

CURRENT ISSUES REPORT
San Francisco Human Services Network
June 7, 2016

Mayor's Working Group on Nonprofit Sustainability and Accountability

Last year, Mayor Lee announced to HSN that he would convene a Working Group to address many of our sector's concerns around sustainable funding and cost-of-doing-business increases, unfunded mandates, challenges in the current economy with office space displacement and staff recruitment and retention, and contracting. After some delays due to budgets, elections and other events, that group will finally convene this fall.

Mayor's Budget Director Kate Howard (who is currently out of the office on maternity leave) recently sent an invitation to a select group of nonprofit leaders and department heads, which read in part:

I wanted to reach out to invite you to participate in the forthcoming collaborative process between the City and our non-profit partners in service delivery, to address concerns around the sustainability and accountability of non-profit health and human service city contractors.

Through this process, we seek to identify long-term strategies to address some of the most pressing issues facing non-profit City contractors including rising cost pressures, staff retention and fiscal stability. This is also an opportunity to review best practices in contracting and evaluation, and move toward a more uniform application of standards across City contracts.

The process will convene when Kate returns in the fall, but the Controller's Office will prepare by conducting data collection and research over the summer. While they will not be able to address every issue, the goal is to present a series of recommendations by early 2017.

HSN will continue to meet with Melissa Whitehouse and Ben Rosenfield over the coming months, and will report to our members. Working Group participants will confer with other contractor associations and nonprofit coalitions throughout the process.

City Budget

Process: Last week, the Mayor issued his proposed \$9.6 billion for FY16-18. He prioritized three areas: homelessness, violence prevention and police reforms, and quality of life in neighborhoods. The process now moves to the Board of Supervisors Budget Committee (Supervisors Farrell, Tang, Yee, Kim and Wiener):

- June 14-15: Board Budget and Legislative Analyst Harvey Rose will complete his analysis of the Mayor's budget and send his recommendations to the Board.
- June 16-17: The Budget Committee will review all department budgets.
- June 20: The Committee will hold a hearing in the Board Chambers for final public comment on the budget, beginning at 10 am until everybody has spoken. (This is a schedule change. It was originally set for June 13.)
- June 22-23: They will review department budgets again.

- Final deliberations were originally June 22, but the new date is now unclear due to the schedule change. When negotiations are complete, the Budget Committee will convene to announce its "addback" list. I'm usually able to post it by the next day.
- The full Board of Supervisors will vote on the final budget on July 19 and 26.

For updates to information on the City budget and schedule, see the Budget Central page on the HSN website (www.sfhsn.org).

Budget Justice Coalition: HSN is a member of the Budget Justice Coalition (BJC), which is working together to coordinate advocacy for over \$50 million in community budget requests. For the first time ever, the BJC started meeting regularly last fall, strengthening our capacity for early advocacy with the Mayor's Office as well as the Board. As a result, the Mayor's budget already funds many of these community requests. Coalition members have met with most Supervisors. We will hold a rally on the Polk Street steps on June 20 at 9:30 am, before heading upstairs for public comment.

Cost-of-doing-business (CODB): Last year's two-year budget included 2.5% CODB increases in each year (FY15-16 and FY16-17). We've confirmed the increase for this coming year. HSN is not requesting that the City include a CODB in FY17-18 at this time because the Mayor's Working Group (see above) will issue recommendations in time to inform the next two-year budget cycle. However, the Mayor's Budget Office is holding a reserve in that year for unknown impacts related both the nonprofit CODB and labor cost increases for city employees (since most contracts will be open next year).

Finally, the Mayor's Budget Office has responded to HSN concerns that the FY16-17 budget did not include the full 2.5% increase because it used FY14-15 as a base rather than the current year (i.e. they set aside the same dollar amount in both years). The City is allocating an additional \$1.4 million to fund the full 2.5% increase based on general fund contract levels as of December 2015. They have informed departments of this update.

Elections

On the June 7 ballot, we have formally endorsed:

- Prop A: Public Health and Safety Bond
- Prop C: Inclusionary Housing
- Prop E: Paid Sick Leave

The November ballot will be one of the largest ever, with enormous implications for our sector, clients, city budget and our City as a whole. The Presidential race will drive turnout, amid races for State and local offices including six Supervisor races (three of them with no incumbent), and a long list of ballot measures expected. In fact, we're already aware of at least 17 possible local measures – including realtor-sponsored housing proposals, a sales tax for homeless housing and transit, a luxury housing transfer tax for the arts, regulation of short-term rentals (e.g. AirBNB), the Dignity Fund to set aside property tax revenues for seniors and people with disabilities, a parcel tax for community college tuition, a sugar-sweetened beverage tax, voting by 16-17 year-olds in local races, Sunshine Ordinance amendments, and another ethics ballot measure. State measures are also circulating – extending Prop 30's higher income tax rates for the wealthy, legalizing marijuana, death penalty measures and more.

HSN will begin our fall endorsement process at our July Steering Committee meeting, in time to submit paid ballot handbook arguments for priority local measures.

We also believe that our sector has an important role to play in advocating for ballot measures. We have convened a Mobilization Working Group that is preparing for November by discussing ways to increase our participation in the campaign process, through precinct walks and other mechanisms.

Nonprofit Displacement

One of HSN's budget priorities this year was the renewal of the City's Nonprofit Displacement Mitigation Program. Two years ago, the Board allocated \$4.5 million for funding and technical assistance to nonprofits that were facing dramatic rent increases and/or losing their rental space. The Mayor's Office of Housing and Community Development (MOHCD) managed the program through a contract with the Northern California Community Loan Fund. The funding is almost depleted. We requested that the City provide \$1.4 million in each of the next two budget years to continue financial assistance grants, and \$400,000 in FY17-18 to extend the technical assistance program through June 2018.

On May 27, the Mayor's Office announced a \$6 million investment in our sector over two years, some for short-term needs, but also a significant amount to begin moving forward on some of the Nonprofit Displacement Working Group's longer term solutions:

- \$4.25 million for a Nonprofit Space Investment Fund, which will provide financial support to nonprofits to acquire permanent space;
- \$1.5 million for a Nonprofit Space Stabilization Program to address short and medium-term challenges by providing grants for one-time costs related to space transitions, including helping nonprofits build skills related to shared space planning and evaluation; and
- \$295,000 for a Nonprofit Accelerator Program for nonprofits seeking to increase effectiveness or improve financial health through partnership (e.g. co-location, administrative service partnerships and joint programming).

The Northern California Community Loan Fund, which provides technical assistance under the current program, is also studying space acquisition models and opportunities under a new contract with the Mayor's Office of Housing and Community Development. The Mayor's Office of Economic and Workforce Development has hired Lex Leifhart as the Nonprofit Business Development Manager, a role that includes responsibility for other longer-term Working Group recommendations.

Supervisor Jane Kim has been the leader on this issue since HSN raised concerns with her office in 2013. She is exploring new legislation that would dis-incentivize displacement of nonprofits, legacy businesses and PDR space in certain neighborhoods (SOMA, Mission, maybe others). The idea is to require replacement space in the same neighborhood when development or changes of use displace the arts, community organizations and small local businesses. The projects would require Conditional Use approvals that would take into account the suitability and affordability of the replacement space, along with relocation assistance.

Voters approved a ballot measure last year that defines "legacy businesses" in operation for at least 30 years that contribute to a neighborhood or community's history or identity, and have a commitment to maintain the traditions that define the business. This program includes nonprofits. The process includes nomination by a Supervisor, an application and a hearing. (See <http://sfosb.org/legacy-business-registry>.) Once approved, legacy businesses may be eligible for assistance from the City's Legacy Business Preservation Fund for rental assistance and other needs and services.

Wage and Benefit Mandates

Parental Leave: HSN has an additional City budget request this year. We are asking the City to assist nonprofit city contractors in complying with the new paid family leave legislation. This new law requires employers to supplement the state's six weeks of paid leave at 55% of salary with the remaining 45%.

While we believe that paid parental leave is good for San Francisco families, including our employees and people we serve, HSN is concerned with the collective impact of unfunded mandates on nonprofit employers. Unlike business, nonprofits cannot raise our prices to comply with these mandates. If the City doesn't provide additional funding, the only way to absorb the added costs is to cut programs and services. This challenge worsens over time with each new mandate.

HSN is asking the City to adopt a new principle to address the impact of unfunded mandates on nonprofit services and infrastructure. It is time to acknowledge the hardship these laws impose and the hollowing-out effect on organizations and services on which the City relies via contracts and grants. If the City contracts to provide a service, and then passes laws that increase the cost of providing that service, the City should establish a mechanism to provide funding to offset the costs.

The Board of Supervisors recognized the potential impact of parental leave on nonprofit services. Their legislation included language asking the Controller and the Office of Labor Standards Enforcement (OLSE) to estimate compliance costs for nonprofit contractors by June 1, 2016, and to recommend policy or budget options that would enable the City to subsidize these costs through the annual budget. The Controller expects to have that analysis this week. While awaiting his more rigorous review, our rough estimate indicated a potential cost of \$1.6 million per year.

Precedent exists for the City to fund nonprofit contractors' compliance costs. The Mayor's Office has recognized similar concerns by pledging to fund the incremental cost of minimum wage increases over the next few years. The Minimum Compensation Ordinance also addresses this issue by freezing the nonprofit wage rate if the City does not provide funding.

SF Labor Law Workshop: In recent years, nonprofits have seen a barrage of local, state and federal legislation with new mandates on wages, healthcare, paid time off and other requirements. While we believe that most of these laws represent good public policies that help our workers and the people we serve, most also are unfunded mandates that present a challenge to our organizational budgets and ability to provide services. In addition, these laws often overlap and even conflict, making it confusing and difficult to stay in compliance.

While our work with the Mayor's Office and Board focuses on the funding piece, we've also asked the City for help with the compliance part. On September 20, HSN and the S.F. Office of Labor Standards Enforcement will co-host an overview of wage, health and benefit mandates for nonprofits with city contracts. This event will take place from 9:00 to 11:00 am at the Koret Auditorium in the Main Library.

The workshop will focus in particular on the interaction between local, state and federal requirements. We especially recommend this event for your HR staff. We are still finalizing the agenda, but tentatively, the workshop would cover these laws:

- Minimum wage (SF and CA) and Minimum Compensation Ordinance including Paid Time Off requirements (SF)
- SF Health Care Accountability Ordinance, SF Health Care Security Ordinance and the federal Affordable Care Act
- Paid sick leave (SF and CA, including the SF measure on June 7 ballot)
- Parental leave (SF and CA)
- Fair Chance Ordinance, also known as Ban the Box (SF)
- Equal Pay Ordinance (SF)

The workshop will include a brief overview of these laws, along with the opportunity for questions. We're also hoping to reserve a smaller room for an additional hour of technical assistance that will allow nonprofits to ask follow-up questions pertaining to your organization.

Homelessness

Earlier this year, HSN and several contractor associations collaborated to draft a white paper, "*Policy Recommendations for the Mayor's Department of Homelessness: Insights from Community Based Nonprofits Serving Homeless Populations.*" (The paper is available via a link from our home page.) We distributed the paper widely, and presented it to the Board of Supervisors and other policymakers.

Since we submitted our paper, the Mayor's Office has met with service providers twice, and has adopted some of our recommendations. Primarily, they're transferring programs from HSA and DPH. Consistent with our paper, they plan to move only services directly for the homeless vs the general public. We expect the dialogue to continue with Jeff Kositsky, the new Director of the Department on Homelessness and Supportive Housing. The new Department will launch on July 1 with initial funding in the Mayor's budget of \$221 million.

HSN also met recently (March 28) with the Chronicle Editorial Board to discuss homelessness. Since that meeting, reporter Heather Knight has published two articles debunking myths about homelessness.

Ethics and lobbying

Proposition C – Expenditure Lobbyists: Last year, HSN and the Council of Community Housing Organizations took a principled stand opposing Prop C, which requires expenditure lobbyists – including nonprofits – to register with the Ethics Commission. We are deeply concerned that this measure will have a chilling impact on nonprofit advocacy. Despite our efforts, the measure passed. HSN and other nonprofit allies then engaged in advocacy to clarify the measure's impact on nonprofits via the Commission's draft regulations.

Some regulations are very helpful in mitigating the impact on nonprofits, particularly a broad exemption for communications with organizations' members, and the exclusion of staff time as a reportable expenditure. However, the measure will be problematic for organizations that do research and reports that become the basis for advocacy campaigns.

HSN is planning a Prop C workshop for nonprofits with Ethics Director LeeAnn Pelham and the Alliance for Justice, possibly in July.

November 2016 ethics ballot measure: Represent.Us, a national anti-corruption organization, and the S.F. Friends of Ethics have proposed a November ballot measure to regulate lobbyists' gifts and campaign contributions. While it is primarily a good government measure, HSN submitted written comments expressing minor concerns, and Represent.Us has been helpful in working with us to address those issues. We hope the final version will be something we can support. The Ethics Commission will take this up at their next meeting on June 27.

New legislation to regulate behests: Supervisor Peskin has introduced new legislation requiring Commissions to report behested payments. Currently, elected officials must file reports with the State and the local Ethics Commission whenever they solicit contributions of \$5000 or more for charitable or government purposes. This new legislation would extend this requirement to policymakers on over 50 City boards and Commissions.

HSN expressed our concerns to Supervisor Peskin about the impact on nonprofit Executive Directors who serve on City Commissions, and who raise funds for their organizations. The legislation would force nonprofit leaders to choose between public service on Commissions and maintaining donor confidentiality. Supervisor Peskin's office has indicated that they will work with us to include language providing a limited exemption for nonprofits.

Transit

Transit Equity: Three years ago, HSN supported a draft Charter Amendment that would have required MUNI to use new revenue in a way that would ensure "transit equity" to transit-reliant populations like those we employ and serve. That effort went nowhere, but SFMTA planning staff took it seriously. They recently released a plan to measure and monitor transit services to low income, seniors and people with disabilities on a line-by-line basis. Calvin Welch continues to represent HSN on transit issues. He participated in the planning meetings, and testified in support of this plan before the SFMTA Commission. Calvin reports that the plan was wildly praised and quickly passed.

Transit Demand Management: In 2013, HSN worked with a broad nonprofit coalition to defeat a proposal that would have imposed Transit Impact Development Fees on nonprofits for new development or changes of use. The City Planning Department and SFMTA are now moving to a second phase of transit reform that will incentivize public and alternative modes of transit over private vehicles. Again, the proposed program would apply to all nonprofits. It would require a plan and mitigation measures, along with one-time and annual fees. Some types of mitigation measures would be relatively easy (such as providing fewer parking spaces and bike parking), while others could have ongoing costs, such as employer subsidies for transit passes. The program would exempt 100% affordable housing.

HSN has argued that health and human service nonprofits should be exempt because we are community-based by definition. Our clients do not drive to access our services, and our employees either come from the community or take public transit.

HSN and CCHO have met with City staff twice. The program will soon go to the Planning Commission for review, and will eventually go to the Board of Supervisors.