

HSN Membership Meeting
March 19, 2004
Meeting Minutes

I. Nonprofit Contracting Reform — *Jonathan Vernick*

- The Board of Supervisors has formally adopted the resolution accepting the recommendations of the City Nonprofit Contracting Task Force.
- HSN and several Task Force representatives met with Sup. Maxwell's aide and a City Attorney to discuss specific implementing legislation for some Task Force recommendations.
- HSN is continuing to monitor the report's implementation and track Citywide contracting issues, particularly unnecessary data collection and streamlining efforts.
- HSN is working with the California Association of Nonprofits (CAN) and other local associations around the state on contracting issues. CAN met with the State Attorney General's Office, which will consider standardizing state financial reporting forms. Contra Costa contractors are using S.F.'s Task Force Report to advocate for streamlining there.

II. Health Care Accountability Ordinance (HCAO) – *Richard Heasley*

- The HCAO requires the Department of Public Health (DPH) to update the health plan minimum standards every two years. In November, DPH staff Ann Kronenberg and Frances Culp presented proposed new standards to the Health Commission. After hearing testimony expressing concerns with different parts of the Ordinance, DPH delayed the review and called together an Ad Hoc working group to discuss the problems. This group, consisting of HSN and nonprofits, labor and small business, met in early March and will meet again today.
- At the first Ad Hoc meeting, DPH presented economic analysis illustrating that small collective health plans are not economically feasible, and historically all fail. For a health plan to succeed it must be large. Therefore, DPH is no longer pursuing the idea of creating a pool to provide insurance to employees without coverage.
- Board members who sponsored the HCAO need to hear feedback from HSN and other groups on the Ordinance's implementation, both the positive aspects and the difficulties.
- The most important issue for HSN members is the requirement of coverage for part-time/relief workers. It is also important to resolve the problematic health plan standards (co-pay amounts, etc). Current suggestions include developing two tiers of standards, based on size of organization or for-profit vs. non-profit. HSN instead advocates that minimum standards be more flexible, allowing tradeoffs and collective bargaining.
- One of the HCAO's greatest failings is the inability to offer any product (e.g. insurance card) for those working 15-19 hours/week, for whom employers pay \$1.50/hour to SFGH. These individuals have no proof of payment or card to present when they go to SFGH for care. There is also no way to track where the funds go, or who receives services with these funds.
- The Ordinance interferes with collective bargaining agreements. Greater flexibility is needed to provide health insurance to employees, especially as the cost of insurance continues to increase. One nonprofit is facing insurance premium increases of 39% for next year.

III. Mayor's Task Force on Homelessness – *Debbi Lerman and Fr. John Hardin*

- Angela Alioto is leading Mayor Newsom's Task Force on Homelessness, which is charged with developing a 10-year plan by June. The City must develop a plan to be eligible for additional federal funding for homeless programs.

- Initially no service providers were appointed to the Task Force. However, several were added including Fr. John Hardin (St. Anthony Foundation), Brian Cahill (Catholic Charities), Steve Fields (Progress Foundation), Leon Winston (Swords to Plowshares), Lauren Hall (Corporation for Supportive Housing) and Chris Cunnie (Walden House). Reg Smith (a former aide to Alioto when she served on the Board of Supervisors) will coordinate the work.
- The Task Force is meeting every Friday from 3 pm – 5 pm at City Hall, Room 201. The meetings are open to the public.
- The Task Force is not going to use the Continuum of Care as a base for its plan. There are no detailed federal guidelines on the elements required for a successful 10-year plan.
- HSN’s Subcommittee on Homelessness should reconvene and develop HSN’s positions and responses to Task Force positions. HSN should also offer to make a formal presentation to the Task Force, or at least issue a policy statement.

IV. HSN Member Dues – *Merrill Buice*

- Many thanks to the 56 organizations who have paid almost \$32,000 in dues, particularly several Steering Committee members who doubled their dues.
- If you have not yet paid, we urge you to do so as soon as possible, as it helps us plan our budget and activities for the year. Dues payments will affect our decisions about hiring summer interns. Please do not hesitate to let us know if you need to adjust your dues. As always, your active participation in HSN is the most important contribution. If you have questions, contact Merrill Buice at HSN at 668-0444, ext. 1, or merrillbuice@sfhsn.org.

V. City Budget Discussion

A. Standardizing Contract Indirect Rates – *Richard Heasley*

- DPH has proposed to cut \$1.5 million from its budget by standardizing contractor indirect rates. No rate is set in the proposal. The Health Commission discussed this proposal at their hearing on March 16. HSN and several other nonprofits testified on the subject.
- The Mayor’s Office is initiating this effort to develop a systematic approach to developing indirect rates and considering placing a cap on them. Dr. Katz stated that this process would apply to all health and human service contracts within DPH, DHS, Aging and DCYF.
- DPH has said that there could be one rate (current rates range between 9% to 15%), but Dr. Katz recognizes that different rates might be appropriate for different size organizations.
- Dr. Katz stated that the City will seek contractor input on this issue. HSN is developing a response, and has scheduled a meeting with Ben Rosenfield, the Mayor’s Budget Director.
- According to one DPH staff person, DPH established the \$1.5 million cut amount before establishing any indirect rate cap or change.
- The Nonprofit Contracting Task Force Report does not directly address the indirect rate issue, but does recommend that Departments should have funds allocated to cover contractor cost-of-doing-business (CODB) increases.
- Departments routinely include increased costs for workers comp in their budgets, but do not allow the same methodology for contractors.
- We do not know whether the indirect rate would apply to the University of California’s huge and numerous contracts with the City.
- HSN members are not objecting to the size of the proposed cut, but rather the process. We believe that DPH does not want to recognize that cuts to indirect rates will affect services.

There will be unintended negative consequences for smaller organizations, and it may force some programs to merge.

- Members questioned how nonprofits with federally recognized and approved indirect rates would be treated by the City in this process.
- DPH's 15% contingency cut of \$37.1 million will have much more dramatic cuts, which will make the \$1.5 million in indirect costs seem insignificant.
- Several Health Commissioners expressed concerns about the indirect rate cut. They recognized that it would affect services, that no COLAs or CODBs have been granted in years, and that no “fat” exists in nonprofit contracts. Commission President Ed Chow encouraged nonprofits to speak up at the next Health Commission meeting.
- One member suggested that DPH keep the amount of the cut to meet the Mayor’s budget requirement, but describe it only as cuts to contracts. Then DPH could determine an equitable “across the board” contract cut, and allow each nonprofit to determine where best to cut. This would alleviate the problem of changing all the indirect rates and renegotiating contracts.
- A quick vote of HSN members revealed that no one thought standardizing the indirect rates or establishing a cap is a good idea (the cap would probably not be higher than 10%). A three-tiered standard is less objectionable.
- HSN’s Steering Committee will discuss this and develop a position before meeting with Ben Rosenfield, the Mayor’s Budget Director. Several members suggested that we find out what UC and DPH use as indirect rates.

B. City Budget Update & Discussion – *Debbi Lerman*

- The City deficit is over \$300 million, and after baseline budget cuts, still \$250 million.
- DPH’s baseline cuts have other controversial proposals including: co-pays of \$5 for generic and \$10 for brand prescriptions for individuals over 100% of the federal poverty line (several Health Commissioners objected and proposed \$1 and \$3); and increasing methadone treatment (in preparation for reducing inpatient beds in the upcoming contingency cuts).
- HSN needs to collect information on cuts to specific nonprofits. Please notify Debbi Lerman at debbilerman@sfhsn.org when your agency is facing a proposed cut. Please let her know the size of the cut, program description and effects of the cuts on clients and staff. If possible, send a paragraph description of the cut, to be compiled for advocacy purposes.
- The Health Commission wants to hear testimony from clients rather than just nonprofit staff.
- State budget: The bond passage has decreased the immediate crisis, but the State still has a \$17 billion deficit, of which \$15 billion is structural (ongoing expenses exceeding revenue). The Governor has proposed cutting \$7.3 billion, of which the largest cuts are in health and human services. IHHS and CalWORKs are hardest hit. The Governor has proposed limiting enrollment in Healthy Families, ADAP, and several programs serving legal immigrants and disabled children and adults. The Legislative Analyst called these proposals flawed because they will increase costs in the long run. HHS Secretary, Kim Belshe, is proposing the State seek a Medicaid waiver from the fed's, which is not good for the long-term funding of Medi-Cal if the program is shifted from a 50-50 matching program to a block grant.
- The State is also deferring repaying counties some vehicle license fee funds until 06-07 and shifting property tax from counties to schools (which affects Redevelopment Agencies and affordable housing developers). The State’s revenue forecast has dropped 2% for 03-04.

VI. Revenue Advisory Panel – *Jaynry Mak, Legislative Aid to Supervisor Fiona Ma*

- Mayor Brown convened the Panel and Supervisor Ma is serving as Chair. The Panel will make decisions on their top three revenue measures during the final two meetings.
- HSN has been very well represented in these meetings.
- Supervisor Ma wants the Panel to reach agreement and recommend three measures to the Board of Supervisors. All the potential measures require voter approval to be implemented. There is a fairly tight timeline to place measures on the November ballot. The Board needs to address the proposals in the beginning of April to get the City Attorney to write the language.
- None of the proposals provide immediate solutions for this year's budget deficit.
- Two popular measures are a local Vehicle License Fee (VLF) and some form of Prop L (the failed property transfer tax). Assemblyman Mark Leno made a presentation to the group about his legislation that would allow counties to institute their own VLF. Supervisor Peskin has introduced a resolution supporting Leno's legislation, which is a progressive tax.
- The Panel is considering changes to the business tax structure. One option would decrease the payroll tax and offset it with a small gross receipts tax with a sunset clause, to gather data on the amount of revenue generated by a gross receipts tax. Once this data was available, a longer-term tax structure could be developed that meets the business community's desire to decrease the payroll tax (which penalizes biotech and other companies that do not have revenue for several years) with the City's need for a guaranteed source of revenue.
- A proposed residential users utility tax is not highly favored by the Panel because the costs would impact lower-income persons. A parcel tax also is not popular.
- The business community had hoped that the Panel's recommendations would be revenue neutral. HSN participants have illustrated that the current revenue structure is not sufficient to address the City's structural budget issues. HSN members are proposing that the revenue measures generate an additional \$80 - \$100 million/year.
- Another issue for consideration is whether the revenue should be targeted or just placed in the General Fund. Targeted measures may be more popular with voters but require 2/3 of the votes to pass, while General Fund measures only need 50% +1.
- HSN members thanked Jaynry and Supervisor Ma for all their hard work on the Panel and for including the nonprofit sector in the deliberations.

VII. HSN Labor Update – *Bruce Fisher*

- Labor union leaders were invited to discuss the City budget with HSN at today's member meeting, but postponed the dialogue. Since the unions do not have a unified position on the budget and their MOU negotiations are not concluded, they felt this was not the best time for the discussion. HSN was disappointed that the unions chose not to participate in today's meeting, but hope we will have a union panel later in the spring. The unions would like to discuss revenue proposals with HSN members and build support for the November elections.

VIII. Next Meeting and Adjournment

- HSN's next membership meeting will be held on **Friday, April 16 from 9:30 a.m. – 11:30 a.m. Please note we may move the location of this meeting if Supervisor Alioto-Pier is available to meet with us.**
- The meeting adjourned at 11:20 a.m.

ATTENDEES AT HSN GENERAL MEMBERSHIP MEETING ON MARCH 19, 2004

Margy Baran, IHHS Consortium
Kavoos Bassiri, Richmond Area Multi-Services
Ruth Ann Binder, Rebuilding Together
Kathy Black, La Casa de las Madres
Helynna Brooke, SF Mental Health Education Funds
Nancy Brundy, Institute of Aging
Merrill Buice, HSN
Alex Lawrence, Catholic Charities/CYO
Dodie Chaney Fernandez, Bayview Hunters Point Foundation
Meghan Connolly, Lighthouse for the Blind
Gia Daniller, Jewish Community Relations Council
Bruce Fisher, Huckleberry Youth Programs
John Hardin, St. Anthony Foundation
Wayne Hayes, Center for Human Development
Richard Heasley, Conard House
Jim Illig, Project Open Hand
Darryl Inaba, Haight Ashbury Free Clinics
Jackie Jenks, Central City Hospitality House
Erica Kisch, Compass Community Services
Jeff Kositsky, Community Housing Partnership
Debbi Lerman, HSN
Belinda Lyons, Mental Health Association of SF
Amihan Makayan, Planning for Elders
Ginger Martin, Haight Ashbury Free Clinics
Quintin Mecke, Mental Health Association of SF
Eve Meyer, S.F. Suicide Prevention
Joe Neisen, New Leaf Services
Karen Patterson Matthew, Bayview Hunters Point Foundation
Lucy Runkel, Jewish Vocational Services
Kim Shine, Bayview Hunters Point Foundation
Michele Tolle, Progress Foundation
Beverly Upton, SF Domestic Violence Consortium
Jonathan Vernick, Baker Places
Calvin Welch, Council of Community Housing Organizations
Kelly Wilkinsen, Episcopal Community Services