

## **ELEMENTS OF A HEALTHY PARTNERSHIP**

### **Executive Summary**

The San Francisco Human Services Network proposes the following as key characteristics defining a healthy partnership.

#### **A. Involving the nonprofit sector as a necessary and appropriate component of decision-making:**

The City of San Francisco relies on the nonprofit sector as its primary mechanism to maintain a comprehensive array of social and health programs serving disadvantaged San Franciscans. In many service areas, the sector's aggregate budgets and staff sizes rival those of City departments. Yet, despite nonprofit contributions and expertise, community-based organizations have very little voice in funding and policy decisions that impact their ability to provide safety net services.

Goal: To create an effective mechanism for ongoing consultation and collaboration between the government, philanthropic and nonprofit sectors.

#### **B. Organizational capacity and infrastructure:**

Investment in the infrastructure and the capacity of the sector will benefit our economy and society. The growing disparity between nonprofit and City employees doing similar work exacerbates nonprofits' ability to recruit and retain staff. It is indefensible that employees performing the same work and serving the same high-risk clients receive notably different pay levels based on which sectors employs them. High staff turnover and vacancy rates increasingly threaten nonprofits' ability to maintain their current level of service and standard of care, placing disadvantaged city residents in long-term jeopardy.

Goal: To ensure the long-term viability and stability of the nonprofit sector in a supportive City, and to improve staff recruitment and retention at nonprofit human service providers, thus enhancing the continuity and quality of services provided to disadvantaged San Franciscans.

#### **C. Doing business with and in the City:**

While the City relies upon an extensive network of community-based organizations to deliver critical services, it has no unified policy regarding contracting requirements, pay and benefits, or evaluation. Instead, the nonprofit community is confronted with a multitude of different procedures and reporting requirements that vary between city departments as well as divisions within the same department. This failure of policy has very real consequences. Nonprofit costs continue to rise, in part due to the ever-increasing costs of "administrative overhead". This increased effort of data collection and reporting means that less of the City contract can be devoted to actual service delivery. Failure to address this growing burden can and will ultimately create a crisis at the core of this city's safety net.

Goal: To redefine the nature of the business relationship between nonprofit human service contractors and the City whereby nonprofits will have a fundamentally equal role in delivering services to San Franciscans.

## **ELEMENTS OF A HEALTHY PARTNERSHIP**

### **A Discussion Paper**

The New Realities 3 conference provides an opportunity for leaders from the nonprofit, public and philanthropic sectors to examine the underlying issues and the necessary components of a healthy partnership—a relationship that enables all parties to meet San Francisco’s human service needs efficiently and to collaborate effectively. The San Francisco Human Services Network proposes the following as key characteristics defining a healthy partnership.

#### **A. Involving the nonprofit sector as a necessary and appropriate component of decision-making:**

Background: For decades, the City of San Francisco has relied on the nonprofit sector to maintain a comprehensive array of social and health programs serving elder care patients, people with HIV/AIDS, homeless youth, the mentally ill, new immigrants and many more. Increasingly, the sector is becoming the primary mechanism through which the City provides these services. In many service areas, the aggregate budgets and staff sizes of the sector rival the size of City departments. Yet, despite the contributions and expertise of the sector, community-based organizations have very little voice in funding and policy decisions that impact their ability to provide safety net services.

#### **Goal: To create an effective mechanism for ongoing consultation and collaboration between the government, philanthropic and nonprofit sectors.**

1. Develop a mechanism through which the nonprofit provider community plays a meaningful and legally mandated role in the planning and budgetary decision-making processes of the City of San Francisco and the City’s major health and human service departments. This mechanism would increase access and direct engagement between sectors, assess the impact of policy and legislative proposals on nonprofit organizations, develop policy proposals that strengthen nonprofits’ ability to provide services, and serve as a channel for the mutual exchange of views and interests of each sector.
2. Revise the City’s budget process to provide for lengthier review with increased opportunities for public comment. Include nonprofit providers at the outset of the process when setting budget priorities in health and human service departments, including documenting where service cuts will occur if the City does not provide sufficient funding for program, staff and administrative costs.
3. Explore new ways for the public, nonprofit and philanthropic sectors to work together to formulate goals, programs and policies that supplement and complement other efforts. (A recent example is the success of the *Partnership for Affordable Nonprofit Space* (PANS), an association of government, foundation and nonprofit representatives formed to coordinate responses to space issues.)

4. Respect the nonprofit sector's right to autonomy and self-determination, balancing the need to achieve accountability and legitimate civic goals with the need to preserve the diversity, strength and independence of the nonprofit community. Provide nonprofits with direction as to policy, outcome objectives and performance standards, but not as to the means through which results are achieved.

## **B. Organizational capacity and infrastructure:**

Background: Investment in the infrastructure and the capacity of the sector will benefit our economy and society. With rising expenses and stagnant salaries driving employees from the city, nonprofit providers struggle to fill critical staff positions. The growing disparity between nonprofit and City employees doing similar work exacerbates nonprofits' ability to recruit and retain staff. It is indefensible that employees performing the same work and serving the same high-risk clients receive notably different pay levels based on whether they work for the City or for a nonprofit with a City contract. High staff turnover and vacancy rates increasingly threaten nonprofits' ability to maintain their current level of service and standard of care, placing disadvantaged city residents in long-term jeopardy.

**Goal: To ensure the long-term viability and stability of the nonprofit sector in a supportive City, and to improve staff recruitment and retention at nonprofit human service providers, thus enhancing the continuity and quality of services provided to disadvantaged San Franciscans.**

1. Take steps to eradicate the existing salary and benefit disparity between nonprofit employees on City contracts and City civil service employees in similar job classifications. All employees who are paid with City funds to serve disadvantaged San Franciscans should earn wage rates that are not only comparable but that allow them to live in the City and meet basic living expenses.
2. Address the increased costs that occur within organizations due to pressure on employers when some workers receive an increase in pay or benefits. These internal pressures are twofold: (a) to equalize pay and benefits for workers not subject to living wage and health ordinances but doing the same or similar work as covered employees; and (b) to maintain a consistent salary structure by appropriately increasing the pay of higher-level employees.
3. Provide annual cost-of-living-adjustments (COLAs) for nonprofit contractors that at a minimum equal those for City employees performing similar jobs, and annual cost-of-doing-business adjustments (CODBs) that account for the increasing costs of doing business with and in the City. Moreover, COLAs and CODBs should be consistent across-the-board for contractors, regardless of the City Department or program within a Department initiating the contract, and regardless of funding source (including State and Federal funded contracts).

4. Recognize that organizational infrastructure and capacity are legitimate costs, and that government and philanthropic funding for operating expenses and general support are crucial. Establish and appropriately fund mechanisms to strengthen the capacity of nonprofit organizations, including access to capital, training, information technology and networking opportunities.
5. Adopt policies that assist nonprofits in their ability to maintain offices and facilities in San Francisco's high rent environment. Broaden opportunities for City grants and no-interest loans to purchase facilities. Make surplus City property and equipment available to nonprofits at cost or free.
6. Assist nonprofits with human resource recruitment and retention by:
  - a) Providing relevant training for nonprofit staff;
  - b) Posting nonprofit contractor job announcements in the County listings;
  - c) Hosting (funding or organizing) job fairs for nonprofits;
  - d) Investigating whether and how nonprofit contractors could access the City's pension plan; and
  - e) Seeking opportunities to fund and promote volunteerism as a way to augment staff functions in nonprofits.
7. Work in partnership to better leverage available State, Federal and private funds.

### **C. Doing business with and in the City:**

**Background:** While the City relies upon an extensive network of community-based organizations to deliver critical services, it has no unified policy regarding contracting requirements, pay and benefits, or evaluation. Instead, the nonprofit community is confronted with a multitude of different procedures and reporting requirements that vary between city departments as well as divisions within the same department. This failure of policy has very real consequences. Nonprofit costs continue to rise, in part due to the ever-increasing costs of "administrative overhead". This increased effort of data collection and reporting means that less of the City contract can be devoted to actual service delivery. Failure to address this growing burden for the nonprofit community can and will ultimately create a crisis at the core of this city's safety net.

**Goal:** To redefine the nature of the business relationship between nonprofit human service contractors and the City whereby nonprofits will have a fundamentally equal role in delivering services to San Franciscans.

1. San Francisco should create a policy which formally supports "contracting out" critical safety net services to community-based organizations in order to provide the best possible services.
2. When the City decides to contract services out, the City employees' union has the contractual right to meet and confer regarding the decision. The City should develop a mechanism for nonprofits to meet and confer as part of this process.

3. Create a City Contracting Task Force to review and streamline City and departmental procedures for awarding and administering contracts with nonprofit organizations, creating an environment where human service providers maximize resources for client services rather than administration. Task Force composition should include representatives from both key City Departments and the nonprofit community. Proposed changes include developing master contracts, allowing multi-year contracts, improving payment mechanisms, and more. (See attachment A.) To achieve true streamlining, the City should lobby the federal and state governments to cooperate by reducing or eliminating additional reporting requirements.
4. Involve nonprofits in discussing realistic, appropriate and consistent levels of accountability and evaluation by both foundations and government. Foundations might consider a streamlined reporting process that allows grantees to submit uniform reports to multiple funders, including reports that have been submitted in compliance with City contracting requirements.
5. Set compatible performance standards across all City departments, including equitable and uniform performance standards that apply to both City-run and nonprofit programs. Uniform standards are necessary to assure a system of effective services.
6. Explore and seek community consensus regarding the potential benefits of creating a City Nonprofit Liaison and/or a Nonprofit Commission. The Liaison would act as an ombudsman and advocate for nonprofits with all City Departments, provide technical assistance to nonprofit contractors, and regularly gather and report information on the nonprofit community. A Commission (similar to the Small Business Commission) would promote a healthy nonprofit climate in the City by formulating and evaluating goals, objectives, plans, programs and policies for the City regarding nonprofit organizations.
7. Require regular “meet and confer” sessions between contracting departments and representatives of nonprofits to resolve ongoing issues.

## **STREAMLINING THE CITY CONTRACTING PROCESS (Attachment A)**

The following suggestions include specific proposals developed by the Human Services Network's Contract Reform Subcommittee:

- Develop a single "master contract" that allows for multiple funding sources from multiple divisions of a single city department to be certified under the management of a single division. Use standard formats, reporting forms for all invoices, contracts, requests for proposals, budgets and other documents, particularly for funds drawn from the City General Fund. Develop the ability for nonprofits to file reports electronically.
- Allow multi-year contracts to streamline the system and provide greater continuity for nonprofit organizations and staff, and therefore for the clients who receive services.
- Improve payment mechanisms (e.g. letters of credit, electronic fund transfers, etc.). Transfer funds to nonprofit organizations within 30 days from receipt of accurate invoices.
- Adopt a single fiscal year across all departments. Standardize calendars/timelines for submissions by agencies and responses from departments.
- Allow standards of variation in administrative procedures and reporting requirements dependent upon a history and the size of the contract, reducing extraneous paperwork for those established and successful programs with a proven history of positive evaluations.
- Simplify the certification process on pre-existing contracts to include the following:
  1. Begin the certification process prior to the last quarter of the contract period.
  2. Implement uniform and adequate contract funding extensions/advances to ensure uninterrupted payments to contractors when contract certification extends beyond the start of the new contract period.
  3. Certify contract documents based on contract narrative from the previous year and a breakdown of current funding sources and amounts. Negotiate budget details with program managers during the certification process and attach them as an addendum after certification.
- Maintain a citywide single contractor file containing core documents including audits, insurance certificates, nonprofit status letters, articles of incorporation, licenses, cultural competency plans, etc. to reduce redundancy between departments and delays in certification.