

From: [Board of Supervisors \(BOS\)](#)
To: [BOS-Supervisors](#); [BOS-Legislative Aides](#)
Cc: [Calvillo, Angela \(BOS\)](#); [Somera, Alisa \(BOS\)](#); [Ng, Wilson \(BOS\)](#); [De Asis, Edward \(BOS\)](#); [Mchugh, Eileen \(BOS\)](#); [BOS Legislation, \(BOS\)](#); [Cabrera, Stephanie \(BOS\)](#)
Subject: FW: Statement re GAO Ctme Hearing: Feb 16, 2023
Date: Wednesday, March 8, 2023 9:59:34 AM
Attachments: [image001.png](#)
[PRC_BP_BoS_Letter_FIN_03.06.23.docx.pdf](#)

Hello,

Please see below and attached for communication from Positive Resource Center regarding File No. 221114.

File No. 221114 - Hearing - Citywide Nonprofit Performance Audit Report

Sincerely,

Joe Adkins
Office of the Clerk of the Board
San Francisco Board of Supervisors
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102
Phone: (415) 554-5184 | Fax: (415) 554-5163
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From: Henneman, Tasha <tasha.henneman@prcsf.org>
Sent: Monday, March 6, 2023 11:11 AM
Subject: Statement re GAO Ctme Hearing: Feb 16, 2023

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Good Morning SF Board of Supervisors et. al. cc'd,

Please find a written statement/public comment attached, from PRC/Baker regarding the Feb 16, 2023 GAO Ctme hearing.

Best,
Tasha

Tasha Henneman, Ed.D.
Chief of Policy & Government Affairs
Pronouns: she/her/hers

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March 6, 2023

San Francisco Board of Supervisors
1 Dr. Carlton B. Goodlett Place
City Hall, Room 244
San Francisco, CA 94102-4689

Re: Comment on Board of Supervisor's February 16, 2023, Government
Accountability and Oversight Committee Hearing

Dear Members of the Board of Supervisors,

PRC with its subsidiary Baker Places, Inc. (together the "organization") submits this letter in response to the Board of Supervisor's February 16, 2023 Government Accountability and Oversight Committee Hearing, which addressed the Controller's Office's citywide non-profit performance audit report and recommendations to more effectively evaluate the impact of services provided by community-based organizations.

PRC and Baker Places fully support transparency and accountability in government contracting. The organization further supports the Controller's Offices' recommendations to standardize and streamline programs monitoring and outcomes measurement:

- Apply uniform monitoring practices and methodologies for calculating results
- Use common definitions for fiscal and programmatic performance measures
- Enhance data sharing among non-profits and City departments

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PRC and Baker Places serve approximately 5,000¹ San Franciscans annually to transform lives and communities struggling with addiction, mental illness, HIV/AIDS, unemployment, and homelessness. Measuring the impact of services is critical to assessing program quality, effectiveness, and progress toward addressing the root causes of homelessness and poverty.

We view improvements on program and performance monitoring as a collective obligation and responsibility—between non-profits and the City—to the thousands of San Franciscans that access the City’s system of health and human services. Further, we recognize this as an opportunity to create system-wide efficiencies to streamline and simplify the overwhelming monitoring and oversight processes that non-profits are subject to, often times through multiple and distinct reporting systems.

While we look to the City for leadership on developing the necessary systems and infrastructure to implement these recommendations, our organization stands ready to contribute to these important efforts.

Challenges and Recommendations

PRC and Baker Places fully support public comments made by representatives from the Human Services Network and other non-profits, particularly around capacity and staff wage pressures. Additionally, we offer the following comments for the committee’s consideration:

1. Expand Capacity for Performance Monitoring and Measurement Activities by Allowing Non-Profits to Recover True Costs for Administrative and Overhead Expenses.

Non-profits require greater capacity and resources to support performance monitoring and outcomes measurement activities. One major challenge non-profits face is paying for staff time and costs associated with these activities. Staff efforts toward these activities are treated by some City departments as administrative in nature, and are therefore expected to be covered by the 9-15% indirect contract cap rate for administrative and overhead expenses on City contracts. These rates apply uniformly to non-profits without any consideration for the organization’s size or complexity. Indirect rate caps are already exceedingly restrictive and do not cover the full expense necessary to support other critical organization functions such as human resources, finance, technology, management and leadership.² These restrictions place a heavy burden on

¹ This number does not include drop-in client counts of 1,664 in FY 21-22 at Hummingbird programs.

² Median indirect cost rate of non-profits surveyed was 40%. <https://www.bridgespan.org/insights/library/pay-what-it-takes/pay-what-it-takes-philanthropy>.

Unreimbursed indirect costs lead to organizational and program failures.

<https://www.councilofnonprofits.org/sites/default/files/documents/National-Council-of-Nonprofits-Testimony-1-28-2020.pdf>.

non-profits to conduct extensive monitoring activities while not being able to recover the true costs associated with doing so through City contracts.

Non-profits should be allowed to recover true costs for administrative and overhead expenses, including expenses related to compliance and monitoring activities. Not allowing non-profits to do so limits their capacity for compliance activities, undermines program performance, and contributes to organizational destabilization.

2. Expand Non-profit Capacity for Compliance Activities by Implementing a Centralized Contracting, Invoicing, and Monitoring Platform for City Contracts.

Current processes for contracting, invoicing, and monitoring vary drastically by City department, and some are unreasonably time-consuming and complex. In some cases, contract certification and payment on invoices have exceeded nine months. Such delays place an untenable burden on non-profits to shoulder the expense of delivering critical services during months-long payment or contract certification delays. Implementing a centralized platform would improve contract compliance, minimize certification delays, expedite payment, and ultimately increase non-profit capacity for program monitoring and performance measurement activities.

Reasons for Financial Condition and Corrections for the Record

Separately, the organization would like to summarize the reasons for its current financial state and correct assertions that have been incorrectly reported by the press and repeated in public forums.

- In September 2021, the organization formally communicated its financial challenges to The Controller's Office. Prior to this, the organization communicated concerns related to program under-funding and reimbursement rates dating back to 2019. Since October 2021, PRC has been working in close partnership with the Controller's Office, Department of Public Health, Mayor's Office of Housing and Community Development, and other departments to address its financial condition.
- The organization's financial challenges are the result of its singular focus on serving its clients even while accumulating deficits and liquidating assets in pursuit of its mission. The organization's financial condition is driven by:

<https://calnonprofits.org/programs/overhead/toolkit/indirect-costs>.

- 1) Contract under-funding resulting in material annual deficits,
 - 2) Limits on recovery for administrative and overhead expenses,
 - 3) Rapid organizational growth and need for enhanced capacity and infrastructure,
 - 4) Finance staff turnover, and
 - 5) Impact of COVID-19 pandemic.
- The organization's FY 22-23 City contracts are valued at approximately \$28 million. The organization **will not** receive \$60-70 million, as has been incorrectly reported.
 - PRC was placed on Red Flag status by the Controller's Office in December 2022. The organization **was not** placed on Red Flag status in October 2022 or June 2022 as was suggested during the hearing.
 - The organization is actively working to resolve neighbor complaints regarding Grove Street House, a 9-bed residential treatment program serving individuals experiencing acute psychiatric and addiction related conditions. Grove Street House has been under renovation since 2021 and extensive facility improvements have been made that address neighbor complaints. We welcome neighbors to communicate directly with our management team by emailing communications@prcsf.org.
 - PRC takes client and community complaints about health and safety very seriously. Several facilities modifications and programmatic adjustments have already been implemented or are in process, including enhanced surveillance of residential sites, additional environmental and facilities checks, clearer procedures and training for staff on addressing violence, and improved communication channels between clients and management.

What We Are Doing

PRC and Baker Places have provided vital services to thousands of San Franciscans for decades, keeping its doors open even during the pandemic to provide housing and supportive services to our community. The organization is taking significant steps to become more financially sustainable, and is making great progress on implementing a plan that maps out several key strategies:

- Re-negotiating contracts to make them more fully funded,
- Reducing expenses wherever possible to create greater organizational capacity and efficiency,
- Investing resources in program, asset, and financial compliance and monitoring,
- Establishing a federally negotiated indirect rate for federally funded contracts, and
- Restructuring programs to focus on those most central to the organization's core mission and those that are financially sustainable.

The organization is undertaking all of this with a new management team, a fresh approach to the work, supportive community partners, and a relentless commitment to making adjustments, enhancements, and improvements to remain a vital community resource.

About PRC/Baker Places – Services and Impact

Annually, the organization serves approximately 5,000 individuals (excluding day-guest drop in counts of 1,664 in FY 21-22 at Hummingbird programs) through its services:

- Low-barrier medical respites at S.F. General Hospital and Valencia Street (Hummingbird Programs).
- Residential programs operating 24-hours a day, 365 days a week for acute mental health crisis stabilization and mental health/substance use disorder treatment.
- Transitional and long-term supportive housing for people with HIV and individuals with chronic and profound mental health problem and substance use disorders.
- Legal Advocacy for SSI/SSDI benefits and healthcare advocacy.
- Workforce Development for skills development, training, and placement.
- Emergency Financial Assistance for eviction prevention and housing stabilization.

FY 21-22 Impact

- 729 overnight guests and 1,664 daily visitors accessed Hummingbird medical respite centers, 414 people accessed community-based detoxification services, and 311 individuals accessed residential substance use and mental health treatment.
- 179 people resided in long-term supportive housing with case management support.

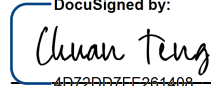
- 1,085 clients living with HIV accessed \$817,656 in emergency funds for access to housing, housing preservation, and other emergency needs.
- \$2,531,660 secured in retroactive Social Security payments for disabled clients and \$159,032 in ongoing benefits to 1,464 individuals, with a 97% win-rate.
- 503 adults accessed workforce development via assessment, career navigation, and job search assistance; earning nearly \$1,500,000 in wages through job placements.

Perspective - In Our Client's Words

- “PRC has done so much for me from benefits to emergency, financial assistance, long term housing, and helping me find a dream job where I get to give back to my community.”
- “PRC has changed my whole world from daily crisis to days of hope and opportunity.”
- “A great resource for LGBT and other folks experiencing difficulties with stable housing, HIV, substance abuse, and other social issues.”
- “PRC really is life changing. PRC has been transformational for me. It's taken me from a really hopeless place to become a healthy, stable individual with my mental health and substance use issues managed.”

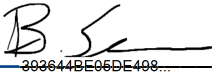
Thank you for considering the organization's comments, activities to address current challenges, and impact on the community. Our staff have contacted each member's office to communicate directly on the issues addressed above. We welcome questions and further dialogue.

Sincerely,

DocuSigned by:

4D72DD7FE261400...
Chuan Teng, PRC CEO

The PRC and Baker Places Boards of Directors

DocuSigned by:

A handwritten signature in black ink, appearing to read "B. Schneider", is written over a horizontal line. The signature is enclosed in a blue rectangular box.

Brian Schneider, President of the Boards of Directors of PRC and Baker Places

CC: PRC and Baker Places board members, Dr. Grant Colfax, Dr. Hillary Kunins, Greg Wagner, Drew Murrell, Max Rocha, Brian Cheu, Helen Hale, Ben Rosenfield, Wendy Lee, Sean Elsbernd, Andres Power