

HSN Membership Meeting
November 18, 2005
Meeting Minutes

I. Guest Speaker: Noelle Simmons, Mayor's Budget Director

Background: Ms. Simmons was promoted to her position three months ago. She spent the previous three years as an analyst in the Budget Office working on numerous department budgets including DHS, Aging, DCYF, Dept. on the Status of Women, Fire, District Attorney, City Planning and Building Inspection. Previously she worked in Oakland at the nonprofit National Economic Development and Law Center. She received both her B.A. in Sociology and M.A. in Public Policy from U.C. Berkeley.

Presentation on the City Budget: The past several years have been difficult. The dotcom bust, the national economic slowdown and the effects of 9/11 contributed to decreased City tax revenue the last four years, leaving the City with huge deficits. Most years also required mid-year budget reductions. The City has eliminated 1,200 General Fund positions in four years. The Mayor has tried to save public services but had to cut some. We have raised all City fees to full cost recovery, the highest level permitted, and increased fines. Revenue generation strategies have been unsuccessful. Propositions J and K, the sales and business taxes, failed at the ballot, and this years street repair bond failed. Labor has made significant concessions. The City has not contributed the 7.5% employee share of pensions for the past three years. The City will resume those payments on the last day of this fiscal year.

Last spring, the Joint Report (three year analysis of the City's financial situation prepared by the Controller, Mayor's Budget Office and Board's Budget Analyst) predicted a deficit of \$121 million for FY '06-'07. Ms. Simmons does not yet have an updated number, but the new forecast will be better because the City's revenue sources have improved. We ended FY '04-'05 with a fund balance between \$18 and \$19M. These funds are only for one-time spending. Despite positive growth rates in City revenue sources, there is still a deficit because we have a structural deficit. Tax revenue has not returned to pre-2001 levels, and fixed costs are rising faster than revenue. Labor costs, particularly health and dental benefits are increasing, as are non-labor costs such as fuel and natural gas prices. DHS welfare costs increase as case loads rise. We will have to spend \$20M for schools next year as required by Prop H. Prop F, the Fire Department measure that just passed will increase General Fund costs by \$7M next year.

Each year the budget cuts get more difficult because we've done the easier cuts. The Mayor's budget instructions will be out in the next few weeks. Last year, we asked departments to absorb all increases and prepare for 5% contingency cuts. The instructions will probably be similar this year.

Over 40 labor MOUs are open for renegotiation this year. The level of City cuts will depend on the final agreements with these unions. The State economy is also experiencing a recovery, with improved budget projections. However, the State often cuts local government funds to solve the State's deficit. The City may be required to contribute to its Rainy Day Reserve this year despite the current deficit, if City revenue growth meets the legislated levels.

The Mayor's policy priorities for the budget instructions will include public safety, homelessness, economic development in the South East section of the City, and some clean and green initiatives. The Mayor also wants to hire a Long-Term Care Coordinator and help homeless families move into permanent housing.

They do not plan to include nonprofit COLAs or cost-of-doing-business increases (CODBs) in the budget instructions. While the Mayor would like to provide them again, Ms. Simmons cannot guarantee that funds will be available.

Her office will hold stakeholder meetings and meet with individual groups. She also encourages HSN members to meet with the Board of Supervisors, the departments and their Commissions. Department budgets are due to the Mayor in March.

Comments and Discussion on COLA/CODB:

- HSN appreciates Ms. Simmons willingness to meet with us so early in the process. Her presentation at a recent Board hearing on the budget was useful. We truly appreciate the Mayor's CODB increases for contractors last year.
- When will nonprofit contractors' cost increases be included in the City's budget? As a core component of the City's critical services, our deficits are part of the City's deficit, and we need similar consideration of our cost increases. If nonprofits do not receive funds to cover rising costs, we have to cut services.
- Nonprofits' cost increases are just as important as civil service cost increases. The budget instructions should tell all departments to survey their contractors and determine their real costs for FY '06-'07. We will agree to be part of the conversation around solutions and cuts when our real costs are included in assessing the problem.
- If nonprofits do not receive a COLA/CODB, numerous organizations will have to make drastic staff and service reductions, or even close.

Other Comments and Discussion:

- The City should consider that nonprofits leverage significant outside funds. For each City dollar we receive, we bring an additional \$1.50.
- Ms. Simmons said that the Mayor has "contracting out" conversations every year at the Board of Supervisors, but these are politically difficult situations. HSN members responded that the City is not contracting out to the nonprofit providers because the nonprofits are, and always have been, the primary providers in these health and human service areas, partially because the nonprofits are cost effective.
- Several members reported on the "squeeze" nonprofits are experiencing from City, State and Federal funding cuts. In addition, some private sources are reluctant to continue or increase funding because they believe the government should provide these services. Rising fixed costs often force nonprofits to cut staff, which translates to client service reductions. Ms. Simmons responded that she is well aware of this predicament and the fact that the extensive range of services in San Francisco exists only because there is a strong network of nonprofits.
- HSN members urged Ms. Simmons to ensure that when the City identifies additional funds at the end of the budget process, these funds are restored to the nonprofits that were cut (rather than returning the funds to the department, where they often do not go back to the intended nonprofit).

- We appreciate the Mayor's understanding and responsiveness. However, departments do not value nonprofits except when they need the sector to help them out of a bad situation, such as providing beds for people coming out of the hospital. HSN members asked Ms. Simmons to work with us to improve the City's partnership with nonprofit contractors.
- Members thanked Ms. Simmons for her work and look forward to working with her throughout the budget process.
- After Ms. Simmons left, we discussed the need for nonprofits to document real costs and percentage increases and be prepared to relay this information to the Mayor's Budget Office.
- The large number of union contracts that are open for negotiation next spring could be a huge factor in the budget. Last year when SEIU met with the Mayor, they told him that nonprofits (union and nonunion) needed 13% increases to compensate for past years. HSN must continue working with the unions and encourage them to advocate for nonprofit increases again this year.

II. Contract Reform Updates – Tony Michelini

Tony is one of the nonprofit representatives on the Review / Appellate Panel, which meets monthly to oversee the implementation of the City Nonprofit Contracting Task Force recommendations. There have been several recent positive developments. The Board of Supervisors will now hold a progress hearing every three months instead of six. The Board has asked departments to develop a more realistic time frame for implementation. Naomi Little, the Director of the Office of Contract Administration, will meet next week with nonprofit representatives to discuss problems.

Nonprofit and department representatives made presentations to the Human Services Commission and the Health Commission. The Health Commission asked for additional updates whenever the Board of Supervisors has a hearing. The Board held a hearing in October, and nonprofits' comments were included in the report to the Board. Please e-mail Debbi Lerman at debbilerman@sfhsn.org if you would like a copy.

The Panel has established its next short-term priorities. They include the on-line document repository, joint monitoring, and bringing smaller departments into the process (e.g. Juvenile Probation, the Mayor's Office of Criminal Justice, the Department on the Status of Women, and possibly Park & Rec). The Panel will also meet with departments whose functions pose potential barriers to streamlining and timely certification, including the City Attorney, the Human Rights Commission and Risk Management.

Since Supervisors in even numbered districts are up for election in fall 2006, HSN needs to keep this issue on the Board's agenda. Department heads need to mandate implementation of the recommendations. Departments have not yet begun to develop tiered assessments and criteria for a "stable" nonprofit.

III. San Francisco Revenue Coalition – Calvin Welch

HSN is working with other advocacy organizations to form the San Francisco Revenue Coalition. Other members include SEIU 790, Local 250, Coleman Advocates, S.F. Organizing Project, Senior Action Network, Council of Community Housing Organizations and ACORN.

The group is seeking to develop a revenue measure for the November 2006 ballot. Thus far, the Coalition has concluded that the measure must be a tax on downtown to replace the business tax that was lost four years ago; must require only 50% to win; and should be placed on the ballot by initiative (signatures) rather than four Board members.

Measures that require 50% to pass cannot be dedicated for a specific purpose; proceeds go to the general fund. Dedicated taxes require 2/3 support. However, measures requiring 2/3 are not passing in San Francisco, and even 50% is a challenge. Both Props J and K failed previously, and the street repair bond did not pass on November 8. The Community College bond passed with 63% of the vote only because state law recently lowered the threshold for education bonds. This predicament stems from Proposition 184, which removed local government authority to raise taxes. They can lower taxes, but increases must go to the ballot.

The Coalition has struggled with the challenge to develop a measure that only needs 50% but will guarantee funds for health and human services – and from HSN’s point of view, for nonprofit community-based services. The Board of Supervisors could pass an ordinance stating that additional revenue would be used for specific purposes. An alternative strategy would place a policy statement on the ballot indicating how the City should use additional funds. However, such an initiative would then bind the Board, and the revenue measure could be held to a 2/3 vote if the policy statement was seen as a way to skirt the requirement.

Timing is also an issue. If we aim for the June ballot, we may not have enough time to gather signatures and raise the funds. There may also be several state bonds in June, including a large one for housing, transportation and infrastructure. If the measure is on the November ballot, it may be competing against a huge \$800M S.F. General Hospital bond. However, more people will vote in November (especially because of the Supervisor races), which should increase the chances of passage.

HSN will be involved in devising the measure, gathering signatures and raising funds for the campaign. A successful campaign will need approximately \$100,000. Because the measure will tax business, the business community will fight it with all their resources. HSN members will need to mount a major effort to gather signatures. Most HSN members present at the meeting volunteered to circulate petitions.

Nonprofits can legally contribute to ballot measure campaigns. Several members inquired about ways to contribute, perhaps through HSN dues or establishing a PAC or Independent Committee. Please contact Debbi Lerman at debbilerman@sfhsn.org if you have experience with campaign financing, or any other ideas for the campaign.

IV. Need for City Dialogue on the Future of Services, Funding and Role of Nonprofits – Steve Fields

HSN is proposing to develop a dialogue, beginning with Supervisor Peskin and Mayor Newsom, about San Francisco’s long-term, comprehensive health and human service needs. We will discuss the role of institutions and their rebuilding, as well as broad community needs. We want to analyze the populations’ needs, prioritize services and develop strategies to provide

them. We want to discuss nonprofits' role as a partner in delivering services. We need to improve the public's understanding of the importance of the City's health and human service sector. Ultimately, we want to ensure that San Francisco has a healthy, responsive and sustainable nonprofit community. We envision a long-term dialogue that brings in all sectors.

We encourage members to attend the next HSN Public Policy Committee meeting on Wednesday, November 30 at 9:30 am at Progress Foundation (368 Fell Street) to continue this conversation. Please contact Debbi Lerman at debbilerman@sfhsn.org if you want to get involved in these discussions but cannot attend the meeting.

Other cities and states are having similar discussions. HSN Co-Chair Bruce Fisher has been participating in a national dialogue with organizations similar to HSN from New York, Seattle, Tulsa, Miami and Silicon Valley. The group recently met in San Francisco.

V. MCO/HCAO – Debbi Lerman

Supervisors Ammiano and McGoldrick are about to introduce a package of amendments to the Minimum Compensation Ordinance (MCO) and the Health Care Accountability Ordinance (HCAO). The draft contains changes to the HCAO that HSN has advocated for several years pertaining to relief workers and interns.

A previous draft included a nonprofit MCO wage increase for contractors from \$9/hour to \$10.50/hour. In the FY '05-'06 budget process, the Board set aside \$1 million in pass-through funds to cover nonprofit cost increases. However, the latest proposal would raise the nonprofit salary rate to \$10.77/hour with automatic annual COLAs. The original draft from the Mayor's office conditioned nonprofit increases on a determination that the City had funds available for the pass-through. HSN will not support any increase without pass-through funds.

In separate wage legislation, the City's minimum wage will rise to \$8.82/hour on January 1, 2006. Unlike the MCO (which applies to employees working on City contracts), this ordinance applies to all San Francisco employers and employees.

VI. Next Meeting and Adjournment

- HSN's next membership meeting will be held on **Friday, December 16 from 9:30 a.m. – 11:30 a.m. at LightHouse for the Blind and Visually Impaired, 214 Van Ness Ave. (between Grove and Hayes). Guest Speaker: Board of Supervisors President Aaron Peskin**
- HSN's Public Policy Committee: Wednesday, November 30 at 9:30 am at Progress Foundation, 368 Fell Street (between Gough and Octavia).
- The meeting adjourned at 11:15 a.m.

ATTENDEES AT HSN GENERAL MEMBERSHIP MEETING, NOVEMBER 18, 2005

Brett Andrews, Positive Resource Center
Margy Baran, IHSS Consortium
Bob Bennett, FSA/SF
Nancy Brundy, Institute on Aging
Merrill Buice, HSN
Donna Calame, IHSS Public Authority
George Clark, LightHouse for the Blind
Meg Cooch, Planning for Elders
Cynthia Davis, N & S of Market Adult Day Health
Margi Dunlap, International Institute
Steve Fields, Progress Foundation
Bill Hirsh, ALRP
Alecia Hopper, MHA-SF
Jim Illig, Project Open Hand
Jackie Jenks, Hospitality House
Jeff Kositsky, Community Housing Partnership
Debbi Lerman, HSN
Marc Levine, JCRC
Ellen Lord, LightHouse for the Blind
Ilsa Lund, Larkin Street
Toni Michelini, Catholic Charities/CYO
Mary Muehlbel, Conard House
Anaal Patel, Walden House
Sandra Santana-Mora, Edgewood Center
Judy Siff, Goodwill
Angela Tang, RAMS
Jonathan Vernick, Baker Places
Calvin Welch, CCHO