OFFICE OF THE CONTROLLER
CITY AND COUNTY OF SAN FRANCISCO

Ben Rosenfield
Controller

Todd Rydstrom
Deputy Controller
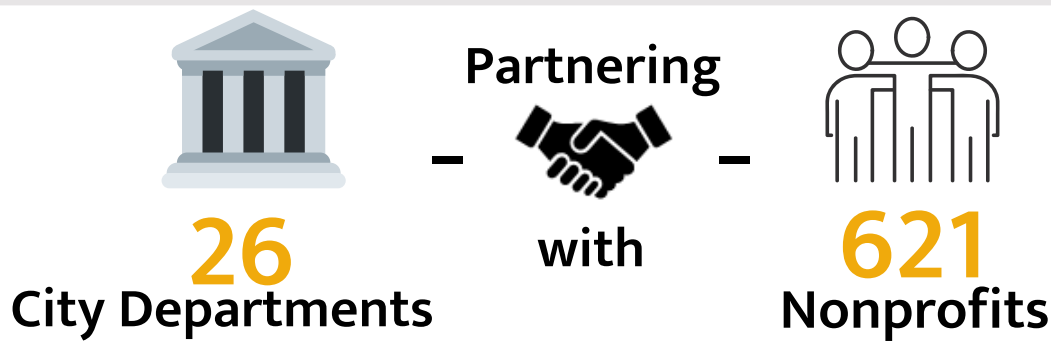
Nonprofit Contracting Forum

Wednesday, November 6, 2019, 1:00pm – 2:30pm
Koret Auditorium, Main Library

Agenda Item
Welcome and Introduction
Citywide Updates The Controller's Office will provide a brief summary of the nonprofit policy work it carried out in the last year: • City Investments in Nonprofit Service Providers, FY 2018 - 2019 • Citywide Nonprofit Monitoring and Capacity Building Program • Minimum Compensation Ordinance (MCO) • Guidelines for Cost Categorization in Nonprofit Contracts and Grants • Working Sessions to Consider Indirect Rate Improvements • Other Policy Development Underway
Mayor's Update The Mayor's Office will provide a brief summary of nonprofit budget initiatives.
Departmental Updates Representatives from departments will provide a brief update: • Office of Economic and Workforce Development (OEWD) • Mayor's Office of Housing and Community Development (MOHCD) • Department of Public Health (DPH) • Human Services Agency (HSA) • Department of Homelessness and Supportive Housing (HSH)
Questions and Answers Opportunity for members of the audience to ask questions or raise current issues related to nonprofit contracting. Departments will answer questions when possible, and the Controller's Office will aggregate questions for written responses after the meeting.

City Investments in Nonprofit Service Providers

FY 2018-2019

26 City Departments — Partnering with — **621** Nonprofits

Payments to Nonprofits

$822 million in City payments to nonprofits in FY19-20 → Spending per nonprofit ranging from: **<$500 to $48 million** → **7%** of the City's net expenditures
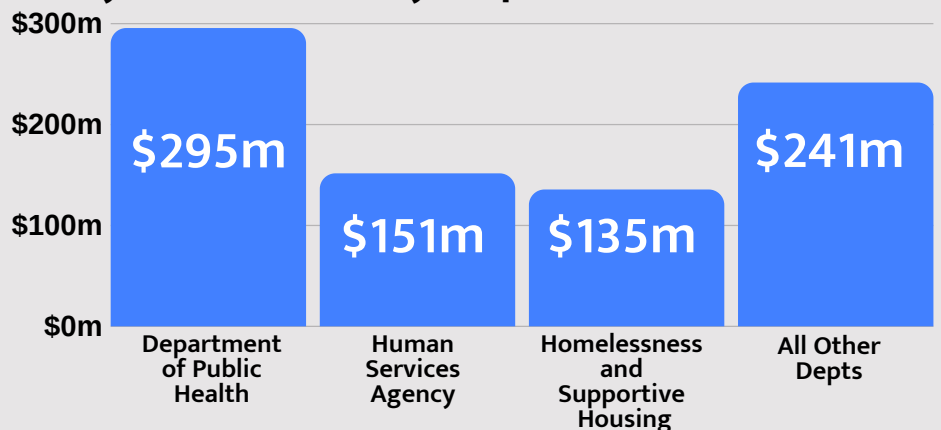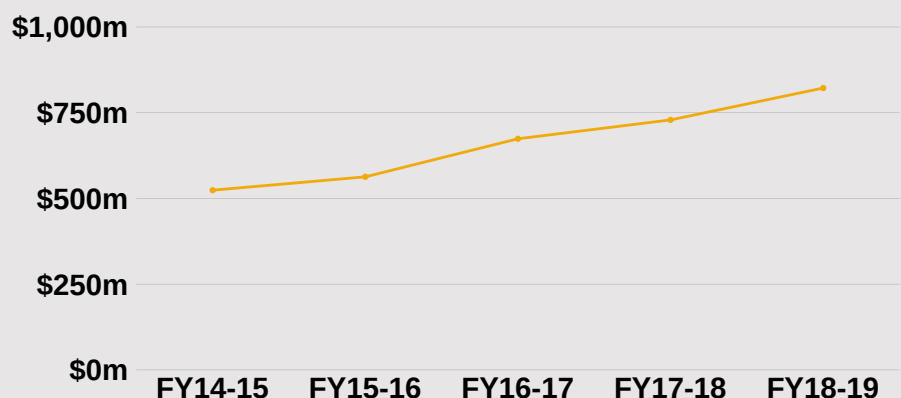
$163k Median amount received

134 Nonprofits received over **$1m** in FY18-19

19 Nonprofits received over **$10m** in FY18-19

Payment Totals by Department, FY18-19

Department of Public Health	Human Services Agency	Homelessness and Supportive Housing	All Other Depts
$295m	$151m	$135m	$241m

Total Payments to Nonprofits Over Time

FY14-15 · FY15-16 · FY16-17 · FY17-18 · FY18-19

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Post-Forum Questions and Answers
As of December 5, 2019

"Is the City as a whole moving towards deliverable-based grant budgets, rather than reimbursement-based?"
- Most departments are exploring ways to enhance their contracting strategies. E.g., MOHCD is piloting "Active Contract Management." Some departments have looked into "Performance Based Contracting." The Department of Public Health uses a "units of service" basis for most Medi-Cal contracts. However, there are no plans for a Citywide move towards deliverable-based grant budgets.

"Is there a way for nonprofit subcontractors to get a copy of grant agreements and budgets that were submitted?"
- Please contact the funding department for copies of grant agreements and budgets.

"MOHCD provided a training on understanding "true costs" for nonprofit contractors to better budget and submit proposals that reflect true costs. Wondering if MOHCD and/or other departments are considering increasing the available funding for future RFPs to allow for true costs?"
- The Controller's Office is engaging other departments and nonprofits about reforming how indirect costs are funded, but this work is still under development. It is important to note that "true cost" budgeting may not necessarily result in higher funding available in future RFPs. Instead, true cost budgeting practices may result in service expectations that are more in line with the cost of performing the service. Please contact your funding department with any department-specific questions about future RFPs and how indirect costs are calculated.

"How do you set up for advance payment?"
- The Controller's Office is working with departments to develop a Citywide policy and procedure for issuing advance payment to nonprofit contractors. We will share an update about advance payment during the next Nonprofit Contracting Forum. Some departments are already issuing advance payment. Contact your funding departments to confirm if they are currently issuing advance payments and the policy that department has developed.

"Is there a way to get the contact information for all the speakers as well as the subjects we can reach out to them for assistance with?"
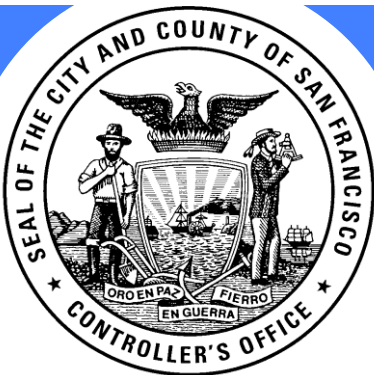- The following speakers presented at the Nonprofit Contracting Forum on November 6, 2019. Please contact the relevant department with questions.

  (Listed in order of appearance)
  - Ben Rosenfield, Controller
  - Laura Marshall, Controller's Office

- Kelly Kirkpatrick, Mayor's Office
- Lex Leifheit, Office of Economic and Workforce Development (OEWD)
- Brian Cheu, Mayor's Office of Housing and Community Development (MOHCD)
- Michelle Ruggels, Department of Public Health (DPH)
- John Tsutakawa, Human Services Agency (HSA)
- Gilda Kemper, Department of Homelessness and Supportive Housing (HSH)
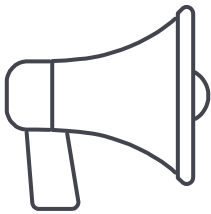
Nonprofit Contracting Forum

CITY & COUNTY OF SAN FRANCISCO
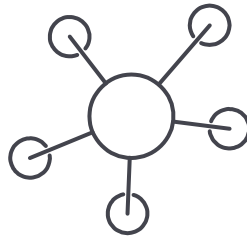
Office of the Controller
City Performance Unit

11.06.2019

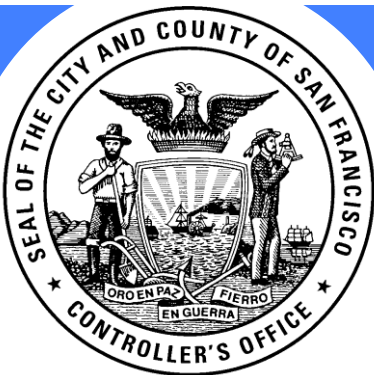# Why are we here?

Update

Share new policy developments

Coordinate

Work together to improve City services

Listen + Learn

Ask and answer questions

Updates from the Controller's Office
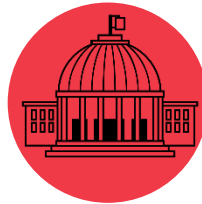
City Investments in Nonprofit Service Providers
FY 2018 - 2019

$822 million

In City payments to nonprofits

26 City Departments

621 Nonprofits

$163k

Median amount received

134

Nonprofits received more than $1m

19

Nonprofits received more than $10m

Citywide Nonprofit Monitoring and Capacity Building Program

Program Overview

Consolidates contract monitoring requirements to promote efficient monitoring that uses consistent standards and methods

Program Goals

- Public funds are spent in alignment with the City's financial and administrative standards
- Nonprofit contractors have strong, sustainable fiscal operations

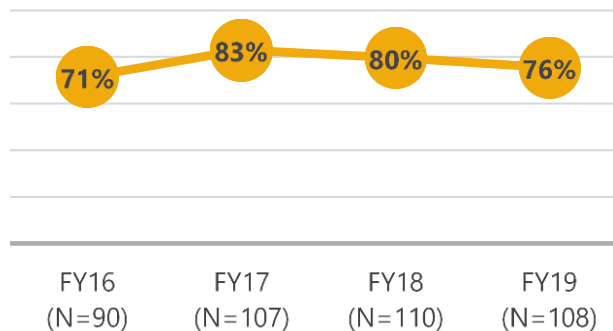**12** Departments Jointly Funded **165** Nonprofit Contractors in the Program

The 165 contractors received **71%** of City funding for all nonprofits

Monitoring Findings

108 Nonprofits were in Conformance

76% of contractors ended the cycle in full conformance with standards, though this decreased this year

71% 83% 80% 76%

| FY16 | FY17 | FY18 | FY19 |
| (N=90) | (N=107) | (N=110) | (N=108) |

Citywide Nonprofit Monitoring and Capacity Building Program

What's new for FY20?

Expanded financial management coaching and training services for nonprofits

New Risk Assessment process to include more nuanced factors in determining what level of monitoring to employ.

109 nonprofits to be monitored in FY20

25% reduction from FY19 using new Risk Assessment process

Minimum Compensation Ordinance (MCO)

Overview of MCO

- Covers most City contractors

- MCO wage increased to $16.50 per hour in July 2019 for nonprofit suppliers

New MCO wage applies to nonprofit supplier with:

5 or more employees

$50k or more in funding from at least 1 funding department

- City appropriated $5.8 million to help nonprofits offset MCO related costs

- The Controller's Office managed an application process to allocate the funds

Minimum Compensation Ordinance (MCO)

Application Process

Application Period
June – August 2019

- 181 application submitted
- 210 unique suppliers

- 4,263 FTEs reported, earning up to $30/hr

Results

$2.76 million

For direct costs
Representing 1,031 FTEs

$3.80 million

For compaction costs
up to $22.50/hr

Wage increases for 2,757 FTEs
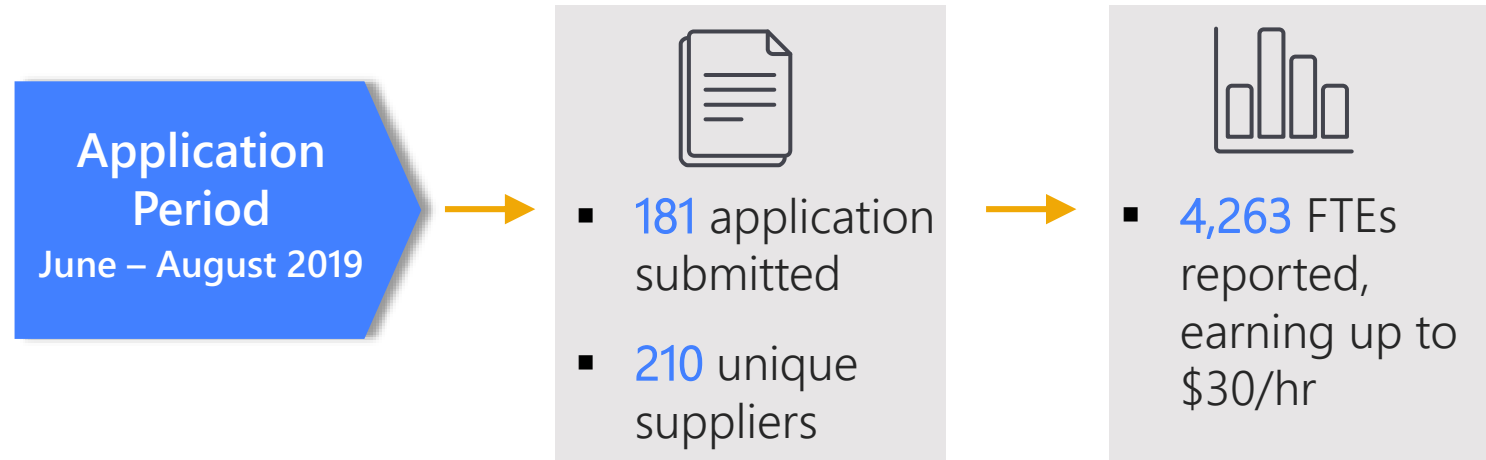
Minimum Compensation Ordinance (MCO)

Distribution of Funds

- Departments will begin initiating contract amendments or modifications immediately.

- The Controller's Office has advised departments to finalize pending contract certifications prior to making adjustments for MCO.

- Nonprofits who receive MCO allocations should adjust FY19-20 contract budgets to ensure all wages are at least $16.50/hr and to make other necessary wage adjustments to address compaction pressures. Adjustments should reflect wages as of July 1, 2019.

- Allocations include 20% overhead to address variable fringe and other costs.

For FY20-21…

- Departments and nonprofits should incorporate discussions of MCO increases into normal contract amendment processes.

Cost Categorization in Nonprofit Contracts and Grants

Overview

- In January 2019, Controller's Office reissued guidance on the treatment and allowability of direct and indirect costs in City grants and contracts with nonprofit service providers.

- Guidance should be adopted by departments in current contracts and grants.

- Questions arise about interpretation of the guidance, and certain issues must always be addressed case-by-case. The Controller's Office may update the guidance annually as needed.

Link to guidance:

- https://sfcontroller.org/sites/default/files/Documents/Auditing/Guidelines%20for%20Cost%20Categorization%20in%20Nonprofit%20Contracts%20and%20Grants%20Version%201.2.pdf

Please address questions to:

- Francisco.Alvarado@sfgov.org

Indirect Rates

Background:

- The Mayor's Nonprofit Working Group of FY16-17 identified the limitations of a flat indirect cost rate (typically 12-15%) applied to nonprofit contracts and grants.

  - This rate often does not support nonprofits to cover the actual costs of administering City-funded programs.

- The Controller's Office facilitated a process during FY18-19 to develop new proposals for how the City could treat indirect costs in nonprofit contracts and grants.

Controller's Office met with:

- 8 City Departments

- 26 Nonprofit Organizations

- 71 Total Individuals

Indirect Rates

This collaborative process resulted in three proposals:

Option 1: Standardized Rate	Option 2: Department-wide Negotiated Rate	Option 3: Citywide Negotiated Rate
• Standard rate with cap	• Negotiated rate that applies to all contracts for each department	• Fully-negotiated, Citywide rate that applies to all contracts regardless of department or funding source

Next Steps:

- The Controller's Office will work with City departments to pilot a model in advance of Citywide adoption.

Other Policy Development Underway

- The Controller's Office is helping standardize how departments work with nonprofit contractors and ease requirements when not explicitly necessary e.g. by a funding source.

Policy Areas Under Review:

Audit Requirements	Advance Payments	Invoice Review	Budget Flexibility
• **Issue –** Departments have differing policies for when they require a nonprofit to conduct an audit or financial review	• **Issue** – Advances are applied inconsistently across City departments	• **Issue** – Departments have inconsistent and extensive documentation review processes which may not be required by funding sources	• **Issue** – Department have varying thresholds for when and how budget amounts can be adjusted between line items during invoicing

Next Steps:

- The Controller's Office will continue to assess and revise City policy in consultation with City Departments.

- Updates will be offered during a future Nonprofit Policy Forum.

Updates from the Mayor's Office
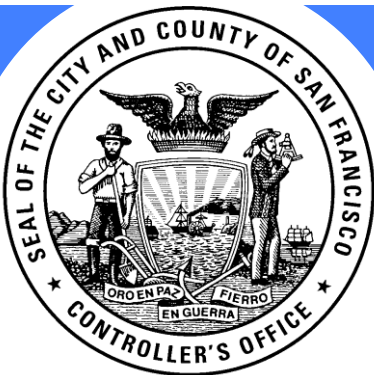
The FY 2019-20 & FY 2020-21 budget prioritized investments to help strengthen the social safety net including increasing support for nonprofit providers

- **CBO Cost of Doing Business (CODB)**
  - 3% in FY 2019-20 - 0.5% increase from what was previously budgeted
  - 2.5% assumed for FY 2020-21

- **Minimum Compensation Ordinance** (MCO) to support non-profit workers and IHSS workers

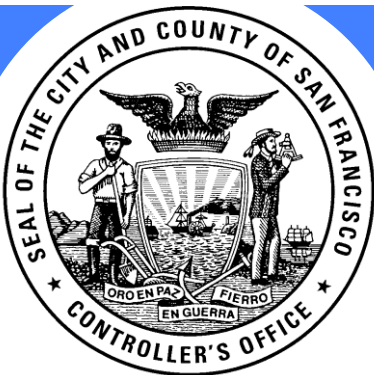- **Nonprofit Sustainability Initiative** (NSI) investment to help keep nonprofits in San Francisco
  - Additional $2 million in FY 2019-20; total of $8 million over the next two years

Departmental Updates
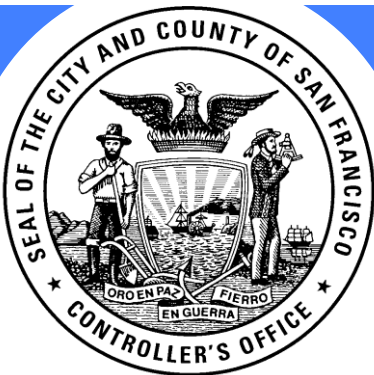
Office of Economic and Workforce Development (OEWD)

Available Offerings: OEWD

One-stop Navigation

Capacity Assistance & Consultation

Real Estate Assistance

Pro Bono & Professional Service Referral

ONE-STOP NAVIGATION

The Office of Economic and Workforce Development provides access to an array of resources, tailored to the needs of each organizations, as well as training and education referrals suited to the needs of nonprofits providing arts access, legal aid, human services, workforce development and other resources.121 organizations received direct assistance in Fiscal Year 2018-19.

Direct Assistance: Examples

Starting a Nonprofit

Fund Development

Organizational Assessment

ORGANIZATIONAL EFFECTIVENESS PARTNERS

The Office of Economic and Workforce Development supports intermediaries to provide services in support of organizational diagnostic assessment, strategic restructuring, fund development and real estate readiness.

NONPROFIT SUSTAINABILITY INITIATIVE

The Office of Economic and Workforce Development (OEWD) administers the Nonprofit Sustainability Initiative in partnership with the San Francisco Arts Commission, Mayor's Office of Housing and Community Development, and key partners including Community Vision.

Permanent Space Acquisition
~84,185 square feet of nonprofit-owned space Community Youth Center, Compass Family Services, Family Connections, Jamestown Community Center, La Casa De Las Madres, Mission Kids, Planned Parenthood, San Francisco Conservation Corps and Self-Help for the Elderly

Space Stabilization
~146,975 square feet of leased space
29 organizations awarded financial assistance
41 organizations awarded technical assistance
Average lease secured is 7.1 years

NONPROFIT SUSTAINABILITY INITIATIVE

San Francisco's Nonprofit Sustainability Initiative deploys financial assistance, professional services, assessment tools and other resources to help stabilize nonprofits and overcome barriers to growth. 2019-20 Allocation: $7.7 million

Real Estate Assistance: Examples

Mission Kids

PRC

Compass Family Services

NEW IN 2019-20: COMMUNITY CORNERSTONES

Community Cornerstones: support for small businesses and nonprofits. Includes technical and financial assistance for nonprofits expanding or relocating to new, commercial space within 100% below-market housing sites. Allocation: $2.7 million. Nonprofit applications due: February 4, 2020

Project Sites: Examples

1990 Folsom

2060 Folsom

OEWD's Nonprofit Resiliency Fund

The goal of the Nonprofit Resiliency Fund is to maintain continuity of economic and workforce strategies by providing OEWD grantees with organizational effectiveness support. 2019-20 Allocation: $300,000

NOFA: Leveraging Leadership Transitions	• Grants up to $25k for one-time expenses, consulting fees
Catchafire: Volunteering Matching Service	• Access to skilled volunteers for research, capacity projects
Candid: Grant Writing Workshop	• Half-day workshops to strengthen proposals and project budgets
Candid: One-on-One Prospect Research	• Help identifying and prioritizing funding prospects

Questions?

Contact:
Lex Leifheit
Senior Business
Development Manager
lex.leifheit@sfgov.org
(415) 554-6959

Mayor's Office of Housing and Community Development (MOHCD)

**Mayor's Office of Housing
and Community Development**

Five-year Planning Process
Consolidated Plan

Summary of Community Engagement and Strategies

November 6, 2019

Outreach Summary

Outreach Type	Participants
10 Community Forums	656
38 Focus Groups	684
Online and Paper Surveys	2,219
	3,614 total

Citywide Priorities Identified Through Community Engagement Process

- Displacement, evictions, housing stabilization
- Housing affordability
- Economic opportunity and self-sufficiency
- Systems navigation
- Culturally and linguistically appropriate services and language access

General Community Needs, Concerns

- Primary concerns: displacement, increasing housing prices, cleanliness and safety of neighborhoods, and transit accessibility

- Services to support self-sufficiency and stability are as important as the need for housing itself

- Culturally-inclusive and culturally-specific services

- Greater awareness of, navigation of, and access to available services

- More inclusive standards around housing eligibility

- More opportunities to provide input

- More streamlined services, improved cross-agency collaboration

Housing and Housing Service Needs

Affordable housing

Rental assistance/reduced-cost housing

Housing navigation and application assistance

Safe shelter, transitional, and permanent housing environments

More housing protections

Senior and accessible housing

Eviction prevention support

Housing subsidies

Tenant education

Supportive housing

Down-payment assistance

Housing close to employment

Landlord negotiation assistance

Relocation assistance

Mortgage, HOA dues or foreclosure assistance

Social and Supportive Service Needs

Benefits assistance (CalWorks, SNAP, Medi-Cal, etc.)

Better access to healthcare

Access to healthy food

Mental health and substance use support

Language support

Knowledge of available services

Support for seniors and people with disabilities

Affordable childcare

Case management

Legal services – consumer/civil rights

Legal services – worker/employment rights

Legal services – immigration support

Access to recreation

Nutrition programs

Neighborhood clean-up and safety programs

Economic Self-Sufficiency Needs

Job training

Getting a job

Financial planning and education

Learning new job skills

Access to ESL classes

GED and high school diploma programs

Local hiring

Financing and credit services

Tech access/tech education

Permanent job/career opportunities

Employment coaching

"Working class" jobs

Employer programs

Senior/disability employment

Affordable higher education opportunities

Community Empowerment and Engagement Needs

Cultural events, cultural-based outreach

Community events

Community space

Nonprofit support and capacity

Parking

Community planning

Support for small businesses

Volunteer opportunities

Community meetings and outreach

Accountability

Community engagement and communication efforts

Targeted marketing of services

Community-based neighborhood clean-up efforts

Senior services

Better street and outdoor lighting

Target Populations

Households and families…

- Experiencing a Legacy of Exclusion
- Destabilized by Systemic Trauma
- At Risk of Displacement
- With Barriers to Accessing Opportunities
- Who are Extremely and Very Low Income

Target Populations

Vulnerable Households:

- Extremely and Very Low-Income Households
- Households with Barriers to Access to Opportunities
- Households At-Risk of Displacement
- Households Experiencing a Legacy of Exclusion
- Households Destabilized by Systemic Trauma

Priority Needs

1A) Develop and maintain accessible and affordable housing

1B) Make housing more affordable

1C) Prevent and reduce homelessness

1D) Provide services to maintain housing stability

2A) Promote workforce development

2B) Increase opportunities through improved language access and core skills development

2C) Provide equitable access to civil legal services for immigration and other critical issues

2D) Help households connect to services

3A) Enhance community facilities and spaces

3B) Strengthen small business and commercial corridors

3C) Support community-driven comprehensive strategies

3D) Support capacity needs of community-based organizations and MOHCD's professional partners

4A) Address inequitable impacts of economic growth through anti-displacement measures for residents and businesses

4B) Ensure economic growth offers benefits to existing communities

5A) Ensure racially equitable access to programs and services, in coordination with other City departments

5B) Instill racial equity and trauma-informed values and practices in the work of MOHCD and its partners

Objectives

1) Families and individuals are **stably housed**

2) Families and individuals are **resilient** and **economically self-sufficient**

3) Communities have **healthy physical, social** and **business infrastructure**

4) Communities at risk of displacement are **stabilized**

5) The City works to **eliminate** the causes of **racial disparities**

Ultimate Impact

Vibrant and healthy communities across San Francisco with equitable opportunity for self-sufficiency

MOHCD*
Theory of Change
8/5/2019

*and OEWD & DHSH's work related to the Consolidated Plan

37

Grant Terms & Funds Available

- ~ $42,000,000 in grant funds
- Proposals were received October 18, 2019
- Grant awards will be setup initially as three-year contracts, from July 1, 2020 through June 30, 2023, with an option by MOHCD for a two-year extension to June 30, 2025

Department of Public Health (DPH)
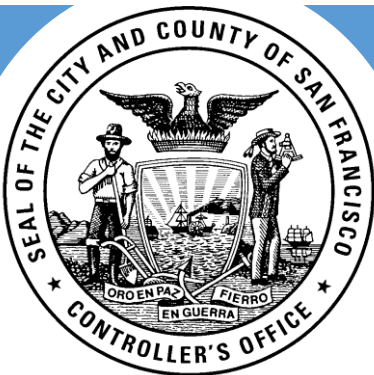
DPH Contractors

SAN FRANCISCO PUBLIC HEALTH DEPARTMENT - BUSINESS OFFICE

NOVEMBER 6, 2019

Department of Public Health (DPH) Contracting Update

- To begin, thank you to all DPH contractors and City partners that worked with us over the past two years of contracting, offering help, solutions and appreciated patience.

- DPH is pleased to report that in FY19-20 after a very tumultuous two years we have weathered the storm and are on significantly steadier ground moving forward.

- One of the ongoing challenges facing DPH's efficiency has been the lack of a centralized electronic contracting system, useful to
  - Easily monitor contract certification progress through all the steps
  - Manage key dates systematically, e.g. expirations necessary to plan ahead
  - Provide responses to information/data requests in a timely manner

- We are very happy to report that through a partnership with the Controller's Office, we are working steadily on this challenge and plan to have a system in place by FY20-21.

DPH System Improvements Underway:
Contract Management System

OBJECTIVES & VISION : Create a standardized and centralized contract management system across divisions/sections to allow DPH to maintain a profile on each contract, as well as create a workflow that will enable centralized management.

- **Fields System** will use standard fields to name and manage the contracting process. This means we will be after you about continuity in program names.
- **Tracking System** will use standard milestones for tracking the contracting process (and related processes), and record dates and other data according to those milestones (e.g., date funding notification letter sent).
- **Reporting System** will report on contract status in the same way. This will include the components agreed upon in Fields and the milestones agreed upon in Tracking.
- **Workflows System** will have the same basic workflows for approvals and processing of contracts. There may be minimal, necessary variations as the workflows must accommodate the requirements of all units and contracts.
- **Staff Transparency** will be able to both access status information, and be active participants in the contract and related document routing and approval processes.

DPH System Improvements Underway:
Contract Management System

SYSTEM COMPONENTS: The final contract management system will consist of the following components
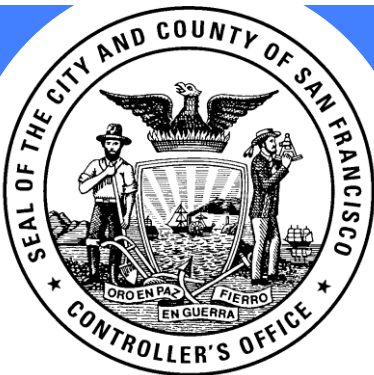
- **Document Storage:** Contracts will be stored and accessible by all DPH staff.
- **Workflows:** Programmed workflows will enable tracking of document processes at each step, thereby allowing for better management and access to information.
- **Reporting:** Data fields will be identified for reporting and tracking purposes

DPH Contracting

For reference, or for new staff, the following power point presentations may be accessed at sfdph.org/CDTA under the category *Meeting Presentations and Training Materials*:

- The DPH Business Office held a "DPH Contractor's Meeting" on 5/23/19 that covered "what's new in contracting in FY19-20".

- The DPH Business Office held a "Contracting 101" workshop on 8/9/19

- Thank you

Human Services Agency (HSA)

HSA Contracts

- The Human Services Agency (HSA) is the umbrella agency for three Departments
- HSA covers the Department of Aging and Adult Services (DAAS), Office of Early Care and Education (OECE), & the Department of Human Services (DHS).
- Office of Contract Management has 11 contract managers and 3 purchasers.
- 336 grants and 58 contracts, about 237 (60%) are in the DAAS program
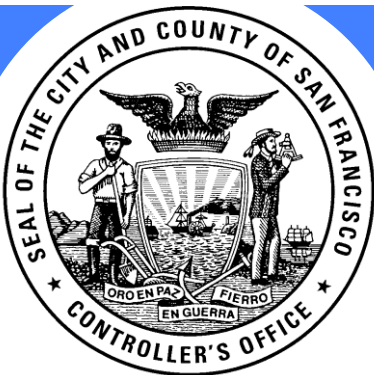- The annual amount is over $320,000,000.

Trainings over the last 18 months

- SOGI reporting – requirement to provide data as part of demographic reporting

- Minimum Compensation Ordinance - initial information from OLSE on the MCO requirements

- First Source Hiring – reminder from OEWD on First Source Hiring requirements for non-profits.

Current actions

- In October, we obtained approval from the DHS and DAAS commissions to provide CODB adjustments to our grants. With the exception of OECE, letters have gone out on the other grants.

- Over the next month, we will similarly review and approve MCO increases. We received the initial calculations from the Controller's Office and will review what needs to be in place.   Similar to CODB, we will obtain Commission approvals.

Department of Homelessness and Supportive Housing (HSH)

Contract & Budget Updates

Fall 2019

Equity Analysis

🔑 HSH goals are to :
1. Ensure alignment of programmatic resources to achieve greater efficiency, equity, and impact; and
2. Enable HSH to make data-driven decisions about resources.

The results will provide HSH with a framework and holistic approach when making funding decisions.

Therefore, HSH will be holding all unapproved budget modifications and any new requests until the work concludes.

Cost of Doing Business (CODB) & Minimum Compensation Ordinance (MCO)

- Please follow up with your assigned Contract Manager to allocate CODB these funds.
  - Programs that have not yet allocated their .5% funds will see a "CODB placeholder" in CARBON as a reminder to submit the allocation to HSH.

- The Controller is planning to release MCO allocations on November 5.

Budget Revisions & Invoice Submissions

- As a reminder, the next deadline for budget revisions is December 31, 2019.
  - Please visit the Provider Updates section of the HSH website to review the policy and procedure.

- Please make sure to submit timely invoices, on a monthly basis.
  - Contract Managers are reaching out to providers with overdue invoices.

http://hsh.sfgov.org

Expiring Procurements & Agreements

- Most agreements with expiring procurement authorities will be renewed using the Emergency Ordinance until a new procurement is released.
  - New procurements will begin in 2021, with the exception of ESG funded programs, which will be procured fall/winter 2019.

- HSH's goal is to continue executing amended agreements before expiration.
  - To ensure we continue to meet this goal, we ask that providers promptly respond to Contract and Program Manager requests.

HUD Continuum of Care (CoC) Funded Agreements

- We ask that CoC funded providers submit all final invoices and proper supporting documentation no later than 30 days after the end of the project period.

- Timely submittal of invoices and necessary documentation ensure that we are able to draw down and leverage HUD funding.
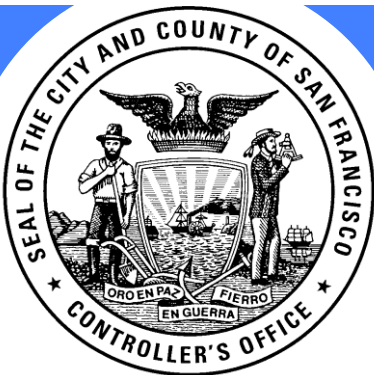
HSH Nonprofit Conference

- HSH is holding a nonprofit conference on December 9, 2019.
  - More details to follow soon!
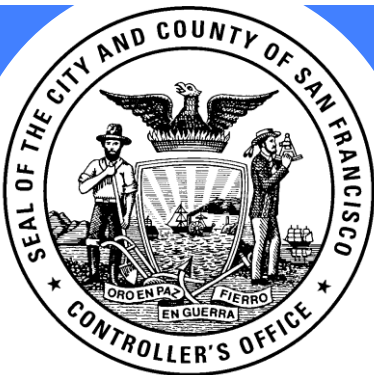
Questions and Answers

Have a question?

Ask at the microphone or use an index card.

If we can't answer the question today, we'll provide a response following the meeting.

Thank you!

You can email Francisco.Alvarado@sfgov.org with questions.

Please take the survey we will send later this week!