



OFFICE OF THE CONTROLLER

CITY AND COUNTY OF SAN FRANCISCO

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Policy [August 6, 2020 Update]:

Continuity of Payment for Nonprofit Suppliers in the Event of COVID-19 Related Disruptions

General Policy

Nonprofit suppliers deliver essential services to San Francisco residents on behalf of and funded by the City and County of San Francisco. Disruptions related to the COVID-19 public health emergency have resulted in cash flow impacts, as the City typically only pays for actual services rendered. The public health emergency continues to pose logistical challenges to service delivery and impacts to contracted deliverables. This policy extends the prior guidance regarding the allowability of City payments to nonprofit suppliers unable to deliver services due to COVID-19 disruptions through September 30, 2020.

Closure of Non-Essential Services

It is the City's intent to support the sustainability of nonprofit suppliers by continuing to provide full or partial payment in the event of programmatic closures that are in accordance with recommendations from the San Francisco County Health Officer. City departments funding nonprofit suppliers delivering non-essential services may continue to pay for services through September 30, 2020. This includes programs that closed entirely, that the department still plans to fund, and those being delivered remotely, according to the following procedures and guidance.

After September 30, 2020, departments may request extensions of this policy for specific contracts funded for the year but continuing to experience COVID-19 related disruptions that limit service delivery. Extension requests are contingent on department funding priorities and should be submitted by departments to the Controller's Office and the Mayor's Budget Office for approval.

Continued Operation of Essential Services

Departments have designated certain services performed by nonprofit suppliers as essential to the life, health and safety of residents. It is the City's expectation that these services continue either in person or remotely depending on the service. Continuity of payment for essential services is contingent upon ongoing service delivery. In some cases, continuing such services while accommodating social distancing requirements may incur new costs (such as IT expenses associated with remote work). If approved by departments, these costs may be funded directly or via enhanced budget flexibility (see below).

Re-Designation of Services and/or Workers from Non-Essential to Essential

The City may change its determination of which services are deemed essential services based on the needs of the public health emergency and the City's response plans. It is the City's expectation that suppliers deliver essential contracted services when requested, and failure to do so will result in the City discontinuing payment.

Location-Specific Closure

If a specific instance of COVID-19 is found at an essential program site remaining open during the Shelter in Place order, that location may need to temporarily close. City departments funding the program

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should continue to pay for services during this temporary closure according to “Procedures for Continuity of Payment for Closed or Reduced Services” specified below.

Service Level Impacts

Many essential service providers with fee-for-service contracts may remain open during the Shelter in Place order but will likely experience lower-than-expected service levels due to social distancing requirements. As this may lead to reductions in the funding that providers typically receive based on the fee-for-service model, nonprofit suppliers are encouraged to work with their funding departments to adjust service levels to reflect the reality possible given the public health emergency. These contracts are typically with the Department of Public Health (DPH).

Budget Flexibility

As the City and its nonprofit contractors adjust operations to respond to the public health emergency, City departments should allow nonprofit suppliers the flexibility to adjust contract budgets to accommodate new needs and adaptations to service models. This includes funding new items not previously budgeted (e.g., IT expenditures related to remote work) or temporarily increasing funding to existing items (e.g., salaries) within the current approved contract budget. Departments should develop minimally burdensome procedures for review and approval of such budget adjustments, including allowing an extended timeline for submissions when needed.

Nonprofit suppliers may have received Paycheck Protection Program (PPP) funding from the federal government. These funds must meet certain requirements to be eligible for loan forgiveness (refer to Congressional guidelines) and may be used to cover certain costs included on City contracts, such as payroll for key staff that may also be paid through one or more department contracts. Nonprofits must not invoice the City for any costs paid using PPP funds. Departments may approve contract budget revisions to allow suppliers to invoice for approved costs not funded by PPP.

In some circumstances, suppliers receiving grants under the PPP will reduce their draw on City contracts. The City will consider FY19-20 carryforward requests resulting from these and other shifts in spending on a case-by-case basis, at department discretion.

Procedures for Continuity of Payment for Closed or Reduced Services

- A. Suppliers should notify and work with all funding departments in the event of a closure or impacted program, including whether a closure is location-specific or due to the City’s Shelter in Place order, and/or why the service level may be impacted. If the closure is location-specific, suppliers should indicate the specific rationale for the closure and need for continued payment. The rationale should be reasonable and associated with City policy guidance.
- B. Suppliers should identify and thoroughly document all expenditures associated with the closed program(s) as required and requested by their funding City departments. Documentation (i.e., payroll records, receipts) must be retained to justify expenses, and to support claiming for City funding:
 - o Fixed and regular costs (such as rent, utilities, salaries): these costs will continue to be incurred and should be paid normally.
 - o Hourly employees (including those that would not otherwise be paid when a program is not operating) should be paid the anticipated wage during the closure.
 - o If there are any expenses that will not be incurred due to the programs closure (e.g., avoided food or travel costs for canceled programs), these should be identified and

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- excluded from invoicing. If these costs have been incurred prior to the closure, they should be paid by the contracting department.
- While these expenditures may be billed using a regular monthly invoice template, the expenses related to a closure must be able to be isolated and available upon request to allow the City to seek reimbursement for these specific costs.
- C. Suppliers with Cost Reimbursement contracts should invoice for the month, but should be flexible and responsive to department requests for additional documentation about expenditures during closure, which may include documentation of specific services that were expected but unable to be delivered, and costs associated with those services.
- D. Suppliers with Fee-for-Service contracts (i.e., primarily DPH suppliers with contracts with services billed based on units actually provided) should invoice for the month by calculating the number of units of service that is equal to the actual cost for that month, and should be prepared to offer documentation of specific services that were expected but unable to be delivered. For Medi-Cal covered services, DPH will ensure that the cost report settlement process appropriately accounts for the actual cost of services between July 1 and September 30, 2020. Regardless, DPH expects all units of service to continue to be entered into AVATAR unless notified separately by DPH.
- E. If departments continue payment to cover supplier costs for programs that are closed, suspended, or with reduced service levels, departments should ensure federal or state grants are not used to pay for canceled services. If a contract receives federal, state or other grant funding that will not cover the cost of the closure, departments should work with the Controller's Office to ensure General Fund sources are available to pay these costs as feasible and appropriate, and, if not, to determine whether to request additional appropriations to support them. While it is the City's intent to support the sustainability of essential services by backfilling federal and state grants with General Fund, this may not be feasible or appropriate for all contracts, and departments may exercise discretion in determining how to fund services.

Questions and Current Guidance

1. What services are essential and should continue operating during the Shelter in Place order?

City departments will determine which programs and services are essential during the public health emergency, and designations may change as the City adjusts its response. Some essential and non-essential services may also be delivered remotely if possible. Non-essential services that cannot be delivered remotely may need to close or adjust operations. Closures may occur at the program level, meaning some suppliers may need to close some programs but continue other essential services. Specific guidance will be issued by each department to its suppliers, and department staff may follow up directly with nonprofit suppliers to clarify expectations. Please note, departments will continue to reach out to suppliers who may have extra staffing capacity due to the limitations of service provision under the COVID-19 public health emergency, to support the City's emergency response efforts.

Essential programs that remain open should adjust operations to accommodate social distancing protocols per the order. Depending on the program, this may include limiting the number of staff and/or clients on site, closing non-essential components of programs that cannot be operated remotely, and/or requesting staff telework or otherwise use virtual tools to support continued operations.

Closed programs should follow procedures regarding “minimum basic operations” per the Shelter in Place order.

- 2. Will the City reimburse the cost of event-specific cleaning of program sites in the event of an actual case of COVID-19? If so, what is the process? Will the City fund the cost of cleaning and other emergency preventative expenses that would not be typically incurred?**

Should a provider of an essential service believe that an employee or client at a program site has been diagnosed with COVID-19, they should contact all funding departments to notify them of the need for closure and cleaning. The City will work with the provider on cleaning and other protocols during the closure and will reimburse the provider for costs incurred provided it is consistent with public health advice.

The City may issue separate policy guidance on this issue more broadly, and if that occurs, this guidance will be updated. The City is currently exploring how to deliver augmented cleaning services and other supplies at service sites with large vulnerable populations, with funding which would be separate from current funding to nonprofit suppliers.

However, while other City-funded programs may also request such services, some essential supplies may be limited and should be prioritized for specific vulnerable populations in congregate settings. The Department of Public Health has issued guidance regarding appropriate routine cleaning practices for non-healthcare settings, available here: <https://www.sfdph.org/dph/alerts/files/COVID19-Cleaning-Environmental-Businesses-Agencies-24Feb2020.pdf>. If a nonprofit serves vulnerable populations in congregate settings and believes augmented cleaning services and supplies are necessary, these requests will be considered on a case-by-case basis. Contact your funding department to request this support. Departments receiving such requests should contact their COVID Command Center (CCC) representative to identify the need.

- 3. Some essential service providers may remain open but experience lower-than-expected service levels, e.g., if a provider typically receives referrals from a school site that has closed while the provider remains open. If these services are funded via a fee-for-service contract, will the City fund the full cost of these services when actual units of service decrease below a sustainable level?**

Nonprofit providers of essential services should continue delivering services and documenting them as required by departments. Most fee-for-service contracts are within DPH. If a DPH nonprofit provider is seeing lower-than-expected units of service related to COVID-19, please contact your DPH Contract Development and Technical Assistance (CDTA) program manager to report your concerns, and/or to request a contract negotiation meeting to discuss a proposed change in service levels to reflect what is possible. If increased support is necessary as it relates to the COVID-19 response, suppliers will be instructed to follow Procedure D above to receive funding in light of decreased service levels. The City’s general policy goal is to support service providers experiencing disruptions due to the declared public health emergency.

- 4. Will nonprofit service providers be required to attend department-mandated meetings in person?**

To comply with the Shelter in Place order, City departments should cancel or postpone any non-essential meetings, and should ensure essential meetings can be held by conference call or online, as feasible.

5. What is the new budget timeline and how will it impact FY20-21 contracts?

The City has delayed its budget process given the public health emergency. The Mayor's Office has issued revised budget instructions to departments, and an interim budget will be established for July 1, 2020 through September 30, 2020. The Mayor and Board of Supervisors will adopt a balanced FY20-21 budget by September 30, 2020.

To smooth the transition during the interim budget period, the Controller's Office has issued a separate policy authorizing departments to extend expiring FY19-20 contracts for three to six months using an expedited approval process. Departments may also choose to extend such contracts for a full year or to add new scope to contracts, but these amendments must go through standard approval workflows.

6. What monitoring or auditing will be required by the City?

Fiscal, compliance and programmatic monitoring activities, such as site visits or self-assessments, will be suspended for FY20-21 for suppliers in good standing prior to FY19-20. Departments may continue certain off-site monitoring activities such as performance review meetings or invoice validation, at their discretion. Special circumstances, including a supplier on Elevated Concern or Red Flag status or funding source mandates may require departments to conduct site visits, desk reviews or other monitoring activities with specific suppliers. The need for such monitorings will be assessed case by case.

Many departments require financial reviews, financial audits, or single audits based on funding thresholds or other criteria. Departments may continue to require such audits or financial reviews of suppliers, including submission of these documents to the City. Departments may allow extensions to normal timelines for such submissions (typically expected within six months of the close of the supplier's fiscal year).

Updates and Attachments

This policy will continue to be amended as the situation progresses with amended advice on these questions and additional advice on other topics related to City payments to and contracting with nonprofit service providers should they become necessary.

- View the full text of the April 29, 2020 Shelter in Place order here: <https://www.sfdph.org/dph/alerts/files/HealthOfficerOrder-C19-07c-ShelterInPlace-04292020.pdf>
- View "FAQs" about the Shelter in Place order here: <https://sf.gov/stay-home-except-essential-needs>
- Stay informed about current Department of Public Health community guidance here: <https://www.sfdph.org/dph/alerts/coronavirus.asp>
- Stay informed about current Department of Emergency Management guidance here: <https://www.sf72.org/>
- Stay informed about current Department of Human Resources guidance to City employees here: <https://sfdhr.org/covid-19>

Questions?

Nonprofit suppliers should contact their assigned representative (e.g., contract analyst and program manager) at funding departments with questions about this policy or other issues or concerns related to contracts and grants.

As necessary, City departments should send questions about continuity of payment not addressed by this policy to the Controller's Office. Please send questions via a contracts or budget lead to Marnie Purciel-Hill at marnie.purciel-hill@sfgov.org. Questions may be compiled for a consolidated City response, and the policy may be updated and republished accordingly.