed to negotiating hourly rates which would have saved another \$135,000;
3. Approximately \$30,000 in staff time that was being expended to extract the City from self-created problems.

Superintendent Payzant asked the Commission to serve on a review committee to determine what the actual contract payment should be to the vendor. That process led to a reduction of \$150,000 in payments to the vendor.

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The Commission issued a detailed report on City of Boston Trust Funds on September 19, 1996.

The City of Boston has over 350 trust funds valued in excess of \$120 million. The annual gross income from those funds is approximately \$5 million. The Commission conducted an in-depth study of the use and management of trust fund income. Particular attention was paid to the major trust funds, the Browne, Parkman and White funds. The Commission further reviewed the financial management of trust funds and the decision-making process used to expend fund income.

There were mixed findings regarding the use of trust fund income:

1. Parkman Fund income has been used largely to offset the salary expense of the Boston Park Department. The Parkman House, the only remaining real estate asset of the trust is used to benefit the City and not the Parkman Fund.

2. While the George Robert White Fund has been a major contributor to the City of Boston, it has not been without some misuse. The most notable blunder was the purchase of the National Theater on Tremont St., a decision which cost the fund and City government \$2.4 million. Moreover, the wishes of Mr. White to insure that the public be kept informed of the uses of the fund have been largely ignored.

3. The use of the Browne Fund has benefitted the City and the projects are well managed. However, the financial performance of the fund has been poor.

4. A major oversight of the City was allowing 218 acres of land owned by the Cummings Trust to sit idle. The land is located in the cities of Burlington and Woburn and has an assessed value of \$20 million. There are no plans for its use.

5. The Commission also found that the financial management of trust funds varies and is in need of review.

The Trust report was well received by the City and Chief Financial Officer Edward Collins took immediate action to improve fund management.

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The Commission issued a report on Towing in the City of Boston on December 19, 1996. The findings of the study indicated that the City of Boston's internal towing is an operational disaster. Hundreds of vehicles towed by the Transportation Department were subsequently determined to have been invalidly towed because of mistakes made by the department. Hundreds of other tows occur because the tow fleet is too large and the department is pressured to keep it occupied. Cars are routinely tagged and towed despite missing and/or conflicting signs. Tow trucks literally roam the City looking for vehicles to tow. There has been no overall review of towing policy in the City and it is an operation in need of management.

The Commission made ten recommendations to the City and its Transportation Department.

1. There should be an immediate review of the towing policies in the City of Boston;

2. The motoring public should not be subjected to arbitrary decisions regarding towing. Unless there is a specific reason which is properly signed, no vehicle should be towed;

3. The Transportation Department must revisit all towing violations and determine which are serious enough to warrant a tow;

4. The department must address a serious signage problem. More emphasis must be placed on the accuracy of signs, the removal of conflicting signs and replacement of missing signs;

5. The violations that were identified in the report should be resolved in favor of the people who were victimized by the City;

6. Temporary signs should be placed on or over existing signs to prevent confusion;

7. Temporary signs for construction purposes should be installed by the City or witnessed by the City. No vehicle should be towed unless there is documentation that signs were properly placed in a timely manner;

8. The drop policy needs review. It is the Commission's opinion that if the motorist appears and is willing to move the vehicle, that should be allowed with the approval of a supervisor;

9. The Transportation Department must review its policy of assisting with "lock outs" and performing "move overs" in light of the fact that the City carries no insurance;

10. Once some semblance of order is restored within the tow operation, the City needs to consider the size of its towing operation.

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The Commission has a policy of responding to questions asked by the Boston City Council. In August, 1996, City Council President James Kelly asked the Commission to help analyze the financial impact of the acceptance of Chapter 71 of the Acts of 1996. The legislation would provide eligible veterans with added years of service for retirement purposes for wartime

The Commission continued monitoring the progress on the construction of the new Boston Police Headquarters. The staff reviewed the change order process and the change orders that had been approved by the City. The process is detailed and thorough and the Public Facilities Department is doing a good job managing the project.

A minority compliance issue raised in the past by the Commission remains as far as the Commission is concerned. The joint venture appears to be controlled by Suffolk Construction Co. and not the minority company. Two of the top three people on the job are Suffolk employees, including the Senior Project Manager. The Suffolk staff also takes the lead in negotiating change orders.

One added issue at the project is a parking shortage. There are discussions concerning the acquisition of adjacent land which the Commission intends to monitor.

Respectfully submitted,

Dr. John de Jong
Chairman