

HSN Membership Meeting
May 20, 2005
Meeting Minutes

I. Announcements

HSN Staffing: Quintin Mecke, HSN Director of Research and Communications, announced that he has taken a new job as Program Director for the Safety Network, a citywide community-organizing program. Today is his last day with HSN. He thanked all of the members for their support. Debbi Lerman thanked Quintin for his efforts and announced that HSN will assess our needs and send out a job announcement in the summer. We invite members to give us feedback about what skills and abilities HSN staff should be able to provide to assist you.

Board of Equalization Free Tax seminars: Debbi Lerman reminded members that the Board of Equalization is offering a free tax seminar for nonprofit organizations on June 23 in Oakland. You can register online at <http://www.boe.ca.gov/sutax/nonprofitsched.htm> or by calling Anita Scott at (916) 445-8328.

Controller's Office training on cost allocation: The Controller is providing a free informational session on cost allocation methodologies for nonprofits. This is the second in the Controller's series of finance-related trainings, and is intended for nonprofits with existing City contracts and their finance staff. Please RSVP by June 1st by contacting Eve Eichwald at (415) 554-7526 or Eve.Eichwald@sfgov.org.

Memorial for Bruce Franks of Conard House: Richard Heasley, Executive Director of Conard House, thanked members for all of their support and help since the tragic shooting of Bruce Franks, a Conard staff member. It has been a difficult experience for everyone involved and has shifted everything at Conard drastically. There will be two memorials in his honor. The first will be a general service held on Wednesday, May 25 at 3:30 pm at the Quaker Center at 65 9th Street. The Franks family will hold a Celebration of Life Service from 1 pm to 5 pm on Saturday, June 4th at St. Gregory's Episcopal Church, 500 DeHaro Street.

II. Guest Speaker: Sandon Nixon, Jefferson Awards for Public Service

Sandon Nixon, National Director for the Jefferson Awards for Public Service presented on the history of the Jefferson Awards and their Bay Area initiative to recognize local unsung heroes through the use of media. It is vital that nonprofits, schools, and corporations recognize their own heroes. Each year, one local award winner is chosen to attend the national award ceremony in Washington, DC. More information about the program is available on their website, <http://www.jeffersonawards.org/>. If you have any questions, please contact Sandon at (302) 622-9101 or s.nixon@jeffersonawards.org.

III. Contract Reform Update

Jonathan Vernick of Baker Places gave an update about contracting reform. The Appellate Review Panel meets once a month to go over the City's progress in implementing the Nonprofit

Contracting Task Force's recommendations. The panel consists of representatives from both city departments and nonprofits. The nonprofit side is represented in these meetings by Debbi Lerman, Nicholas Elshans of Edgewood, Jim Illig of Project Open Hand, Judith Stevenson and Jonathan Vernick of Baker Places, and Tony Michelini of Catholic Charities. The City stacks the implementation meeting with city staff, and HSN has discussed changing the dynamic to make it more equitable. The nonprofit representatives have asked Naomi Little of the Office of Contract Administration to draft an agenda roadmap laying out the direction of the implementation process and setting goals.

Nonprofit representatives also meet monthly between panel meetings. We have a meeting next week with Mitch Katz to talk about implementation and ensure that DPH moves forward. We have also scheduled a meeting with SPUR, who recently released a report on contracting reform. Right now, the city is moving forward on the easiest low-hanging fruit from the recommendations and has yet to move on the structural changes needed for real reform. HSN will continue to monitor and participate in this process.

IV. City Budget Update – Steve Fields

Steve Fields of Progress Foundation gave a presentation on the city budget. Right now, the budget is a moving target and information is difficult to come by, especially with the local coverage being so limited. There have been several recent pieces of good news, including an increase in real estate transfer tax revenue. The May revise from the Governor was better than expected with some state money redirected back into counties and cities that was taken last year. At last word, the deficit was down to \$59 million. Only in San Francisco can good news be termed that you are less broke than you thought, but we are definitely in a better position than two years ago. We don't know how this will translate into departmental budgets but we are hoping Mayor Newsom is coming to bring good news.

The DPH proposed budget does include cuts to nonprofit services. However, with thanks to Commissioner Jim Illig, for the first time ever, the Health Commission changed the priorities of the department's proposed cuts and reordered the budget before sending it to the Mayor. We will have to see what happens to the budget when it comes out of the Mayor's office.

In addition, HSN continues to meet regularly with Ben Rosenfield, the Mayor's Budget Director, including an ongoing conversation about COLAs (cost of living adjustments) and CODB (Cost of doing business increases) in this year's budget. Workers comp, health insurance, and other costs are making it increasingly difficult for nonprofits. It is not that we just want our share of money, but that these costs are actually undermining the ability of nonprofits to provide services.

The relationship with CBOs needs to be similar to that of city agencies, including competitive salaries and benefits. This Mayor has said previously that it is his goal to have parity between city employees and nonprofit agencies. Nonprofits can help the city overcome the deficit, but the structural problems driving the current budget conversation are entirely about the City's deficit. Budget cuts come down to the nonprofit sector that in actuality are occurring in order to help solve the City's own structural problems.

We will see whether the Mayor's offer is just rhetorical. Having a general strike by nonprofit contractors against the RFP process could be one way to show the City that we are an integral part of service provision and that the budget must factor in nonprofits needs. The city needs our sector, but right now, it doesn't feel like much of a partnership. While a rally is not practical this year, we may need to do something public, similar to our previous budget turn-outs at the Board of Supervisors. Regardless of whether or not your agency is directly affected, it is vital that you show support for the nonprofit sector by turning people out for these budget hearings. The Board's schedule can be found at <http://www.sfgov.org/budget>. The Beilenson hearing, originally scheduled for June 14, has been moved to June 21 at 3 pm.

IV. Guest Speaker: Mayor Gavin Newsom with Erin McGrath, Mayor's Budget Office.

City Budget: Mayor Gavin Newsom spoke to the members about the upcoming city budget. They have been working overtime to meet the budget deadline. Things have changed dramatically since the beginning of this year. It's been a very difficult fiscal period for the city, with deficits for five years in a row. Last time he attended an HSN meeting, he reported a \$1.29 billion structural imbalance that the City was facing over 36 months. Last year, the City addressed a \$307 million deficit with no new revenue due to the loss of Propositions J and K. This was the largest budget deficit on a per capita basis in the country, and it came out of a \$1.22 billion discretionary budget. The City's General Fund is larger, but with set-asides (police, education, etc.), they only have control over a limited amount. It's important to note that they did not dismantle the social service system last year to make that budget. They did cut recreation centers and had fee increases, but spared social services.

There are not many places to go this year. The Department of Public Health (DPH) has roughly \$17.3 million in new revenue. Unfortunately, it also has \$44 million in structural increases (e.g. nurse staffing ratios). Salaries need to be competitive with the private sector. Right now, there is a \$59.3 million deficit for this coming fiscal year, which is certainly better than the \$102.4 million we faced earlier. The reason for this shift was \$43.1 million of good news from the Controller's nine-month report. A good portion of that came out of a spike in the property transfer tax and we should all thank the Shorenstein Company. Most of this was one-time revenue, but it's important to note that two years ago, we got \$59.1 million in transfer tax, and this year we received \$106 million, up from \$78 million last year. It will grow a little but we should not expect the increase like we had this year.

Governor Schwarzenegger's May revise gave us back the \$15 million that he took from us last year, but we were still faced with an initial \$125.1 million budget deficit for next year. The Mayor's initial reaction was to restore that \$15 m to the DPH budget. But the Rainy Day Fund captured \$9 million out of that \$15 million. Only \$3.7 million can be used for DPH, while \$2.3 million goes to general fund mandates.

The Mayor then acknowledged that it's been since 2001 since the nonprofit sector got COLA increases, and announced that this budget does include a COLA. It will cost \$6.7 million for a 2% COLA increase across the board. "It should be a trend and please quote me on that." This COLA includes IHSS workers.

He said there would be no clinic closures, but there will be layoffs. One idea is to competitively bid out some services as Prop J contracts. With the De Young Museum opening soon, they may send current security from the Asian Art Museum to the De Young, and contract out the Asian Art Museum's security. SEIU is opposed. However, they need new ideas since we can't raise taxes and we can't borrow.

The MUNI budget is a source of frustration. They will have 145 layoffs with early retirements. They are calling for modest fare increases, and it will be a close vote at the Board of Supervisors. Fare increases will not affect seniors or the disabled. Two million of the \$15 million from the State will go to MUNI. If the Board rejects MUNI's budget, we will face a challenge.

For the Human Service Network, the biggest concerns are the cuts in DPH. Included in the budget will be the following: \$1.5 or \$2.5 million in HIV/AIDS cuts (he would make that decision after this meeting). The dialysis unit will be cut then added back by the Board, which always has \$10-20 million to add back from Harvey Rose. The one remarkable budget cut, which the Mayor thought he would never do, is in substance abuse. He said he has been reading a lot of research about different modalities, and believes it is time to study this. He is a huge fan of methadone, and will add more slots this year. They will issue an RFP mid-year – with the same number of slots and no change in residential treatment – but will look at outpatient treatment. He gave his assurance that nothing they change will affect those who need help. The amount they spend on substance abuse is about \$30 million, with 95% outpatient.

There will also be a \$2 million increase in homeless services, with a focus on Direct Access to Housing. He warned a year ago that he would shift the McKinney money to housing, but people were still upset. We're not getting help from HUD, but he feels very strongly about shifting this funding. Housing needs to happen. Bringing a businesslike approach to city contracting has saved millions. They are managing worker's comp, they are managing overtime, and both of those overall costs are down. He asked people to give them our ideas, because the more money we save, the more money to invest in people & potholes.

Laguna Honda: Laguna Honda is a big issue. The Controller recently released a report about our options (<http://www.sfgov.org/site/uploadedfiles/controller/reports/LHrpt1.pdf>). The original estimated cost for 1200 beds was \$401 million; we're now in the range of \$600-650 million. The main factor is construction cost escalation. They've found a way to do it. First, with \$120 million out of debt service from federal funds, they could build 780 beds. They can then take an additional \$100 million from tobacco money. It won't go to DPH, or anyone else; this would be a choice. The alternative is 780 beds on site, plus 235 beds out in the community for assisted living and supportive housing. A third option would be to build 530 beds and spend the rest on universal health care. He said the report is out, and the debate will be fun. Just tell him what needs to be done.

SFGH: Estimates vary from \$400 million to \$1.3 billion; there are a lot of numbers out there. They need a 2/3 vote. The Bay Bridge has not helped the cause. The Mayor is convening a work group to look at the options, including rebuilding on-site vs. Mission Bay. This is his number one priority next year after we figure out Laguna Honda. If we can't pass a housing bond, he's not sure how we're going to solve this problem.

Questions and Comments:

- Thank you for the COLA. It certainly helps us to navigate the costs. We want to be part of the solution and included in the structural equation.
- Mayor: It's the right thing, but it's hard. You all are doing great work. We need to see the nonprofit sector the same way we see the public sector.
- It's not just the COLA — it's CODB. With regard to substance abuse, you have every reason to have concerns about outcomes and expectations. But before we draw assumptions about what providers are doing, we need to have that conversation before marching something out and changing the system.
- Regarding Laguna Honda (LH), some of us have met the management group that did the audit, and we're hoping there will be data to provide context for the options. We don't have the resources to talk about the alternatives. We need to discuss these issues.
- Mayor: I really believe that there is consensus with the Board. The \$100 m will go to public health.
- SFGH & LH are our two major public health facilities. With St. Luke's closing and SFGH possibly moving, the southeast will be closer to Daly City than Mission Bay. It's a land use issue about what the whole landscape looks like, especially with the consolidation of private health care. Can we convene a broader group to do this?
 - Mayor: Great idea.
 - Great work on Homeless Connect and SSI advocacy. Those resources are crucial. We need to work with the Board to prevent the AIDS funding cuts. For the COLA, has there been any discussion about that going to Ryan White CARE providers?
 - Mayor: It's only for General Fund contractors.
 - Thanks for the 2%. In terms of the transfer tax revenue increase, instead of spending \$35 million on capital projects, why can't we defer some capital expenditures to provide services?
 - Mayor: That's the real debate. We already have a \$121 million deficit for next year, and \$20 million the year after that. We need to stabilize so we can plan. It's not just for potholes; it's going to DPH, childcare, Rec and Park and deferred maintenance, as well as DPW. Go to the Hall of Justice and see the capital needs. We just had both our bonds taken off a negative outlook. We're saving millions by doing these things. The property transfer increase is one-time revenue.
 - What are your plans on the Department on the Status of Women and battered women?
 - Mayor: I've just named Ann Hinton as the new Director of Aging and Adult Services. We digitized all domestic violence calls, allowing us to track the calls better. I am personally involved in shutting down the exploitation rings that use massage parlors in the City, and we will be investing in the Safe House program with Kamala Harris. I will be meeting with her later today; she wants 20 more positions, but she can't get all of them.

Next HSN Member Meeting:

Friday, June 17, 2005

9:30 am to 11:30 am

LightHouse for the Blind and Visually Impaired

214 Van Ness Ave. (x-Grove and Hayes)

ATTENDEES AT HSN GENERAL MEMBERSHIP MEETING
May 20, 2005

Anne Quaintance, SF Food Bank
Nicholas Elsishans, Edgewood
Andrew Nicklaus, Larkin Street Youth
Judy Siff, Goodwill
Dave McClure, Hearing Society
Carol Corbet, Compass Comm. Services
Joseph Wright, Children's Council
Lucy Runkel, JVS
Ximena Moses, Arriba Juntos
Georgia Creel, DAAB
Joe Neisen, New Leaf
Natalie Combs, AHWG
Ruth Ann Binder, Rebuilding Together
Donald Frazier, Walden House
Margi Dunlap, IISF
Linda Rapp, Compass Comm. Services
Evelyn Trowell, Iris Center
Kelly Wilkins, ECS
Kyle Pedersen, HAFCI
Nick Burel, LACS
Donna Calame, IHSS PA
Bill Hirsch, ALRP
Sandra Santana-Mora, Edgewood
Richard Hill, SF Aids Foundation
Lorne Needle, Youth Leadership Institute
Ellen Stroud, SF Food Bank
Katherine Burg, La Casa
Steven Crabel, Toolworks
Bruce Rice, HYP
Richard Heasley, Conard House
Margy Baran, IHSS Consortium
Kim Watts, CCCYO
Mauricio Vela, Coleman Advocates
Michael Blecker, Swords
Gloria Valoris, Optimal Organizations
Dick Hodgson, SF CCC
Ken Reggio, ECS
Judith Stevenson, Baker Places
Michele Byrnes, HEY
Karen Patterson-Matthews, BVHP
Sumi Imamoto, BHNC
Jennifer Kang, HAFCI
Keith McKnight, Children's Council

Tom McCaffrey, SAGE
Margaret Jenene, Florence Crittenden
Kelli Nakayame, Legal Services Children
Kevin Sharps, ECS
Kavoos Bassiri, RAMS
Sandon Nixon, Jefferson Awards
Nancy Brundy, IOA
Charlene Clemens, Family Service Agency
Ben Eiland, HAFCI
Ruth Barajas, BACR
Brett Andrews, PRC
Tony Michelini, CCCYO
Traci Dobronova, Self-Help for Elderly
Patrick Hoctel, IHSS PA
Daniel Hilad, Central City
John Eckstrom, HAFCI
Dierdre Gilmore, SHANTI
Lara Sallee, SF CCC
Dodie Cheney Fernandes, BVHP
James Chionsini, COH
George Clark, LightHouse
Jonathan Vernick, Baker Places
Calvin Welch, CCHO
Steve Fields, Progress Foundation

Debbi Lerman, HSN
Quintin Mecke, HSN