

**HSN Membership Meeting
May 21, 2004
Meeting Minutes**

I. Budget Update – *Debbi Lerman*

Nonprofit Cuts:

- Most nonprofits have been spared significant cuts in the proposed Department budgets. However, some nonprofit services and City provided services are cut. There will be conflicts over the proposed cuts to DPH mental health clinic services and the merging of several DPH programs.
- Revenue proposals: The Mayor will present his proposals on June 1st along with his budget. Currently the budget is only \$20 million out of balance.
- Union contract negotiations are still underway. Eighty-eight percent of SEIU members voted not to give back the 7 ½% pension contribution. SEIU and the Mayor's Office are in the midst of three days of mandatory arbitration.
- HSN has asked members to report information on cuts to their programs to debbilerman@sfhsn.org. Members at the meeting shared the following information:
 - ❖ Edgewood Center: \$1.5 million state funding cuts for children's mental health services, foster care and grandparents services.
 - ❖ International Institute of S.F.: 6% of their Office of Aging funds cut and cuts from the Private Industry Council.
 - ❖ Episcopal Community Services: Several million dollars in state housing funds cut throughout the City, of which ECS has a \$300,000 cut for their Barcus site.
 - ❖ New Leaf: \$50,000 cut in Ryan White CARE funds for substance abuse services.
 - ❖ AIDS Legal Referral Panel: \$265,000 cut in CARE funds (from the total budget of \$600,000)
 - ❖ Huckleberry Youth Program: State cuts of \$100,000 for the Community Assessment & Referral program. Across San Francisco, there will be \$3 million in State TANF cuts for juvenile delinquency prevention. Huckleberry Shelter may close as a result.
 - ❖ SF Community Clinic Consortium: Both Native American Health Center and Mission Neighborhood Health Center have CARE funds cut for HIV/AIDS services.
 - ❖ Instituto Familiar de la Raza: TANF cuts and \$80,000 cut for HIV services for undocumented Latinos.
 - ❖ Larkin Street Youth Services: Cuts in PIC, emergency services funds and case management.

Contracting Out:

- The preservation of nonprofit, community-based services and the cuts in City provided services have led to some tension between nonprofits and the City unions. The nonprofit community and the unions will need to work together this Fall to support the revenue measures on the ballot. However, two issues between labor unions and nonprofits arose in the past week.
- First, unions sought to delay the approval of \$160 million in DHS contracts at the Civil Service Commission. The dispute was between the unions and DHS over DHS' failure for the past 8 years to provide the unions with required notice of contracting out. The unions stated that they only wanted to review new contracts, not existing contracts. Nor did they intend to fight the nonprofit community. The union requested a two-week delay to review the

contracts. The Civil Service Commission approved all the contracts for six-months to ensure no service disruptions.

- The second labor/nonprofit issue arose when Supervisor Maxwell sponsored an Ordinance regarding Board review of all Prop J contracts. (Prop J applies to contracts for services that were previously provided by the City. Such services that are blended with state or federal funds are not considered Prop J.) There are very few Prop J contracts for health and human services; most are for services such as janitors, security and laundry workers. HSN was concerned that the language of the Ordinance expressed bias against contracting out (in response to the proposed layoff of up to 1,700 City employees). Sup. Maxwell agreed to add language to also examine the benefits of contracting out. At the hearing before the Board's Finance Committee, a representative of Local 790 suggested that the Ordinance include all City contracts. However, a Local 535 rep. disagreed with this comment, based on the fact that they also have unionized nonprofit employees, and do not want to see all contracts delayed. Supervisors Daly and Maxwell confirmed that they have no desire to extend this process to nonprofit health and human service contracts.
- Mayor Newsom has expressed an interest in further contracting out, however, he has also expressed interest in contracting with for-profit entities.
- The DPH middle managers slated for layoffs are not members of Local 790. Local 790's primary concern in contract negotiations is retirement benefits.

II. Controller's Study on Effects of Health & Human Service Budget Cuts in FY '03-'04 – *Controller Ed Harrington, Mark Tipton, Kai Mander and Corina Monzon*

- The Controller distributed the final report on the survey on the effects of proposed and actual budget cuts for nonprofit and City health and human service providers, which is being released today. This survey was required by legislation that HSN drafted and the Board of Supervisors passed last summer.
- The report along with a database containing information about individual nonprofits is available on the Controller's website (www.sfgov.org/hhsproviders). The Controller's Office thanked all HSN members who completed the survey and HSN staff for their assistance.
- When the Ordinance requiring this study was drafted, the nonprofit sector expected massive cuts for services in the FY 2003-'04 budget. While the final net cuts totaled \$1.5 million, the survey still provided a great deal of useful information and illustrated the impacts of the cuts. It also illustrated that the threat of cuts caused disruptions. The nonprofits surveyed reported proposed cuts of \$9.4 million and actual cuts (not net) of \$5.5 million.
- The survey is divided into the following sections: I. Summary of FY 2003-'04 budgets by Department; II. City Provided Versus Contracted Direct Services (compares the percentage of services provided directly by each department versus contractors); III. Survey Findings (including information on nonprofits, clients, and effects of changes in funding). The report does not draw conclusions, but rather documents the situation. The Controller believes the report is stronger when his office is not an advocate. He expressed an interest in a future study comparing the difference in average salaries for direct services between nonprofits and City employees.
- The survey found that the City spends \$1.6 billion total on health and human services (from the four Departments: DPH, DHS, DCYF and DAAS), and contracts out \$550 million. These four Departments account for 97% of the City's spending for health and human services.

- The survey was sent to 320 nonprofit organizations that contract with the four City Departments, of which 142 organizations responded, or 44%. Seventy-five percent of HSN members responded.
- Several HSN members noted that the survey did not illustrate some changes or effects of last year's budget. For example, two nonprofits reconfigured their residential treatment programs to receive additional federal funding, but 16 treatment beds were removed from the City. Therefore, the costs associated with the people who cannot receive these services and may require services elsewhere (such as the SFGH emergency room) are not calculated.
- There were some inconsistencies between Department reports of cuts and nonprofit survey responses. The nonprofits reported \$5.5 million in actual cuts which was significantly larger than the \$3.2 million reported by the Departments.
- The Controller reiterated that the survey only presents one snapshot view of the sector. The City Auditor will closely examine DPH programs, including the jail psychiatric program, over the next few years, which will provide a more comprehensive picture of service delivery and funding.
- The survey found that nonprofits receive 56% of their total organizational funding from the City. This figure differs significantly from the SFSU Urban Institute's finding in 2001 that nonprofits received only 41% of their funds directly from the City. It is unknown whether this change results from different agencies responding, drops in funding due to the economy, or other factors.
- Numerous HSN members expressed their gratitude to the Controller and his staff for their efforts to produce this report, and expressed the hope that the data collection would be an ongoing effort to help the City's contracting reform and streamlining efforts. The Controller confirmed that he wants to keep the database updated. The Board of Supervisors will have to decide whether they want to request an annual survey and make any changes in the scope.
- The Controller's Office noted that it was difficult to obtain the necessary information from the City Departments.
- A description of the database and its use was provided. The database is only available in Microsoft Access 2000. For those individuals interested in learning more about using the database, the Controller's Office will conduct drop-in training on Thursday, May 27, and Friday, May 28, from 11 am to 1 pm in Room 481 of City Hall. If you do not have Microsoft Access 2000 and are interested in getting information from the database, please e-mail Kai Mander of the Controller's Audits Division at kai.mander@sfgov.org. Please make your request as specific as possible, and he will try to get you the information you need in another form.
- The Controller is interested in examining how the City manages the contracting process. His office will be examining several different protocols and databases in various departments, selecting the best examples, and then standardizing them across Departments over the next few years (for example: using DPH's contracting database, DCYF's tracking and billing system, and updating the accounting system throughout the City). He hopes to have on-line contracting, billing and invoicing within the next 18 months.

III. HSN Updates / Announcements – *Debbi Lerman*

- **HSN Briefing on the Mayor's Planning Council on Homelessness:** This meeting will be held on Wednesday, May 26 from 10 –11 am at Catholic Charities, 2255 Hayes Street, #H2-13.

- Mental Health Initiative: HSN will vote at our June 18 meeting on whether to endorse this November State ballot initiative. We encourage all members to seek endorsement of this measure from their Board of Directors as soon as possible, especially if it is required for them to vote at HSN's June meeting. The Campaign for the Mental Health Initiative is coordinating an advocacy day on Thursday, May 27 in Sacramento. For more information go to: www.campaignformentalhealth.org.
- SF Housing Bond: HSN will discuss the proposed San Francisco housing bond at our June 18 meeting and seek to take a position on this measure as well.
- The Health Care Accountability Ordinance: Changes to the HCAO are moving forward. HSN is discussing the minimum standards and other provisions with labor representatives and DPH. Draft legislation proposing changes to the original Ordinance has been developed.
- HSN Member Dues: Many thanks to the 80 organizations who have paid more than \$41,000 in dues. Both figures are records for HSN. We are pleased to report that we have 14 new members. It is inspiring that in the worst budget year, so many new members are joining our efforts. If your organization has not yet renewed your membership, we urge you to do so as soon as possible. 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 668-0444, ext. 1, or merrillbuice@sfhsn.org.
- HSN Job Announcement: Merrill is pregnant and leaving HSN this summer. HSN will seek a full time replacement. A job announcement is available at <http://www.huckleberryyouth.org/HSNJobAnnouncement.htm>. We are seeking someone who will speak at community meetings and City Hall, undertake community organizing and policy analysis, and coordinate HSN's member communications and membership renewal/recruitment process. The salary range is \$45,000 - \$50,000/year. We request resumes and cover letters by mail only to: HSN, 3310 Geary Blvd, SF, CA 94118(no-email). Please help us recruit qualified candidates.

IV. Presentation and Discussion of City Budget by Mayor Gavin Newsom

Budget Overview

- The City was facing a \$352 million projected deficit when Mayor Newsom took office in January. Within the City's \$4.6 billion budget, only \$1.16 billion is discretionary. The Governor's May revise budget reduced the state cut by \$41.9 million, reducing the deficit to \$310 million.
- Labor negotiations: Mayor Newsom expressed respect for the high quality of the negotiations and the unions' comprehension of the City's fiscal situation. Thirty-six contracts are up for renewal, of which 23 have been completed (mostly crafts and trades). SEIU and firefighter negotiations are not complete. If all unions agree to a continuation of the 7 ½% "give-back" for their retirement, the City will save \$53 million. SEIU's contract represents \$31 million of the expected savings. He expects all unions to ultimately accept the terms. If the unions do not agree, then service cuts will occur.
- The Mayor stated that he does not want to cut direct, community-based services. These services are necessary. There are some direct service cuts in the budget, and he doesn't like any of them, however, "you have to pick your battles." He is concerned that other advocates will try to restore some of his proposed cuts, forcing cuts to direct services.
- Layoffs of City employees are necessary as a part of structural reform. Without real structural reform, the budget crisis will persist for years. The Mayor is proposing to

consolidate middle managers and back office functions in every Department, as well as consolidate Commission staff. DPH has cut 17% of their administrative costs in order to save services. The Mayor's Office has cut 13 positions and \$1 million from their budget. He has cut his own salary, asking other high-wage earners to follow suit. Cuts in cell phones and City cars are also proposed (the Police Department will save \$600,000 on cell phones). There are 250 little solutions that will comprise his balanced budget. There are some one-time fixes in his budget, such as selling property and transferring other parcels to different Departments. Some property will be sold to the private sector. City debt for the Court, Jail and Moscone Center will be refinanced for savings.

- Increased revenue from a tax increase cannot occur until approved by the voters in November, and then the revenue will trickle in slowly. The budget will be balanced, as required by Charter. His budget will contain revenue proposals with reserves to cover the revenue, should the ballot measures fail.
- Mayor Newsom is anticipating criticism from the Board of Supervisors and the usual chaos that occurs during the Board's budget deliberations.
- The budget process will not end during the summer, but his staff will work throughout the year to find additional savings and amend the budget as needed.
- The Mayor will establish a work group to examine the integration of behavioral health services.
- Several members thanked Mayor Newsom for his commitment to and preservation of community based services for vulnerable San Franciscans in his budget.

In response to questions, Mayor Newsom made the following comments:

- Revenue proposals: He wants to recapture the revenue lost in the business tax settlement by reconstituting the gross receipts tax for \$25-30 million in increased revenue. He has asked the business community to support the proposal and overall budget, since they have defeated recent revenue measures. Labor organizations are contributing to solving the deficit, and the business community is recognizing that they must participate. He is seriously considering a measure to close the LLC loophole for \$10-15 million in revenue, and examining increases in parcel taxes, although he is aware of the opposition. None of the recent polling shows sufficient support for the necessary 2/3 passage of a measure dedicated to public safety, fire, or even emergency services. His office is also considering a residential utility tax, and a property transfer tax. He would strongly support a local vehicle license fee if the state allows local governments to implement them.
- Top Priorities in the State budget: Restoring IHSS funding and TANF dollars for juvenile probation programs. He credits Coleman Advocates for teaching him about the importance of the TANF funds for juvenile programs.
- Housing Bond: The Mayor is opposed to raising the current proposal of \$185 million because he wants to assure passage. The current proposal needs consensus and the support of the groups that successfully opposed Prop B. He wants this bond to pass. He does not want a purely symbolic measure and he does not want to "play politics." He understands that several groups and Supervisors want a larger bond measure for housing. He will fully and actively support the current proposal. All polls show the bond failing if the total amount is over \$200 million. If we have measurable success with this bond, then we can go back to the voters in three or four years. If this proposal fails, we have no additional funds, and the next ballot will be overwhelmed with the bond for SF General Hospital.

- San Francisco's increased crime and the role of the human service community: Mayor Newsom agreed that law enforcement alone will not solve the problem. Despite significant increased police presence in several neighborhoods, more investigators, and better police coordination, we are still seeing shootings and more unintended victims. The young people committing the crimes have no fear of being caught because there is a code of silence. Once we start arresting the right people, then the murder rate will drop. We need to address the last three decades of failed public policies and their effects on today's youth. He wants community-based organizations to be involved in the solutions and to spend time on the behavioral health issues and work in the schools on self-esteem, love and respect. The economic development issues, role models, poverty, and environmental context must be addressed. He promised to work diligently on these issues to address the violence. He agreed that the Mission also had crime issues that need to be addressed, not just the Bayview, Visitation Valley and Western Addition. He added that while homicides have increased in the City, the overall crime rate has decreased.
- Mayor Newsom promised that Erin McGrath, Deputy Finance Director, will attend HSN's June member meeting to provide a budget update.

V. Next Meeting and Adjournment

- HSN's next membership meeting will be held on **Friday, June 18 from 9:30 a.m. – 11:30 a.m. at Progress Foundation at 368 Fell Street (between Gough and Octavia).**
- The meeting adjourned at 11:30 a.m.

ATTENDEES AT HSN GENERAL MEMBERSHIP MEETING ON MAY 21, 2004

Sherilyn Adams, Larkin Street Youth Services
Kavoos Bassiri, RAMS
Kathy Baxter, SF Child Abuse Prevention Center
Kathy Black, La Casea de las Madres
Katherine Berg, La Casa de las Madres
Nancy Brundy, Institute of Aging
Merrill Buice, HSN
Donna Calame, IHHS Public Authority
Kevan Carter, Booker T. Washington Community Service Center
Dodie Chaney Fernandez, Bayview Hunter's Point Foundation
Charlene Clemens, Family Service Agency, SF
Meghan Connolly, Rose Resnick Lighthouse for the Blind
Abbi Coursolle, Planning for Elders
Chris Cunnie, Walden House
Margy Dunlap, International Institute
Bruce Fisher, Huckleberry Youth Programs
Richard Gee,
Barbara Gee, Huckleberry Youth Programs
Carmela Gold, YMCA
Bill Hirsh, AIDS Legal Referral Panel
Dick Hodgson, SF Community Clinic Consortium
Darryl Inaba, Haight Ashbury Free Clinic
Mariano Jauco, St. Anthony Foundation
Jackie Jenks, Central City Hospitality House
Seth Katzman, Conard House
Jeff Kositsky, Community Housing Partnership
Kurt Kuhwald, Faithful Fools Street Ministry
Ann Lazarus, Mount Zion Health Fund
Debbi Lerman, HSN
Belinda Lyons, Mental Health Association of SF
Ginger Martin, Haight Ashbury Free Clinics
Quintin Mecke, Mental Health Association of SF
Shirley Melnicoe, Northern California Service League
Salvador Menjivar, Hamilton Family Center
Sandy Mori, Kimochi
Joe Neisen, New Leaf
Cory Parrish, SF Suicide Prevention
Ann Quaintance, SF Food Bank
Ken Reggio, Episcopal Community Services
Nancy Rubin, Edgewood Center
Lucy Runkel, Jewish Vocational Services
Lara Sallee, SF Community Clinic Consortium
Sandra Santana Mora, Edgewood Center
Michele Tolle, Progress Foundation
Calvin Welch, Council of Community Housing Orgs.
Jonathan Vernick, Baker Places