

Private Contractors in the City of Los Angeles: Skyrocketing Hourly Rates Climb Without Oversight

February 2011

FACT SHEET

As the City of Los Angeles calls for furloughs, layoffs, and service cuts due to the budget crisis, the City continues to mismanage its resources, from its collection of debt, the increased hiring of sworn police officers, multi-million dollar redevelopment projects and private contracting. In 2011, the size of the City workforce is at 1997 levels, meanwhile the size of private outside contracts has grown. In 2009 the City had \$2.3 billion worth of private contracts, a number of which are multi-year agreements. Private contractors often work at two or three times the rate of a City employee:

Consultant: Black and Veatch	Hourly Rate
Principal in Charge	\$394.00
Project Manager	\$255.00
Senior Engineer	\$216.00
Engineer	\$170.00
Junior Engineer	\$123.00
Estimator	\$112.00
CAD Operator	\$92.00
Administrative/Secretary	\$92.00

Source: Los Angeles City Records

A Record of Lost Oversight

The rates of compensation are often times left unchecked. LA City Controller Wendy Greuel conducted an audit

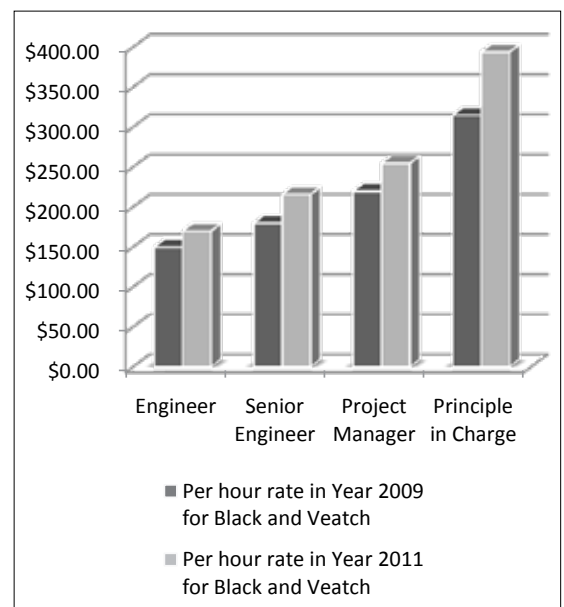
of City contracts on May 7, 2010 and reported a lack of oversight in spiraling contract costs.

“We found that the City is primarily basing contracting decisions on feasibility, without consideration of cost effectiveness. In 33 percent of the contracts we reviewed, no review was done to determine whether outsourcing was the most cost effective and efficient option. This is not acceptable.”

— City Controller Wendy Greuel

Without cost-efficiency studies, consultant and contract rates continue to climb every year.

Black and Veatch Raises Consultant Rates from 2009 to 2011



Source: Los Angeles City Records

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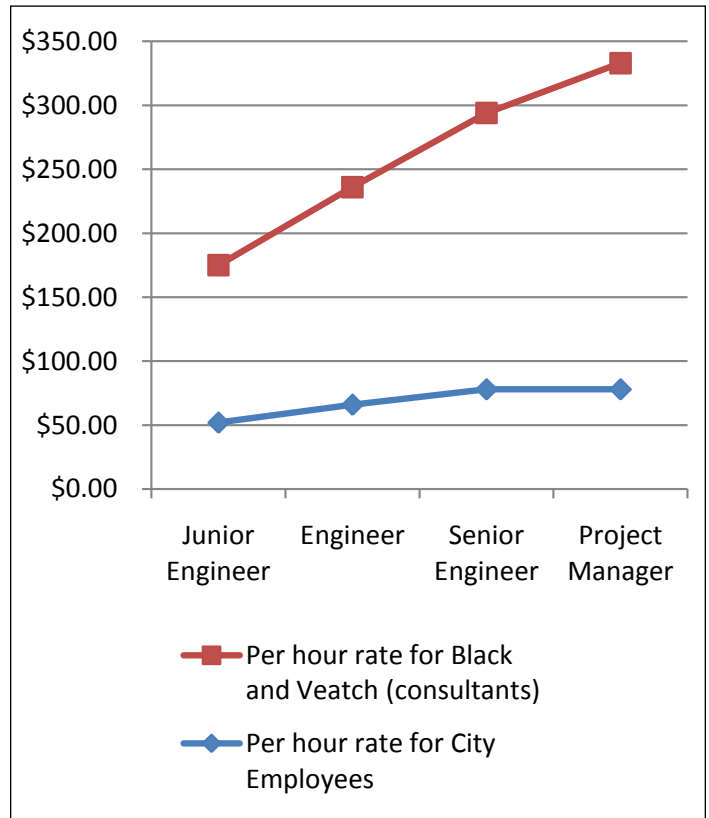
The primary reason departments use the services of an outside private contractor is the lack of personnel. As engineers in the general fund are encouraged to transfer to different departments or retire early, the workforce shrinks further and the need to replace the work with outside contractors increases. This cycle burdens the general fund and increases the size of the deficit.

Many of these contracts involve work that City employees have the expertise to do.

- **Department of Transportation:** Contractors are paid to do design work while City Transportation Engineers review the work. Design sheets are often edited and reviewed so often by City employees that consultant contributions are minimal with double the compensation rates.
- **Los Angeles Police Department:** Criminalists who analyze DNA samples are furloughed and DNA work is sent to outside contractors because of the lack of personnel in the department.
- **General Services Department:** The standards laboratory provides construction testing for City projects. The City has transitioned to privatized services and furloughed laboratory personnel. This laboratory once generated revenue for the City by performing testing services to other cities. The standards laboratory has lost its revenue generating ability.

- **Public Works Department:** A high-profile project worth \$344 million and lasting 10 years, is being outsourced to expensive contractors. The project, NEIS 2 (Northeast Interceptor Sewer/Phase 2), can be completed by qualified City engineers and inspectors, but furloughs and cuts prevent the City's workforce to handle the project.

Comparison of Per Hour Compensation Rates



Source: Los Angeles City Records

An In-House Strategy Can Save Millions and Provide Oversight

The engineers, scientists and city professionals who work for the City of Los Angeles are committed to providing a low cost and high quality services to constituents. City professionals stand ready to work with City leaders to bring projects "in-house." This strategy will help resolve the budget deficit and bring maximum cost savings and efficiencies with greater oversight to engineering projects throughout the City of Los Angeles.