

CITY COUNCIL  
CITY OF NEW YORK

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TRANSCRIPT OF THE MINUTES

Of the

COMMITTEE ON CONTRACTS

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April 4, 2016

Start: 01:21 p.m.

Recess: 04:26 p.m.

HELD AT: Council Chambers - City Hall

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Chairperson

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## A P P E A R A N C E S (CONTINUED)

Thomas Dambakly  
Chief Administrative Officer and Executive Vice  
President for Operations  
CAMBA

[gavel]

CHAIRPERSON ROSENTHAL: Good afternoon.

I'm Council Member Helen Rosenthal, Chair of the City Council's Contracts Committee. I apologize for the delay in our start time. We had some technical difficulties and now we have the technician working on it and hopefully everything will be good to go. Today's hearing is focused on the findings of the Human Services Council, HSC, report New York Nonprofits in the Aftermath of FEES: A Call to Action. In this report HSC, a consortium of nonprofit providers for city services site several problems with the city's contracting process including; number one insufficient collaboration in the development of city programs prior to the release of an RFP, two low reimbursement rates for indirect, overhead, and administrative costs, and three late and un... unpredictable contract payments. They also have many recommendations which we'll hear about briefly. But if we were looking up the phrase procurement reform in the dictionary the definition would be HSC report New York Nonprofits in the Aftermath of FEES: A Call to Action. I think the recommendations they lay out are a great road

map for the city as we think about procurement reform. Let's see. So it's not a sexy topic but it's just right for a committee whose oversight responsibility is procurement. Today we're talking about the city's contracts with nonprofit providers who deliver city services to an estimated 2.5 million New Yorkers annually from childhood education and afterschool programs to mental health, homeless services, and senior care. Some of these services are court ordered mandated services such as our legal aid and homeless services that the city must provide. Some are services that the city believes all New Yorkers... and I agree with this administration that all New Yorkers should have access to such as after school, Pre-K, and senior services. Human services contracts which some value at four billion dollars but I'm sure I'll get the right number from somebody comprise roughly 10 percent of our city's total expense contract budget of over 35 million in 2015. As an oversight body our goal is to ensure that the city's procurement and contracting policies do not increase the difficulties experienced by these providers. Keep in mind the human services council

report notes that the budgets of over half of New York City human service providers are in the red or barely breaking even. I'd actually like to focus a second on the second issue they raise which is insufficient... insufficient coverage of overhead administrative and indirect costs. I'd like to put it in perspective. Remember that the city often turns to outside providers to meet city needs. When the city decides... and I'm lifting this line from I think the Jewish Board but here it goes... when the city decides to build a 40-million-dollar bridge for example they hire a construction company with that expertise. Contractors might complain that payment for the contract takes too long and human service providers have the same concern but the city would never say to a construction company we're going to pay you 35 million dollars, try to get philanthropy, foundations, or other jobs that you do to pay for the remaining five million. The city always pays the lowest responsible cost for construction contractors bids including the cost of overhead, indirect payments, and administrative costs as well as the escalation of wages and OTPS over time. According to the HSC report and I'm



guessing that the providers who will testify today are not funded for actual costs but for what the city or frankly any level of government is prepared to pay. So not the actual costs but what the government, regardless of it state, federal or city is prepared to pay for that service. And at this juncture I have to wonder if there is a historical context for this where construction jobs were... have always historically been filled with men who historically have been the bread winners of a family if not the glue as opposed to women who are historically and to this day primarily the employees and the human services world. So the third issue that the human services contracts council raises is late payments. And I would like to note that in February 2014 as a new councilwoman my first hearing covered the fund for the city of New York's returnable grant loan program. This is a no interest loan and it's a critical tool for the survival of non-profits actively providing city services prior to finalizing their contract, having it registered, and receiving funds. The city has... this administration has taken huge steps to address the issues that HSC raises in the first two years

of its administration such as the development of the HHS accelerator much more broadly beyond what it was initially thought to do and... which simplifies the procurement process for thousands of providers. Today the committee will hear from MOCS and the folks from the HHC accelerator team about the city's effort to strengthen the provision of human services through more inclusive and efficient contracting that takes into account the needs of both providers and clients. I also believe this administration is making great strides, historic strides in making sure that their contract workers are being paid at least... at least \$15.00 an hour. And I commend them for that. The HH... the HSC report ends with a series of recommendations and I'm eager to hear from the administration about its efforts both in the past and currently to implement these recommendations. Before begin I'd like to acknowledge the members of the committee who have joined us today; Peter Koo from Queens, Council Member Deutsch from Brooklyn, yes. And also I want to thank my committee staff without whom we wouldn't be able to have a coherent hearing; Eric Bernstein my Committee Counsel, Kacie Addison [sp?]

the Policy Analyst, John Russell and Brandon West from the Finance Division, and my Legislative Director Sarah Mallory. Our hearing is going to begin with a short video produced by the Human Services Council that I think lays the groundwork for the types of services that we're talking about.

[video playing in background]

ALLISON SESSO: ...just like constructing a house requires different types of materials when you want to construct wellbeing you need to have different types of materials. Human Services are the foundation for wellbeing. Just like constructing a house requires different types of materials when you want to construct wellbeing you need to have different types of materials. You have to have community supports and resources. You need have to social interconnectedness and... and certain interventions. And so in New York those materials for building wellbeing are provided by nonprofit... Services are the foundation for wellbeing. Just like constructing a house requires different types of materials when you want to construct wellbeing you need to have different types of materials. You have to have community supports and resources. You

1  
2 need to have social interconnectedness and... and  
3 certain interventions. And so in New York those  
4 materials for building wellbeing are provided by  
5 nonprofit organizations.

6 UNIDENTIFIED FEMALE 2: Human services  
7 is all of those things that we need as individuals  
8 to be successful, to thrive, to be comfortable, to  
9 feel supported. For a lot of folks they need those  
10 supports that they... they don't have and they don't  
11 have access in their daily lives and they need  
12 organizations like goodwill and other nonprofits to  
13 make sure that those things are available to them.  
14 Goodwill has a long history of working with people  
15 with disabilities. People with disabilities have a  
16 20 percent plus unemployment rate. And so one of  
17 the things that you know we try and do is to help  
18 employers understand that this is a very important  
19 group of people that they should think about  
20 employing.

21 UNIDENTIFIED MALE: Whenever someone  
22 first comes into the clubhouse we don't look at the  
23 diagnosis. We're... we're not concerned about the  
24 diagnosis. We're... we're concerned about the person.  
25 The more that we're able to get out there and end

the stigma, end the shame of mental illness the more people that are going to accept and receive services earlier.

UNIDENTIFIED MALE 2: Well Children's Aid Society is a social service organization that's committed to helping young people be successful and here at this site we're committed to making sure that the young people are not on a pipeline to prison but on a pipeline to college by starting with our early childhood... ages 2.5 and providing services and supports all the way through high school to make sure that our young people go off to college.

UNIDENTIFIED MALE 3: I'll call myself like a son here because they're really nice to me and they're... it's just like... I feel safe here.

UNIDENTIFIED FEMALE 3: We had an interesting letter shared with us in essence a college application from a young man who talked about... that his father was named Milbank and he's referring to the Milbank Center and what it gave him and how attached he is and what it taught... in essence replaced the role that a father would have

in his life. I don't think it gets any more important than that.

ALLISON SESSO: Good Will and Children's Aid Society are members of the Human Services Council and they're two organizations that are of... 170 of our members so we have a very robust reach across New York Center. If the sector had more money they could take more risks, they could be more entrepreneurial in their thinking and they could think more strategically. Right now they're operating in emergency management mode on a regular basis. And so there's a real missed opportunity. What we do for them is we understand the challenges that they're experiencing and we see how those challenges are across the other members of the human services council. And so we organized a commission and we took a look at what are the financial factors, what are the relationship with government, what's the oversight mechanisms that we have in place, what is the overall model for the nonprofit, and what is broken about it and we've come up with a set of solid recommendations that we think is a way forward. We think that the sector absolutely can survive and can do really well. But

there's some serious changes that need to happen if we're going to be able to continue to contribute to communities going forward.

CHAIRPERSON ROSENTHAL: Okay I'd like to star of that video to come up, Allison Sesso from the Human Services Council. And Allison I'd like you to talk just a little bit about the findings in your report and your recommendations. But I'm going to ask you to limit your time because after the administration testifies I'd like to call you back up with other members of the commission who wrote the report. Okay?

ALLISON SESSO: Okay. Well first of all I just want to thank you for your leadership here and I do want to thank the administration for their partnership as well. They really worked us... with us before we put this report out. They worked with us since to really think about how we can address these issues. Oh sure. Yep, is that better? Is that better? Okay. So I do want to just thank all sides and say that this problem is not you know the result of any bad actors. It's... it's been 40 plus years in the making. And it's time that we sort of take a comprehensive look at this. When FECS fell I

1 think it was a wake-up call for our sector and it  
2 was a very scary moment. But there had been  
3 closures before that. I think what we realized  
4 through this is that it's not about the size of the  
5 organization. I think there was an understanding  
6 previously that this was about you know only... only  
7 small organizations couldn't hang here and that  
8 that's... that's what would really cause nonprofits  
9 to fall. And what we really realize is that it's  
10 not about size. It's about the margins as you  
11 mentioned in your opening the margins are thinning.  
12 And it's because... frankly it's just at the end of  
13 the day because for human service organizations  
14 which 18 percent of them are insolvent and that's a  
15 higher rate than... than other types of nonprofits.  
16 It's because of our relationship with government  
17 and the fact that our budgets are 90 plus percent  
18 funded with a formula that pays us 80 cents on the  
19 dollar. It's not you know rocket science to figure  
20 out what the problem is there. Yes. So I just want  
21 to say that. So the... so the recommendations...  
22 there's three major problems and eight  
23 recommendations. One is a round program  
24 collaboration in general and they need to bring  
25



nonprofits to the table together. So we asked to be brought in before RFPs are actually designed and so that our... we can think about what dollars are actually available and what we can do to solve a problem for that cost. The other thing is... and this is not a city created problem but it's one the city needs to focus on which is this pivot to Medicaid manage care and the connecting of the healthcare system and the human services system which theoretically is a good idea but I think the human services sector has been largely ignored and for us to make this pivot given the weakness financially of the sector is going to be very difficult. And while the state has created this problem the city needs to pay attention to it because it's going to matter for where the agencies that they do business with and the people that's... are in communities most importantly. And that's the key here that we care about the community. And then lastly it's about the oversight mechanisms. There's too many oversight mechanisms that aren't doing their job. There's a lot of different paperwork back and forth between nonprofits and government and we're not sure to what end. It is not that we don't want to be

accountable, we want to be accountable but it's a lot of wasted time and energy on stuff that we're not sure is looked at and it's helpful to making sure we're serving communities well. The next set of... of problems is related to underfunding which I talked a little bit about and unpredictable late payments. You talked a lot about this in your opening. I think the key here is the overhead rates and indirect rates that we need to look at. We look at things right now program by program and... you know aging versus child care and separate it like that which doesn't allow for there to be room looking at the entity itself that's doing business with the city. And so things like IT, building maintenance, program evaluation, risk assessment, accounting, all things that allow you to be a good steward of public dollars are missing from the system and nonprofits have a hard time investing in those systems. So we need to look at overhead rates. Unfunded mandates... every time there's a new policy change that increase our costs there's not necessarily a change in our reimbursement rates. Cost escalations, very few COLAs. One example is the COLA that was included in the budget last year

1 still has not reached the doors of the nonprofits.  
2 That's a problem. So this continues to be an issue.  
3 So... obviously rates; paying up front and timely  
4 which we've talked about... we can go back to the  
5 COLA issue later. Paying up front and timely,  
6 obviously we've talked a little bit about this,  
7 other places like New Jersey do have a regular  
8 payment schedule. It's not necessarily nine months  
9 later. It's automatic along the life of the  
10 contract every month. And then last we wanted to  
11 make sure that we looked... made sure that the  
12 nonprofit sector itself look itself in the mirror  
13 and understood the operating environment that we  
14 are in. We do not think that these changes are  
15 going to be fixed overnight. We'd love them to be  
16 but we also have to own the fact that this is the  
17 operating environment. Running a nonprofit in the  
18 human services world is a risky business.  
19 Unfortunately, it's higher risk than we'd like it  
20 to be but nonprofits need to figure out how to have  
21 risk management, their boards need to be involved.  
22 And then lastly HSC is working on developing an RFP  
23 rating system in which we will rate for risk RFPs  
24 so that non... nonprofit boards and execs can have a

better sense of whether or not something is risky.

So those are our... our recommendations and I know you have plenty of providers and others here today to color these in with exact examples. So I thank you again and I'm going to let other people talk.

CHAIRPERSON ROSENTHAL: Thank you so much Allison. Now I'd like to call up the administration. And I... I just want to thank Michael Owh and Dan Simon from the HHS accelerator... did I say HHC? I did, sorry. And I want to thank you for your patience this morning and taking the time to watch the video, to hear from Allison. I think that was incredibly impressive and respectful and I want you to know how much I respect you guys, you both in the work that you're doing. And I appreciate how difficult the task is. I think my council has to swear you in. Just so you know it's over my objections.

COUNSEL: Do you affirm to tell the truth, the whole truth, and nothing but the truth in your testimony before the committee today and to respond honestly to council member questions?

MICHAEL OWH: I do.

DAN LEHMAN: I do.

MICHAEL OWH: Alright can you hear me?

Okay, great. Thank you again. Good afternoon Chair Rosenthal and members... no one can hear me? That's not what my staff says. That's good, okay. Good afternoon Chair Rosenthal and members of the City Council Committee on Contracts. My name is Michael Owh and I'm the Director of the Mayor's Office of Contract Services and the City Chief Procurement Officer. Thank you for the opportunity to testify today about the city's efforts to strengthen nonprofits and the communities they serve. The city recognizes the importance of nonprofit organizations to communities throughout the five boroughs both as service providers and employers and manages a number of initiatives to support the nonprofit organizations. These initiatives have been delivered in close collaboration with nonprofits and advocates such as the Asian American Federation, Black Agency Executives, Coalition for Asian American Children and Families, Federation of Protestant Welfare Agencies, Hispanic Federation, Human Services Council, New York Immigration Coalition, The New York Urban League, UJA Federation, United Neighborhood Houses as well as

others. The city through its city service agencies MOCS and HHS accelerator is committed to offering quality services to clients and supporting our nonprofit providers throughout the procurement and contracting process. MOCS provides specific support to nonprofit providers as well as the city's human service agencies. In partnership with the council MOCS provides regular free trainings to nonprofit professionals and board members including subjects such as financial management and budgeting, board development and strategic planning, volunteer management, fundraising, and contracting with the city. To date MOCS has trained more than 4,000 nonprofit leaders and has provided trainings for council members and their staff. MOCS also operates in NYC nonprofits helpline and responds to more than 10,000 requests for assistance annually from nonprofits on questions related to city contracts as well as nonprofit governance. In addition, MOCS has completed hundreds of governance reviews which we leverage to develop and disseminate best practices for nonprofits in an effort to reduce risks for providers as well as a city. MOCS manages a group purchasing program which allows nonprofits

to maximize savings through volume purchasing and provides regular engagement through our helpline, website, and social media. MOCS also partners closely with the HHS accelerator team which is dedicated to reducing administrative burden and improving the business relationship between providers and city agencies through a series of activities. Collaborating with city agencies to standardize and simplify requests for proposals, a prequalification process where providers share their organizational profile and submit critical background documents once every three years, electronic issuance of RFPs and submission of proposals, electronic submission of budgets and invoices, a consolidated view of contract financial data and provider activity, and increased transparency for providers and agencies allowing providers to track the status of all procurements, proposals, contracts, budgets, invoices, payments, and amendments in the accelerator system. In addition to facilitating these operational benefits HHS accelerator is at its core a service organization committed to providing support to its users and stakeholders. Since the launch of

1  
2 accelerator in 2013 system users have grown by... to  
3 more than 7,000. We have more than 2,000  
4 organizations, mostly nonprofits prequalified and  
5 ready to respond to human service RFPs through the  
6 system. The accelerator team has conducted 255  
7 trainings or 1,878 provider staff and 91 trainings  
8 for 697 city staff of the various functional  
9 components of the system. And those numbers  
10 continue to grow as we offer ongoing training in  
11 person and online. The accelerator team is also  
12 present at each agency RFP pre-proposal conference  
13 to ensure providers are aware of what is necessary  
14 to compete. In addition, as an RFP due date  
15 approaches the accelerator team reaches out to  
16 providers to ensure that they feel comfortable  
17 working with the system and know how to submit. The  
18 city has issued 93 RFPs through the acceleration  
19 system thus far resulting in 1,451 awards. In  
20 addition to RFP's usage of accelerator financials  
21 the portal for contract budgets, invoices, and  
22 payments is also on the rise. In fiscal two... 2015  
23 financials managed 591 million dollars and 499  
24 contract budgets across six agencies. In fiscal  
25 2016 this has grown to 1.2 billion dollars and 656



contract budgets across nine agencies and in fiscal 2017 we expect financials will manage more than 1,900 contracts and more than two billion dollars in contract funding. This shift to standardize management of human service contract budgets, invoices, and payments not only reduces administrative burden for both the city and nonprofits by removing paper and providing financial controls but also provides tremendous transparency for providers as a manager of city funding portfolio. This administration understands the importance of strengthening communities through human service contracting and is committed to rethinking the process for procuring human services to ensure that the process reflects the administration's values. As the administration moves forward with ambitious reforms it is essential that our nonprofit sector is strong and viable to achieve these goals. The city currently contracts with approximately 1,200 organizations for four billion dollars annually in human services funding. A healthy sector requires diversity and we have been working with city agencies and our nonprofit stakeholders to promote equity through

community based program design in each RFP, increase access and community outreach during the RFP development proposal process, support the capacity of community based organizations, and further reduce administrative burdens. We are committed to addressing the needs of the sector to ultimately better serve the residents of New York City. We look forward to working together with the council to support the New York City nonprofit sector. Thank you again for the opportunity to testify today. I would be happy to answer any questions.

CHAIRPERSON ROSENTHAL: Thank you. David you want to chime... chime in yet? No, okay. So again I appreciate your being here. You know it's funny having MOCS here. You provide the overview of the contract procurement process but... and I know because you're... you have a great background you'll be able to help us within site into the agency process as well. So I really appreciate your being here. I want to ask a question on page three of your testimony. And it looks like you're really ramping up on the HHS accelerator. Do you have a goal for... of how you want to ramp this up... a

1  
2 strategic plan that you know you want to grow it by  
3 another 100 contracts each year or how is it that  
4 you think about it?

5 MICHAEL OWH: The expectation is that  
6 all human service contracts and new RFPs will be  
7 going through HHS accelerator.

8 CHAIRPERSON ROSENTHAL: By when?

9 MICHAEL OWH: Immediately. So any new  
10 RFP that comes out that's human service related  
11 then would have to go through accelerator.

12 CHAIRPERSON ROSENTHAL: Right. And in  
13 way you can pace that because the RFPs are like  
14 three year or six years so...

15 MICHAEL OWH: Exactly.

16 CHAIRPERSON ROSENTHAL: Okay got it. So  
17 do you guys in your review get to see... get a... do  
18 you look at the solvency, the fiscal solvency of a  
19 nonprofit as you're making the award?

20 MICHAEL OWH: So at the award phase  
21 there is a responsibility determination where we  
22 check on the business integrity of the  
23 organization.

24 CHAIRPERSON ROSENTHAL: Mm-hmm.  
25

1  
2 MICHAEL OWH: And there may be some  
3 financial components to that review. I don't think  
4 that financial solvency itself is... is something  
5 that we look at every time but if there is a  
6 question about solvency then that would go towards  
7 the responsibility of the provider.

8 CHAIRPERSON ROSENTHAL: Got it. And that  
9 would go to... Would MOCS do that review or the  
10 agency?

11 MICHAEL OWH: The agency would do that.

12 CHAIRPERSON ROSENTHAL: Oh, okay. Great.

13 MICHAEL: And MOCS would review.

14 CHAIRPERSON ROSENTHAL: Great. So the  
15 state of New... it's my understanding that the state  
16 of New Jersey's Department of Human Services has a  
17 policy which my committee counsel very kindly  
18 printed out and highlighted. And it authorizes  
19 initial advance payments on human service contracts  
20 whereby departments may issue the first payment to  
21 providers on or after the date in which the  
22 contract takes affect but before expenses are  
23 incurred or services are provided. Such payments  
24 are based on one month's estimated expenditures  
25 with the ability to secure greater initial payment

1  
2 where necessary to prevent providers from incurring  
3 cash flow problems. Does the city have a similar  
4 mechanism for upfront payments to providers? Would  
5 you consider adopting a similar policy to the one  
6 that New Jersey does?

7           MICHAEL OWH: We... our current standard  
8 human service contract has a provision that allows  
9 for advances. And I believe that most agencies take  
10 advantage of this provision for advances of...  
11 between one to three months is what we usually see.

12           CHAIRPERSON ROSENTHAL: Okay. You know  
13 I'm realizing when I sort of read through this last  
14 night it seemed to indicate that those things would  
15 be done but it was also after the contract had been  
16 approved. I wonder is there a difference between  
17 approved and registered and how much time that  
18 might take and when the advancement might happen.  
19 So for the city... our contracts we can... the agencies  
20 cannot access funds until the contracts are  
21 registered by the comptroller. And so we would wait  
22 until that occurred.

23           CHAIRPERSON ROSENTHAL: And so... okay  
24 great that's very helpful. Would you consider...  
25 would... is there any legal reason why we can't

advance money with a strong claw back provision to an agency... to a provider once they start providing the service and before the contract's registered.

MICHAEL OWH: So generally how the advancements work now for city funded contracts where advances are allowable we would give the advance at the beginning of the contract term and then usually at the annual... so if the contract started July 1 every July 1 you'd get an advance.

CHAIRPERSON ROSENTHAL: Mm.

MICHAEL OWH: And then the claw back would happen in the... in the last quarter of the contract.

CHAIRPERSON ROSENTHAL: And that's when like the audit would happen...

MICHAEL OWH: The audits could happen around that time. It could also happen after the contract year end.

CHAIRPERSON ROSENTHAL: Sorry we're going down a path that I didn't mean to go down. What if there's a contract where they start providing the service and then the city decides not to continue with that provider. Does that ever happen?

1  
2 MICHAEL OWH: It could happen for a  
3 variety of reasons but we would pay for the  
4 services rendered to that point where the decision  
5 was made to...

6 CHAIRPERSON ROSENTHAL: Okay.

7 MICHAEL OWH: ...move away from that  
8 provider.

9 CHAIRPERSON ROSENTHAL: Do they start  
10 providing the service before the contract is  
11 signed?

12 MICHAEL OWH: General... we do have  
13 contracts that... that start providing services  
14 before registration occurs and before the payment  
15 is able to be issued. And in those instances we  
16 would offer... depending on the need of the provider  
17 we would offer a cash flow loan through the fund  
18 for the city of New York and the...

19 CHAIRPERSON ROSENTHAL: Great.

20 MICHAEL OWH: ...returnable grant fund.  
21 And so we try to...

22 CHAIRPERSON ROSENTHAL: Got it.

23 MICHAEL OWH: ...come up with strategies  
24 for addressing some of these situations.

CHAIRPERSON ROSENTHAL: So that's the returnable grants fund.

MICHAEL OWH: Yes.

CHAIRPERSON ROSENTHAL: And I'm just curious about that. I'm going to sort of jump around. Oh I'd like to mention that two council members have joined us; Council Member Corey Johnson from Manhattan and Council Member Daneek Miller from Queens. Can I just finish this line and then if you guys have any questions... and just... so you guys know this is... this is a... Sorry. This is an oversight hearing just about the human services contract report, thank you. The returnable grant fund... is there ever a time when the fund does not have money to loan out? I remember learning two years ago when we had a hearing with them that their you know loss rate was tiny, you know like quarter of a percent or half a percent. So I'm not worried about that but are there times when there's no money for them to lend out?

MICHAEL OWH: So we haven't had that experience.

CHAIRPERSON ROSENTHAL: Okay.



1  
2 MICHAEL OWH: And we try to work very  
3 closely with the agencies and... and the fund to make  
4 sure that we're managing the... the amounts  
5 accordingly so that we don't have that experience.

6 CHAIRPERSON ROSENTHAL: When do the  
7 providers get information about the returnable  
8 grant fund. Is that like piece of paper that is  
9 always given out with the RFP or sort of at what  
10 juncture do they... can they start thinking about  
11 that?

12 MICHAEL OWH: So I... I don't know if  
13 agencies provide the information during the  
14 proposal conference but I do know that a lot of the  
15 information does occur once the awards are selected  
16 and a lot of agencies do orientations for new  
17 providers or for new contracts coming into the  
18 portfolio. And so during that time I expect  
19 announcement is made. That's usually when I would  
20 have... have made the announcement about...

21 CHAIRPERSON ROSENTHAL: Mm-hmm.

22 MICHAEL OWH: ...the fund. We also have on  
23 our website information constantly about the fund  
24 as well as an application.  
25

CHAIRPERSON ROSENTHAL: You answered my next question. Thank you. Do you watch the seasonality of the loan fund and have... how much are they... do they have to loan out now? I thought it was roughly around 100 million. I don't know why that's in my head.

MICHAEL OWH: I can get that... [cross-talk]

CHAIRPERSON ROSENTHAL: Okay no problem.

MICHAEL OWH: ...dollar amount for you. I can...

CHAIRPERSON ROSENTHAL: Thank you.

MICHAEL OWH: Yeah.

CHAIRPERSON ROSENTHAL: And if you could get that to me that would be great. And then also I didn't tell you I was going to ask that question so my apologies. Also if it's separated out for different programs... so if there's an amount that's explicitly for UPK or homeless services, whatever it is... if you could break it up that way.

MICHAEL OWH: I will.

CHAIRPERSON ROSENTHAL: Okay great. Thank you. Council Member Johnson did you have a question? Please.

COUNCIL MEMBER JOHNSON: Thank you Madam Chair. First of all thank you for having this hearing because this is a very important issue and one that we hear about all the time so I really appreciate the fact that you're having this hearing today. I want to thank you all for being here and... and just indulge me while I maybe ask some questions that may seem totally logical... logically answered or if ones that I would know but I just want to fully understand this because I chair the Health Committee in the Council. And I work with the chair of our Contracts Committee on the issue that we're talking about today which is the council has many initiatives, many of them are human services and health initiatives and the organizations that the council designates through those initiatives, organizations that we really care about and have worked with for years have historic relationships with and who provide so many of these local community services we hear time and time and time again that it can take 10 months, 12 months, 14 months, 16 months, 18 months to see the money that was designated to them. And when I go to the health department and I talk to the health

1  
2 department about that the health department talks  
3 about you know how stringent the city's procurement  
4 law is and that it is always going to take a long  
5 time. And reading the committee report on the  
6 SeaChange survey and analysis and report that was  
7 done... I just want to understand a few things. So  
8 the council designates an organization whether it  
9 be through our own individual discretionary expense  
10 dollars or whether it be through initiative  
11 dollars... [cross-talk]

12 CHAIRPERSON ROSENTHAL: And... I'm sorry  
13 can I interrupt you just... [cross-talk]

14 COUNCIL MEMBER JOHNSON: Yes.

15 CHAIRPERSON ROSENTHAL: ...real quick and  
16 keep going and whatever. I just want to make clear  
17 that I... this hearing is not about the city's... the  
18 city council...

19 COUNCIL MEMBER JOHNSON: Yeah.

20 CHAIRPERSON ROSENTHAL: ...discretionary  
21 awards or initiative funds. This hearing is about  
22 the HHS... HSC report which talks about a lot of the  
23 other contracts that you deal with on the health  
24 committee... more like... I'm making this up because I  
25

don't really know but I just am going to try here,  
like the doctor... the council on Ryker...

COUNCIL MEMBER JOHNSON: The doctor...  
[cross-talk]

CHAIRPERSON ROSENTHAL: ...contract... yeah  
on Ryker's for healthcare.

COUNCIL MEMBER JOHNSON: Like Corizon...  
the former Corizon contract.

CHAIRPERSON ROSENTHAL: Is that a fair  
statement? Did I... is that... I'm looking to people to  
help me out here. There are other types of  
contracts. I just want to make sure that we're not  
wading into waters that the administration is not  
prepared to answer. So I just want to get that out  
there. Council Member...

COUNCIL MEMBER JOHNSON: No, no I want  
to be... I don't want to ask the question if... if I'm...  
if I'm going down the wrong path. What... what I'm  
trying to understand is it looks like this is  
talking about... the committee report that I'm  
looking at right here is talking about challenges  
facing nonprofits in our city's contracting and...  
and they all have to go through a similar MOCS  
process which is VENDEX and the other things that

1  
2 get done. And my only sort of question is... is  
3 what's the... and I think the chair was hinting at  
4 this in her questions before this which is when a  
5 contract is given to MOCS from a city agency and  
6 the council has approved it or a council hasn't  
7 approved it, it just goes through an agency or city  
8 hall decides it's going through the procurement  
9 process... why is there such a... why is there such a  
10 long lag time between it being chosen or designated  
11 by a particular agency and the money actually  
12 getting to that service provider? I mean it depends  
13 on the city agency right? Some agencies take longer  
14 than others.

15           MICHAEL OWH: So I just want to clarify  
16 exactly the question. So are you specifically  
17 asking about discretionary contracts or just  
18 generally the whole contracting process?

19           COUNCIL MEMBER JOHNSON: Well both in  
20 some ways. I'm trying to... trying to differentiate  
21 why some... why some of these can move more quickly  
22 than others.

23           MICHAEL OWH: So... so I'll talk a little  
24 bit about the discretionary process just very  
25 quickly. As you know they... we work very closely

1 with the council once the awards are made to go  
2 through a... a clearance process... a prequalification  
3 and clearance process. And then at that point once  
4 an award is cleared by MOCS and the council then it  
5 would go to the agencies for contract development  
6 and ultimately registration. So this year we  
7 actually... as part of our... our initiatives to make  
8 the process more efficient we are allowing the  
9 prequalification to happen online through  
10 accelerators normal prequalification process in  
11 lieu of the paper process that existed before. And  
12 so we think that should free up some time early on  
13 in terms of the clearance and we hope that that  
14 will actually make things more efficient. Once it  
15 gets to the agency MOCS generally reviews things at  
16 the award phase when we... when we see a contract and  
17 the selection is made with the responsibility  
18 determination and other factors that are defined.  
19 We... I'm... I'm not sure exactly in terms of the lag  
20 time that you're referring to. I think you know  
21 there are a lot of... a lot of them are very fact  
22 specific depending on the contract. There might be  
23 a variety of reasons why certain things take longer  
24 than others but generally we don't see... we don't

1  
2 see a... a huge lag time at least from my experience  
3 on that... for that particular task.

4 COUNCIL MEMBER JOHNSON: Okay. Madam  
5 Chair I apologize that I was going in a direction  
6 that... that... that we... that this hearing was not  
7 about. The... the... the reason why I asked is because  
8 you know the... the tens if not hundreds of millions  
9 of dollars that either go through the RFP process  
10 because they're baselined or do not go through the  
11 RFP process because they're council designated and  
12 they go through a transparency resolution here at  
13 the council. The... the dozens if not hundreds of  
14 health and human service organizations that come to  
15 us and they say you designated us... and I have many  
16 that contacted me this month who said the council  
17 designated us last June either through designations  
18 or we won it through RFP and were told by the  
19 agency that we won it through RFP. And now we're  
20 three months from the end of the fiscal year and  
21 they still haven't seen their money. And so that...  
22 that is what I was trying to get at to understand  
23 the relationship between MOCS and the particular  
24 agency that the contract is going through and how  
25 we can get money to them more quickly given that



1  
2 we've seen so much insolvency and payroll to  
3 payroll issues for these nonprofit organizations  
4 that are health and human service related. So  
5 that's what I was trying to get at.

6 CHAIRPERSON ROSENTHAL: I feel a second  
7 hearing coming on.

8 COUNCIL MEMBER JOHNSON: Okay.

9 MICHAEL OWH: Council Member I just...

10 CHAIRPERSON ROSENTHAL: Thank you.

11 MICHAEL OWH: ...want to say that we share  
12 you know in your concern and the goal of getting  
13 money faster. I remember when I was actually at an  
14 agency even the \$3,500 contracts to a tenant  
15 association or a block association, these  
16 organizations you know better than I do they are  
17 made up of volunteers. And so they're not... they  
18 have regular jobs that they have to go to on a  
19 daily basis. They can't always come down to us at  
20 our schedule and... and making sure that they were  
21 being serviced in... in the best and most efficient  
22 way possible is something that we share so I'd love  
23 to talk to you more about that.

24 COUNCIL MEMBER JOHNSON: Thank you for  
25 indulging me Madam Chair.

CHAIRPERSON ROSENTHAL: And I also want to welcome Council Member Costa Constantinides who does not have a difficult name to pronounce unlike Council Member or Garodnick... or Groncheck [phonetic]. Okay. So I'm going to continue... did... hang on one second. Alright you're back to me I'm afraid. This is a little bit... we're segwaying all over the place. But... and if you could explain this a little better than I'm going to I'd appreciate it. MOCS has recommended that the Vendex threshold be raised to... applied to aggregate contract awards of \$250,000 and it's currently at \$100,000. If you could take one minute to explain that sentence and after that... let us know approximately how many vendors would be exempt from Vendex questionnaires if the threshold were raised to \$250,000.

MICHAEL OWH: So I'm going to have to get that second question... I'll get that... [cross-talk]

CHAIRPERSON ROSENTHAL: Okay.

MICHAEL OWH: ...data to you after this hearing. But as a matter of local law we have to collect Vendex information, a vendor questionnaire,

as well as a... as well as multiple principle  
questionnaires. And the vendor questionnaire...

CHAIRPERSON ROSENTHAL: Here.

MICHAEL OWH: There you go. ...actually  
has about 20 or so questions and about 50... 50... over  
50 conditional questions and that's just the start  
in terms of the questionnaire process. And there  
are additional principle questionnaires which I  
think there are about a dozen and then again  
conditional questions about 36 or so. And that's  
multiple questionnaires. So you can see that for a  
vendor that... that... for a provider and other vendors  
that do business with the city within a 12-month  
period that have an aggregate of \$100,000 or more  
of business with the city you would have to  
complete that paperwork either every time once  
every three years or every time there's also a  
change. There's also a process where we ask for a  
notarized form when there's no change which is a  
little bit faster but still a process. And so that...  
we're... we're hoping to increase the threshold to  
allow for... for providers to be able to... to ease  
some burden to some providers.

CHAIRPERSON ROSENTHAL: Got it. And just to be clear if the aggregate contracts are less than 100,000 they don't have to fill out all this paperwork?

MICHAEL OWH: Not the complete form, yes.

CHAIRPERSON ROSENTHAL: Okay. And is this paperwork on or moving onto the HHS accelerator or is this paperwork that is not?

MICHAEL OWH: The Vendex process right now is managed by a group at MOCS. We have... we... we handle the data entry and the review process and the customer service related to those forms. But... but to the extent that that Vendex form might be needed to be attached to a proposal to an RFP then providers can provide that documentation through accelerator.

CHAIRPERSON ROSENTHAL: Okay sorry. I... it turns out women can't multitask as well as... so could you just say that again?

MICHAEL OWH: Sure. So in response to an RFP a provider might have to provide one of those Vendex forms, assertive no change or what have you. And so as part of the proposal submission they can

1  
2 attach that document with their proposal. And so to  
3 that extent accelerator is managing some of the  
4 flow of Vendex documentation but the questionnaires  
5 themselves are not an accelerator.

6 CHAIRPERSON ROSENTHAL: Okay. And could  
7 you envision a world when it would be all digital  
8 and not paper?

9 MICHAEL OWH: That's one of my dreams.

10 CHAIRPERSON ROSENTHAL: We can all  
11 dream, right. Okay. Yeah I mean... Wow.

12 MICHAEL OWH: And actually you know one  
13 of the ways that we could require it is through a  
14 local law that would allow us to require the forms  
15 to be online.

16 CHAIRPERSON ROSENTHAL: And it... would we  
17 need state approval for that?

18 MICHAEL OWH: Not for the... not for the  
19 electronic portion.

20 CHAIRPERSON ROSENTHAL: But there would  
21 have to be local law for that to happen.

22 MICHAEL OWH: We can offer it right now  
23 as an option.

24 CHAIRPERSON ROSENTHAL: Yeah.  
25

MICHAEL OWH: But in order to require we would need a local law.

CHAIRPERSON ROSENTHAL: Oh. Ooh. I feel legislative requests coming on. Okay in fiscal year '15 MOCS reported that the percentage of significantly retroactive contracts, those registered more than 30 days after the start date increased by 44 percent over the historic low of eight percent in 2014. There was also a corresponding increase in the number of days these contracts were retroactive from 41 days in fiscal year 14 to 90 days retroactive in 2015. I'm sure part of the answer to that is that you know the years in which a three or six or nine-year contract comes due. Are there other factors that fed into that?

MICHAEL OWH: I think the last two years in particular we've seen an increase in funding for the sector as well. More programs, more new programs, or an expansion of existing programs. And so you know our goal at the end of the... at the end of the day is to have no contracts be retroactive. But if we have a choice I think one of the... one of the interesting things about this job and I think

for the agencies is always balancing sort of the choices that we have and if we had a choice between making sure that the service was started on time versus getting a contract registered you know a little later we would always make the choice to get the... the... the services started first. And one example of that was back in 2014 when the mayor wanted to expand middle school programs for... for all middle school students we I think new in order to get the programs up and running or even allow for... we made some decisions. We said we wanted to make sure the providers could access funds starting in July 1 to account for some of the startup funding that happens even if programs start on September 1. And so we made... we knew that the contract would be late but we were able to use some... we were able to leverage accelerator, work with the providers, and also leverage some creative proposals, proposal processes to make sure that we release an RFP in March. We got awards made in June and providers were able to start up even though we couldn't get the contract registered by July 1 they were able to start up by then. And so I think those are some of the... some of the things that we're

1  
2 working on. But again we... we know that it's a  
3 challenge for retroactive contracts and we hope  
4 that someday soon that that number is zero.

5 CHAIRPERSON ROSENTHAL: You know I'm  
6 trying to think of a comparable on the construction  
7 side. I mean it wouldn't be the case... if you said I  
8 have to build a bridge right... the contractor, the  
9 contract would be signed, sealed, and delivered  
10 before payment, before work started and before  
11 payment started. And similarly you must have sort  
12 of retainer contracts for emergency work, emergency  
13 bridge work or... But the decision for those  
14 contracts when they're on retainer or you know when  
15 they're there to do emergency work like we have now  
16 a major sinkhole at 96 and Broadway... or West End  
17 Avenue actually and DOT is out there and Con Ed's  
18 out there. And it's all contractors of course. It's  
19 not the agency itself, it's contractors doing the  
20 work. Could we ever have those types of contracts  
21 with human service providers where you know we know  
22 we're going to... we know... we already have select...  
23 you've already done an amazing job selecting the  
24 after school providers. And they're in the... in the  
25 system. And if next year population grows and we



1  
2 need three more placements and we're going to  
3 extend the contract of some providers who are  
4 currently there would that be an opportunity... are  
5 there contracts like that? I'm trying to figure out  
6 how we move the human service contract world where  
7 you're paid by what is available to pay to the  
8 construction contract world where you're paid for  
9 the cost of the... the true cost of a service. Would  
10 there be an opportunity for that?

11 MICHAEL OWH: I think in terms of the  
12 retainer style contracting that you were thinking  
13 about I think that's a really interesting idea. I  
14 would love to explore that more. One of the things  
15 that we're actually exploring is thinking about the  
16 marriage between the provider... the actual services  
17 and then also technical assistance and capacity  
18 building services that we can offer providers. And  
19 if we could maybe do retainer style contracts for  
20 those type of services then we could actually  
21 assist nonprofits as they build programs or if they  
22 run into issues or support them as a... as a just go  
23 through the natural growth as an organization. But  
24 I haven't thought of it in the... exactly the way  
25

that you described it and would love to talk to you more about that.

CHAIRPERSON ROSENTHAL: Great. Thank you. And I think in a way small business services does... do that for small... electrical firms.

MICHAEL OWH: Right. And they do it for MWBEs and...

CHAIRPERSON ROSENTHAL: Right.

MICHAEL OWH: ...so it's a good model.

CHAIRPERSON ROSENTHAL: The difference is... is that these are providers who know what they're doing and who are like prime contractors who really are already there and doing the service well and it's concerning to think they're being paid 80 cents on the dollar and trying to figure out how we get there. I don't know is that more of a budget discussion than a MOCS discussion?

MICHAEL OWH: I think... I think it's... it's really complicated right. I think it's also... depends on the organization. So some organizations may... it may cost them you know X dollars to provide a service and another organization it might cost them a different dollar amount depending on how the organization is structure. And so I... I... I feel like

1  
2 it's... it's definitely... it's something that we talk  
3 to HSC and other organizations about a lot. Like  
4 how do we... how do we come to a place where we  
5 understand what the true cost is and I think it... it  
6 makes sense to continue the conversation and figure  
7 out ways to do that.

8 CHAIRPERSON ROSENTHAL: Right. So  
9 providing homeless services in Manhattan where rent  
10 is a lot more... is a lot higher. It would be  
11 unreasonable to be able to expect them to be able  
12 to find a place that would cost the same amount.  
13 Council Member Constantinides has left but the same  
14 amount in you know the outer... farther... outer  
15 boroughs where it might be less expensive. Not  
16 casting any aspersions one way or the other but  
17 where it just might be cheaper for the rent.

18 MICHAEL OWH: Right. And in... and in that  
19 instance I think the proposal process would allow  
20 for the... for rent and other things to be included  
21 as part of that... that shelter service. But again it  
22 would... like you said it depends on where you are,  
23 who the organization is as well.

24 CHAIRPERSON ROSENTHAL: Okay. Let's see...  
25 oh do you know of any human service vendors who

1  
2 have had to either in addition or in lieu of the  
3 returnable grant fund had to borrow from a bank to  
4 pay for the services that they're providing?

5           MICHAEL OWH: I don't have any specific  
6 examples but I do know that organizations do have  
7 other lines of credit as well as loans for various  
8 needs.

9           CHAIRPERSON ROSENTHAL: Does the city  
10 ever cover the cost of those interest payments if  
11 the... if the nonprofit has to you know get a loan?

12           MICHAEL OWH: if they have to get a loan  
13 to provide the actual service?

14           CHAIRPERSON ROSENTHAL: Yeah and they...  
15 they... for some reason they're maxed out or there's  
16 no money left available at the returnable grant  
17 fund. I know the criminal justice agency when they  
18 testified two years ago they talked about having to  
19 take out millions of dollars in loans above and  
20 beyond whatever the returnable grant fund could  
21 provide them.

22           MICHAEL OWH: So... I... I would like to  
23 talk to you about that one because I think... what we  
24 encourage is if it's for the contracted services we  
25 would encourage use of the... the loan fund because...

CHAIRPERSON ROSENTHAL: Is there a cap on how much they loan out to any single provider?

MICHAEL OWH: We look at the amount as part of the application process. The agency also looks at the amount to see what's appropriate but there's no hard cap on that.

CHAIRPERSON ROSENTHAL: Okay great. Do you know how much money was loaned out last year?

MICHAEL OWH: I do.

CHAIRPERSON ROSENTHAL: Or...

MICHAEL OWH: Yeah I actually have it.

CHAIRPERSON ROSENTHAL: ...you can get it, it's no rush but also do you have...

MICHAEL OWH: I'll get it to you.

CHAIRPERSON ROSENTHAL: ...a sense of this year maybe how much money they have available to loan and how much they've loaned out this year?

MICHAEL OWH: I'll... I'll get the data to you.

CHAIRPERSON ROSENTHAL: Oh great. Thank you.

MICHAEL OWH: Actually here we go. That's why you bring the team. So for fiscal '15 we

1  
2 had... we loaned out six... 765 loans for a total of  
3 77.2 million dollars.

4 CHAIRPERSON ROSENTHAL: Can you say that  
5 again? It's really hard to hear you.

6 MICHAEL OWH: Oh. Seven...

7 CHAIRPERSON ROSENTHAL: Can you sit  
8 really close to...

9 MICHAEL OWH: Yeah.

10 CHAIRPERSON ROSENTHAL: ...the mic, thank  
11 you.

12 MICHAEL OWH: 765 loans for a total of  
13 77.2 million dollars in fiscal '15 and we will get  
14 you the fiscal '16 numbers as well.

15 CHAIRPERSON ROSENTHAL: Okay. Do you  
16 know of 700... so you gave out 765 loans? We contract  
17 with the fund for... City of New York to give out the  
18 loans. Do you know how many nonprofits applied for  
19 loans? In other words, did all the ones that apply  
20 get the loan?

21 MICHAEL OWH: I can get the exact figure  
22 for you but just based on my memory any application  
23 that made it to us they were funded. But the  
24 agencies actually handle the first line for the  
25 application so they may have... they may have not

1  
2 sent the application over to MOCS for disbursement  
3 because maybe the contract was already registered  
4 by that time or some other... some other reason.

5 CHAIRPERSON ROSENTHAL: Okay. And do you  
6 know times when the fund has rejected a request for  
7 a loan?

8 MICHAEL OWH: If we... if the city  
9 approves it...

10 CHAIRPERSON ROSENTHAL: Ah.

11 MICHAEL OWH: ...I have... I do not.

12 CHAIRPERSON ROSENTHAL: It already goes  
13 over approved?

14 MICHAEL OWH: Right. Right. I don't  
15 remember...

16 CHAIRPERSON ROSENTHAL: Do they ever go  
17 over... do nonprofits ever go over without a  
18 recommendation from you, sort of on their own or  
19 no?

20 MICHAEL OWH: Not through this program,  
21 no.

22 CHAIRPERSON ROSENTHAL: Okay. Hang on  
23 I'm just taking notes. Alright if we could move  
24 onto the notion of a concept paper before RFP is  
25 produced can the administration provide specific

1  
2 examples of recent agency programs that have had  
3 significant input from providers at the concept  
4 paper development stage. And you gave a great  
5 training by the way to my staff to understand how  
6 that all works and thank you for that. My staff is  
7 still... so...

8           MICHAEL OWH: So I... I can get you  
9 examples from agencies directly but I will say that  
10 we've been looking at and working with agencies as  
11 well as the law department and other stakeholders  
12 to see how... how best we can use the concept paper  
13 process. So one of the... one of the recommendations  
14 that we are making two agencies is to do more focus  
15 groups, more outreach to the providers, to  
16 academics, to the community itself before putting  
17 together an RFP. That may mean that the... paper  
18 actually goes out way further...

19           CHAIRPERSON ROSENTHAL: Higher.

20           MICHAEL OWH: ...before the RFP is  
21 actually released. And so you know we're hoping  
22 that we can... you... you'll see more of those.

23           CHAIRPERSON ROSENTHAL: Do you have a  
24 sense that the agencies feel they have enough  
25 funding to be able to do that? In other words,



1  
2 yeah... that they have the overhead necessary to  
3 properly pull together an RFP, to do multiple focus  
4 groups or...

5 MICHAEL OWH: We haven't heard any  
6 feedback to suggest otherwise. All the agencies in  
7 terms of this idea have been very supportive and...  
8 and I think they're looking forward to it as well.

9 CHAIRPERSON ROSENTHAL: Do you know if  
10 OMB gives funding for that?

11 MICHAEL OWH: I... I think... it would be  
12 part...

13 CHAIRPERSON ROSENTHAL: You wouldn't be  
14 expected to know but I'm curious.

15 MICHAEL OWH: I mean it's part of the  
16 RFP design management program development. And so I  
17 think that current... currently agencies are set up  
18 to do this. It's just a different way of doing it,  
19 not doing something new let... let's say but doing it  
20 maybe at a different time and changing maybe the  
21 manner that...

22 CHAIRPERSON ROSENTHAL: Okay. And then  
23 just a quick question on the notion of multiple  
24 audits that the video touched on. The Human  
25 Services Council recommends that the city accept

1 the federal OMB A-133 single audit document... a  
2 document I know we're all familiar with from non-  
3 profits where available in lieu of its own audits  
4 and if more program information is needed to  
5 supplement this form with program specific  
6 questions which has been done in other states like  
7 New Jersey and Connecticut would the administration  
8 consider adopting this approach for New York City  
9 and what would be your concerns or what would be  
10 the hurdles to doing that?  
11

12 MICHAEL OWH: So we recognize the  
13 administrative burdens and specifically related to  
14 these audit. I think this is another question of  
15 balance. The agencies I know have... feel like they  
16 have to audit or they might have requirements to  
17 audit for each contract that they have with an  
18 organization. And on the organizational side I  
19 completely understand the burden and the time that  
20 it takes to respond to each one of those. And so  
21 we're looking at ways to ease that burden to make  
22 the process much more efficient. Just this year  
23 MOCS actually took over management of the city's  
24 shared services audit contract portfolio. And so  
25 we're using that as an opportunity to discuss with

1 agencies and others on how best to use that tool.  
2  
3 And we're again engaging with the sector and  
4 talking to non-profits directly about how to... how...  
5 what... what makes sense. Like what... what is going to  
6 actually address the potential risks that agencies  
7 in the city may feel is occurring and how... how best  
8 to deal with the administrative burdens that the  
9 organizations feel as well.

10 CHAIRPERSON ROSENTHAL: You know there  
11 was ABNY panel discussion about the human services  
12 cancel report and I'm forgetting the number but  
13 David Rivel from the Jewish Board said how many  
14 days... or times his organizations get audited. I'm  
15 forgetting the number. It was a very large number.  
16 And it's good to hear that... 240 or something, it  
17 was a large number. And it's good to hear that  
18 you'd be working with agencies to figure out how to  
19 minimize that number. That's something that I would  
20 be interested in pursuing with you. It does seem  
21 like the... sense I got from that panel discussion  
22 was that all other work shuts down when an  
23 inspector comes in and so these organizations that  
24 are just trying to do... you know provide these  
25 services for people with real needs they're really

1  
2 distracted by the audit process, the inspectors  
3 coming in. And it strikes me that there would be  
4 opportunities to consolidate that. So thank you.  
5 Glad you're interested in working on it. Who... could  
6 you tell me again who... who figures out what the  
7 indirect cost should be in any contract?

8 MICHAEL OWH: So generally indirect  
9 costs are developed by the organization, so by the  
10 nonprofit provider. There are depending on the  
11 program and the funding stream there are either  
12 caps or floors for each contract. But the nonprofit  
13 itself would be the one developing its own indirect  
14 rate.

15 CHAIRPERSON ROSENTHAL: And so they  
16 would be putting that in as part of their bid?

17 MICHAEL OWH: As... as part of their  
18 budget in their proposal.

19 CHAIRPERSON ROSENTHAL: Mm-hmm. Okay. Do  
20 you... are you aware of the federal OMB guideline,  
21 the new federal OMB guideline requiring that a 10  
22 percent indirect cost that's included in the  
23 federal contract be passed along to providers and  
24 have a sense of where the city is on implementing  
25

that? And these are for federal grants that are passed down to cities or localities.

MICHAEL OWH: So I believe that we are... for the vast majority of our contracts are federally funded and... and are... are covered under the OMB super circular. I believe that we are in compliance. In a few limited instances I know we're working on... through implementation of the compliance plan.

CHAIRPERSON ROSENTHAL: So compliance means that 10 percent indirect cost is included in the payment to the provider.

MICHAEL OWH: That we would accept a minimum of 10 percent in the... in the budget line as part of their contract.

CHAIRPERSON ROSENTHAL: Right. Just... is this an unfunded mandate by the federal government? In other words, are agencies able to... organizations able to provide as much service if they include the 10 percent indirect costs?

MICHAEL OWH: I'm going to look into that for you. The... the federal government is not... from what I understand is not giving more funding to account for this particular floor.

CHAIRPERSON ROSENTHAL: And they're not giving more funding which... okay so it... okay so I'm going to call it an unfunded mandate.

MICHAEL OWH: Well but you know indirect itself I think is just very complicated and I know that the federal... the federal circular also applies to certain programs that aren't covered by their own legislation. So certain programs that have indirect funding allocated within the legislation wouldn't be covered under that right. And there's also... it's...

CHAIRPERSON ROSENTHAL: Complicated.

MICHAEL OWH: It's very complicated.

CHAIRPERSON ROSENTHAL: But not impossible.

MICHAEL OWH: And actually even... [cross-talk]

CHAIRPERSON ROSENTHAL: And then... go...

MICHAEL OWH: Go ahead.

CHAIRPERSON ROSENTHAL: ...go ahead.

MICHAEL OWH: No, go.

CHAIRPERSON ROSENTHAL: I'm wondering is it your interpretation of that 10 percent overhead that that's part of the provider's budget or is

that 10 percent supposed to cover the cost of a state or a locality passing on the money for that program?

MICHAEL OWH: So the... the rate itself is for each organization.

CHAIRPERSON ROSENTHAL: Okay. I've heard stories about states taking out a piece of that. The state taking out a piece and saying we need this money to administer passing along this contract. But that's not something New York City does or that you've really heard of?

MICHAEL OWH: I'm not familiar with...

CHAIRPERSON ROSENTHAL: Okay.

MICHAEL OWH: ...that particular issue.

CHAIRPERSON ROSENTHAL: Okay. I think I'm going to stop because it's been a long time. And you've been so kind in answering all these questions. We have more so we're going to send them to you. And I hope someone from your staff can stay and hear the concerns of the nonprofits who are going to testify now. And I look forward to working with you to come up with a great procurement reform.

MICHAEL OWH: Thank you very much.

CHAIRPERSON ROSENTHAL: Alright. Next I'm going to call up first the people who were... the organizations that were on the commission that produced the report. So I know that's Allison Sesso from the Human Services Council and I know that's Marla Simpson from Brooklyn Community Services but Allison can you give me a hand? Are there a couple other organizations here that were on your commission?

ALLISON SESSO: Yes, there's a number of them. UJA federation was part of it. Ian Benjamin was one of the commissioners from NPCC. Pat Jenny from New York Community Trust. Sorry what... [cross-talk]

CHAIRPERSON ROSENTHAL: How many did you say so far?

ALLISON SESSO: That's one, two, three. I'm sorry who else was on the actual commission.

CHAIRPERSON ROSENTHAL: Urban Pathways. Okay we can have two panels. Don't worry it's... over.

ALLISON SESSO: Yeah.

CHAIRPERSON ROSENTHAL: So although I... I'm going to ask you to... limit each of you to limit



your colleagues to three minutes each and if we run out of time we'll... we may have to shorten it. I apologize. And there is a gentleman here, Doctor Jeremy...

ALLISON SESSO: Kohomban.

CHAIRPERSON ROSENTHAL: Thank you. Who I know has to leave. Is he... was he part of the original group?

ALLISON SESSO: He... he should be up here as well, yes.

CHAIRPERSON ROSENTHAL: Okay so...

ALLISON SESSO: ...part of...

CHAIRPERSON ROSENTHAL: ...if I could ask... thank you for moving that around. So introduce yourself so my general counsel knows who's here because I've thoroughly confused him now. Allison why don't we start with you and then move on. And I just want to make sure the clock at three minutes. Thank you.

ALLISON SESSO: Okay so I'm going to take my three minutes. My name is Allison Sesso. I'm the Executive Director of Human Services Council. My... I'm right at the mic. I just wanted to point out a couple of specific things that the

council could do in terms of actions related to the report. Before I laid out our recommendations overall but I wanted to be specific to the council. On indirect I believe that you could think about legislating here. We are happy to talk to you more extensively about what that would look like. You had very good questions about the OMB guidance and the indirect rates and how they're set. It is a extremely complicated issue but I think we have to base it in the reality that when you're working in an environment whether you're paying 80 cents on the dollar paying the overhead rate gets much more complicate. And so that's why in part the indirect rates are low because we're not... we're not looking at all program costs and we're not paying what it really costs and... and so that conversation needs to happen and I think we also need to be... have a real moment in which we look at what... what our willingness is to pay more money. You talked about an... this being an unfunded mandate, we may need to understand that... that we have to reduce what we expect from providers and what the city is buying if they are not willing to put more money in. That is not our priority here. We would prefer there to

be more money to pay for overhead but we have to be realistic about what's available in the budget and we still need to fund the program as a whole including indirect and overhead. Cost escalation I think we have a real problem here. We would like on the OTPS side for the council to do a one year 2.5 percent increase on the OTPS lines of all city contracts and it's... we understand it's one-year funding and it can go for general operating support and we estimate it would cost between 20 and 30 million dollars. Cost of living adjustments and minimum wage adjustments we would want some assistance here in working with the administration to ensure that we get paid quickly on COLAs and that this coming year's budget includes at least a five percent cost of living adjustment and there's a conversation about we appreciate that the mayor has agreed that he's going to raise the minimum wage and we support that and that he's going to fund it which is incredible but we have to talk about compression funding and so what it means to the rest of the workforce impacted. We want to talk also about the idea that Vendex, you talked a little bit about this that we can do legislation

1 here and we should talk more extensively about  
2 that. That's something that the council can do. And  
3 then in terms of risk management I think more  
4 hearings like this that really... specific RFPs as  
5 they come out that draw out the risks associated  
6 with individual RFPs particularly once we have our  
7 raider out to working conjunction on that would be  
8 very helpful.  
9

10 DOCTOR KOHOMBAN: Right. I think I'm on.  
11 Thank you Chair Rosenthal and the committee. I'm  
12 Doctor Jeremy Kohomban and I represent four  
13 organizations that employ over 1,500 New Yorkers.  
14 Together the Children's Village Harlem Dowling  
15 Inwood House and the Bridge Builders Community  
16 Partnership in High Bridge serve more than 28,000  
17 New Yorkers. We serve a broad range from children  
18 considered to be at the highest risk for harm to  
19 children and families who simply need a mill or a  
20 safe and affordable place to call home. We have  
21 benefited from your leadership and the leadership  
22 of the administration. The 2.5 percent COLA was  
23 helpful. The push for equity that represents both  
24 the people that we serve and our employees makes a  
25 lot of sense and it's much needed. But we

absolutely feel that government has left us behind.

In fact, I would go further by saying that

charities like us created the city safety net and

during crisis we are the lifeline that New Yorkers

came to depend on. We are embedded in communities.

Many of us are available around the clock. And in

many cases we are the visible representation of

responsive government in our communities. Our

entire sector provides services at rates that are

far less costly than any government agency. Despite

this reality contract reimbursement as you yourself

raised often refuses to take into account the

annual escalations including healthcare which is...

which is just a basic human right and the cost of

living and a living wage for our employees. At the

children's village our federally approved indirect

overhead rate is 13 percent but New York City caps

our indirect overhead at 10 percent forcing us to

absorb the additional cost. In addition to this

underfunding we also deal with delayed

reimbursement and the often hidden cost of

unreimbursed in... interest payments that we are

forced to make on extended credit lines. While we

are untiring in our fundraising our donors are most

1 interested in helping children and families and  
2 least interested in subsidizing what they see as...  
3 what they increasingly see as government shirking  
4 its responsibility. I would be remiss if I did not  
5 note that without our generous donors the  
6 children's village would not be in a position to  
7 serve New York City as we do today. Mandate  
8 overload and confusing and competing regulations  
9 are an additional burden as you've already heard  
10 with real human and financial costs that continues  
11 to be a trend of well-intended mandates and  
12 regulations that are imposed on us with not  
13 additional reimbursement. There's also... culture  
14 that shifts liabilities to the agencies that do the  
15 work on the front lines and creates a cultural feel  
16 among our employees because we are constantly  
17 running to keep up with mandates that continue to  
18 change every day. Thank you.

20 MARLA SIMPSON: Hi. I'm Marla Simpson. I  
21 am the President/CEO of Brooklyn Community Services  
22 and I thank you all so very much for holding this  
23 hearing and for the attention you're paying to this  
24 issue. I turned over a full copy of my testimony  
25 and I won't take the time to do that. I want to

1 highlight a couple of issues that came up in the...  
2 in the prior discussion and perhaps can be the  
3 subject of additional back and forth. The situation  
4 with... with indirect is complicated but it's not so  
5 complicated that we can't solve it. The issue as  
6 Allison alluded to is really what are we trying...  
7 what is the city trying to pay for. And ultimately  
8 the cost is what the cost is. And so if you think  
9 of it as an unfunded mandate from the government,  
10 from the feds, you're sort of missing a piece of it  
11 because the feds did not necessarily say. And there  
12 are some exceptions to this but most of the time  
13 they didn't tell you how... what the service level  
14 was you had to buy. And so the question isn't  
15 whether or not the amount of overhead that the fed...  
16 and again the federal mandate is not just 10  
17 percent. The federal mandate is to pay the  
18 federally approved rate or a minimum of 10 percent  
19 whichever is the... the correct one for that  
20 organization. So in Jeremy's case it would be 13  
21 percent. For my organization we're a little smaller  
22 and it's a 15 percent rate in terms of what we... our  
23 federal rate is. And we get initially from the...  
24 from the city 10 percent on most contracts. But

1 because contracts last so long that 10 percent rate  
2 that we start with is usually three percent or five  
3 percent later in the contract because all of our  
4 other bills have to be paid. And as we pay rent and  
5 we pay utilities and we pay insurance our effective  
6 overhead rate goes down. As someone who's spent a  
7 long time in government I'm well aware that the  
8 government, as much as we would argue and really  
9 this administration, this council's done a  
10 wonderful job of enhancing the funding for... for  
11 this sector. But there will be years when perhaps  
12 you can't necessarily just add money to reflect the  
13 additional cost that we are experiencing. But it is  
14 possible 'till... and... and again no one's going to be  
15 more compassionate at trying to figure out how to  
16 do this than we are but you need to say to us okay  
17 if your costs are up and you document that then  
18 that's what you spend your money on and your  
19 service level will have to go down because we can't  
20 give you more money for service. And while we would  
21 on behalf of our clients be disappointed in that  
22 result at least we would survive to fight another  
23 day in the sense of... and... and look for better  
24 times. And again we... then we can turn around to our



1 donors and say look we are being paid by the  
2 government the full value of what we are... what the  
3 government is contracting with us for and there  
4 still is need that cannot be accommodated and we're  
5 therefore looking for additional resources. And I  
6 think that calculation would work much better than  
7 the current system which is really as you say  
8 paying 80 cents on the dollar.

10 CHAIRPERSON ROSENTHAL: And can I ask  
11 you really quickly with that... could you carve out  
12 the indirect costs at the... at the beginning and  
13 then you know when you're putting the dollar value  
14 of the contract in the budget just have that piece  
15 you know increased by five percent every year or...

16 MARLA SIMPSON: You could...

17 CHAIRPERSON ROSENTHAL: ...opportunity for  
18 reevaluation of indirect costs at a three-year mark  
19 or whatever?

20 MARLA SIMPSON: You could do it in... in  
21 any benchmark that worked. The feds actually have a  
22 process once a year where we have to recertify our  
23 rate and it does fluctuate within a few you know  
24 tenths of a point up and down based on the kinds of  
25 expenses that go into that. So you could either say

1 if you have a federal rate just plug it in each  
2 year and that's your net... that's your rate on the  
3 city or for administrative simplicity you could say  
4 every three years or whatever just...

5 CHAIRPERSON ROSENTHAL: Yeah.

6 MARLA SIMPSON: ...true it up again every...  
7 every... every now and again and that would work. We  
8 have to... I mean all agencies are looking at our  
9 contracts on an annual basis. They're looking at it  
10 really for invoicing on a monthly basis. It's easy  
11 to track with... if in... if health insurance... I mean  
12 my organization for example we had a 18 percent  
13 increase in one year.

14 CHAIRPERSON ROSENTHAL: Wow.

15 MARLA SIMPSON: And that was a... you know  
16 we had to absorb that in most of our contracts  
17 because there was no provision to you know to have  
18 that adjusted even though initially it had been a  
19 fully funded cost.

20 CHAIRPERSON ROSENTHAL: Somehow... well  
21 I'll continue this discussion... sorry.

22 PARICIA JENNY: Okay. Good afternoon. I  
23 am Pat Jenny. I am Vice President for grants at New  
24 York Community Trust which is the community  
25

1 foundation for New York City. And I manage what we  
2 call our competitive grants program which  
3 distributes about 40 million a year in grants  
4 largely to New York City nonprofits. So in order to  
5 accomplish our goals the trust and every other  
6 foundation in this city relies on an innovative,  
7 productive, and thriving nonprofit sector. So like  
8 the city government nonprofit organizations are our  
9 partners. We only supply the money, they get the  
10 job done. But with the release of these reports  
11 from human services council and SeaChange as we've  
12 been hearing this afternoon none of us can avoid  
13 facing the fact that many nonprofit organizations,  
14 especially those that deliver human services are  
15 teetering on the brink of financial insolvency. Why  
16 does philanthropy care about this? Well as I  
17 mentioned like government foundations are the  
18 bankers for nonprofits. Most of us take credit for  
19 the accomplishments of these organizations and if  
20 they're not solid they can't accomplish what we  
21 collectively aim to achieve. Actually we...  
22 foundations like city government sometimes seek a  
23 bargain by asking for the moon but not paying for  
24 the complete cost of getting there. And in reality  
25

each foundation has its individual approach to funding. Some provide general operating support often to a similar group of nonprofits over time. Of course this is the most desirable kind of money from a foundation from the nonprofit perspective because it can be used for any purpose. At the trust we support specific projects but we always include the administrative costs in the project budgets even if we are not covering the entire budget. We are the community foundation for the city. And in that role we've always been concerned about solvency of the nonprofit sector. And in fact are one of the only foundations that pays about a million dollars a year in technical assistance to organizations regardless of whether they are a grantee of the trust or not. For example, we help support the reports of Human Service Council and SeaChange and our senior program officer served on the taskforce. We worked with the council to do a briefing at philanthropy New York, our trade association to inform foundations about this issue. We have made a grant to the Rockefeller Institute at SUNY Albany to work with state OMB on case studies of how it can adapt to the new federal

1 guidance on indirect rates. But we all need to be...  
2 more. Philanthropy, city, and state government and  
3 nonprofits are really in this together.  
4 Philanthropy though cannot fill the gap that  
5 government creates by not paying for the full  
6 administrative cost. Thank you.  
7

8 CHAIRPERSON ROSENTHAL: If you could  
9 just wrap up real quick.

10 PARICIA JENNY: Okay. Let me just say  
11 that we have learned from foundations in other  
12 parts of the country that New York City is kind of  
13 out front of this right now. We have the largest  
14 nonprofit sector by far of any other city. So what  
15 we do here in the city on this topic is of  
16 obviously lots of importance for nonprofits here  
17 but also for those across the country. Thanks.

18 CHAIRPERSON ROSENTHAL: Thank you.

19 IAN BENJAMIN: Thank you very much for  
20 holding this hearing. My name is Ian Benjamin. I am  
21 here in my volunteer role as chair of the Board of  
22 Directors of the Nonprofit Coordinating Committee  
23 of New York. I also in my non-spare time serve as a  
24 partner in the county firm RSM where I lead  
25 nonprofit services practice in New York. I was a

member of the Human Services Commission also. The... the nonprofit community is hugely important to New York as we've heard today. There are over 30,000 registered nonprofits in New York City generating over 100 billion dollars in revenue. The nonprofit community employs hundreds of thousands of New Yorkers who provide services that each of us receives and takes advantage of every day. The recent reports from the Human Services Council and others have demonstrated that we are at a critical crossroads. Large social service agencies are going bankrupt and fewer than 30 percent of nonprofits are financially strong. As an auditor I have worked with New York nonprofits for more than 30 years. In my experience nonprofits and in particular those that fund their activities with state and city grants do not receive adequate funds to cover all the costs of the services they contract to provide. As we just heard foundations do not always provide those costs either and it would be fair to say that most people that you meet on the street do not understand the concept of the need to fund indirect costs. We've heard from MOCS earlier today that they are looking at how to ensure that they comply

1 with the requirements from the I think he called it  
2 the super circular so the new federal guidance.  
3 That new federal guidance only applies to federal  
4 money as you pointed out. But the city needs to pay  
5 for all of the services that it provides at the  
6 full amount, not just the federal money. And in  
7 fact agencies that are receiving city money do not  
8 always know what percentage of that money is  
9 federal money until after a grant is completed. And  
10 we also need to be really careful not to get caught  
11 up with this 10 percent. It is the rare nonprofit  
12 that can keep its indirect cost rate at close to 10  
13 percent. The more common percentage is 25 to 35  
14 percent and that doesn't mean that the nonprofit is  
15 not operating efficiently. That means that that is  
16 what it costs. We've also touched and heard about  
17 the audit mandate and the huge drain that there is  
18 on nonprofits from having to address hundreds of  
19 audits each year. And we would very much like to  
20 see a single audit enacted for New York City and  
21 the state but we can't do everything here today.

22  
23 CHAIRPERSON ROSENTHAL: Thank you.

24 LOUISA CHAFEE: Thank you Chair

25 Rosenthal and the entire contracts committee for

1 providing the opportunity to give you my highlights  
2 of testimony today. My name Louisa Chafee and I'm  
3 the Senior Vice President at UJA Federation which  
4 is one of the largest local philanthropies in the  
5 country. Central to UJA's mission is caring,  
6 assisting the vulnerable in our communities and  
7 working with agencies in the UJA network to do so.  
8 Your website, the city council website states that  
9 the city council's committee on contracts is  
10 responsible for ensuring that the city purchases  
11 goods and services that are high quality,  
12 efficient, and cost effective to the city tax  
13 payers. Today in my testimony I will use your goals  
14 as a frame for the current challenges the nonprofit  
15 sector faces. A series of the issues raised in the  
16 HSC report and testified today speak to reductions  
17 in efficiency. These include the lack of  
18 consultation in RFPs which ignore the expertise of  
19 the nonprofit sectors and fosters procurement  
20 structures that are unrealistic causing taxpayer  
21 monies to be spent unwisely. The current structure  
22 of audits without government agencies coordinating  
23 with one another is intensely inefficient. Moving  
24 towards a coordinated risk based approach would  
25



lessen the workload and increase overall knowledge.

Cost effectiveness; over the years the growth of procurements that do not cover actual costs have led to situations at odd with cost effective values. For example, contract structures that don't recognize actual fixed costs go up each year while costs and contracts stay flat. Witness all my neighbors speaking about this. If all New York City contracts were to align with the federal government's process of setting the indirect rates there would be clear benefits. It would help governments because it would ease the audit standards and obviously it would help nonprofits. Lastly, quality; So both governments and nonprofits embrace quality in service provision. But I think we realistically need to think about that the current stressors deeply risk the ability for nonprofits to provide quality service. And that puts clients at risk. So in conclusion I thank you for giving UJA the opportunity to analyze the challenges and these problems are complex. But the good news is that there's solutions. And while they're not easy you've set the trajectory for how to reach them. UJA welcomes the opportunity to

1  
2 support you in your further exploration of ways to  
3 repair the structure and looks forward to action  
4 oriented work together.

5 CHAIRPERSON ROSENTHAL: Thank you so  
6 much. I just want to start by saying to this panel  
7 and to the others that are here I feel a little  
8 guilty taking up all of your time. I feel like an  
9 audit is going on. So thank you for coming here  
10 and... and giving these hours to the council to  
11 understand better what the nature of the challenges  
12 are that you have. I really appreciate that. I had  
13 a couple of really quick follow-up questions just  
14 for this panel. I'm wondering specifically to  
15 Patricia, I think this would be for you, but maybe  
16 anyone can jump in. Michael mentioned... the Director  
17 for the Mayor's Office of Contracts mentioned the  
18 possibility of the agency itself providing  
19 technical assistance. I found that... I'm curious to  
20 know what you think of that... whether or not the  
21 city could provide the... the level of technical  
22 assistance that an agency might need in house.

23 PARICIA JENNY: I... I... assuming that he  
24 was referring to providing assistance on exactly  
25 what the requirements are that the city has in

1 preparing a proposal or pricing a bid... [cross-talk]  
2 the... the very technical and kind of limited to what  
3 the city government is requiring. The technical  
4 assistance I was referring to is much broader than  
5 that. We worry about governance. There are a number  
6 of programs that foundations support on financial  
7 management, how to do it right, how to do it as  
8 effectively as possible, keeping your board  
9 informed on what's going on and the finances of the  
10 organization, that sort of thing. It's actually... I...  
11 I'm assuming he is talking very narrowly about the  
12 city requirements. What we're talking about is all  
13 of the issues that affect the viability of  
14 nonprofits.

16 CHAIRPERSON ROSENTHAL: That is very  
17 helpful, thank you. Anyone else want to jump in on  
18 that one? Different interpretation of what Michael  
19 might have been referring to? Okay. And then Marla  
20 I was wondering... this is a little nutty but do you  
21 think it would be possible to come up with an  
22 algorithm for indirect costs so that you know when  
23 we think about the percentage overhead,  
24 administrative indirect as three separate things  
25

you know each one needs to be defined and then come together and be something...

MARLA SIMPSON: I will answer your question but let me take it a step back first because I think there's some definitional issues that would be helpful to clarify. It's not just a question of programmatic expense and indirect expense. Within programmatic expense there are multiple components and the city's system... or basically government funder systems treats them slightly differently. So you start with the... the... the major component in any of these contracts is wages. The human services are by definition human to human. And so what you have are people. And the vast majority... very little bit contract to contract but can be as much as 80 percent of the cost of the country is in the people. That's where when we talk about cost of living increases in the city and historically whether it's this administration or prior administrations they were talking about wages. And so for the... for those of us who are running the business of the nonprofit It's obviously an important and wonderful thing when our staff can be given a raise through the contract

1 funding stream but it's not going to keep the  
2 lights on, it's not going to pay the rent. It's...  
3 it's a separate classification. But that's wages.  
4 Attached to wages is the question of benefits. And  
5 that ends up being a longer discussion and makes  
6 the... the wage COLA a little bit more complicated  
7 than just saying oh it's... it's 2.5 percent on top  
8 of wages this year versus it having been flat in  
9 prior years because we all have somewhat different  
10 benefit rates in terms of the fringe. But leaving  
11 that aside fundamentally when you're talking about  
12 wages and benefits that's one... one set of  
13 calculations. And they don't tend to be very  
14 different across the board for you know different...  
15 different uses, different locations, different  
16 types of organizations. There's a lot of  
17 similarity. Then there's the other than personnel  
18 costs, OTPS as it's abbreviated. That money is not  
19 indirect. In many cases it's directly traceable to  
20 the program. But that's the piece that I would  
21 argue we do the worse job at trying to estimate  
22 and... and understand the cost of that because so  
23 often in human services what you're talking about  
24 is flat price bidding. We don't compete and we're  
25

not asked to compete according to what it would cost us to deliver a service. So there's no way for us to tell you it's very expensive to rent space I would say in Brooklyn your experience is in Manhattan... [cross-talk] so it... it... there's no way to really get that message into the calculation and we end up saying it's 12 hundred dollars per person or... or per child for this service or it's 36 hundred dollars per client for that service. And we are forced to sort of scramble to figure out how do we rent space and pay for the other OTPS costs within a budget that doesn't vary based on those elements. And then there's the indirect on top of that. Indirect is the IT, the HR, the... the finance staff and all of those other things which are basically spread across all of your program and not traceable to one individual program. The answer to your algorithm question is yes there sort of is an algorithm the federal government in... invented it to create the federal indirect rate. They have a methodology. I'm sure they would share it with the city... many... dollar for dollar probably 90 percent or more of the dollars that the city spends today in human services it is spending with organizations

1  
2 that have already federal rates. There's a small  
3 percentage of smaller organizations that probably  
4 don't have a federal rate and the city would have  
5 to calculate the rate for those organizations on  
6 its own but the methodology exists... OMB has it at  
7 the federal level.

8 CHAIRPERSON ROSENTHAL: And so in your  
9 OTPS pile would you put admin and overhead?

10 MARLA SIMPSON: It's usually its own  
11 category. It's... but because remember overhead  
12 includes a lot of wages. It includes all the wages  
13 for... [cross-talk] the people in my finance office.  
14 It includes the wages from a... [cross-talk]  
15 community outreach... [cross-talk] you know. And  
16 that... but that's in overhead. It's not in wages.  
17 It's not in OTPS. It's... it's... it's kind of its own  
18 thing.

19 CHAIRPERSON ROSENTHAL: Thank you. Thank  
20 you. I look forward to working with all of you.  
21 You're experts in this field and I think you're  
22 right to call... to make the clarying [phonetic]  
23 call. So thank you so much for that. I hope the  
24 council can be helpful.

25 MARLA SIMPSON: Thank you.

[cross-talk]

ALLISON SESSO: Thank you. I would just say that there's a couple of other people... especially John MacIntosh is from SeaChange Report that I would just suggest he was definitely a big part of this commission and the two people featured in this film but obviously it's your hearing.

CHAIRPERSON ROSENTHAL: No I was just going to ask you Allison to help us call up the next panel of Commissioners actually.

ALLISON SESSO: Okay. So I'll tell you that John MacIntosh from SeaChange. You also have Dan Lehman from Children's Aid Society. Good Will is here. JASA. And again these are other organizations and I don't know if they can all come up but there's Phipps, FMA, the Jewish Board, Urban Pathways, Project Renewal, and CAMBA that are all involved in this.

CHAIRPERSON ROSENTHAL: Okay so if people could queue up sort of as many as can fit there now and then the next round will be the next group that queued up. Thank you very much. So I'm going to need everyone to be mindful of the clock. I really apologize that I need to do that because



1  
2 your time is just so precious and what you're  
3 offering is incredibly helpful. And if you could  
4 start by just giving your name and the name of the  
5 organizations that you're representing. If we could  
6 start to my right, your left yeah.

7 DAN LEHMAN: Am I on? Okay. No problem  
8 at all. Good afternoon and thank you Madam Chair  
9 for the opportunity to testify here today. My name  
10 is Dan Lehman. I am the Chief Financial Officer for  
11 the Children's Aid Society which serves nearly  
12 50,000 children each year with a budget of roughly  
13 120 million dollars, nearly two thirds of which is  
14 government funded. I will be addressing three  
15 challenges; support for management and general  
16 expenses often referred to as indirect or overhead.  
17 The need for cost escalators in contracts and  
18 excessive contract audits and reporting  
19 requirements. Indirect costs. Children's Aid has  
20 122 government contracts. City contracts comprise  
21 80 percent of our government funds and one half of  
22 our total budget. We have a federally approved  
23 indirect rate of 13.5 percent to support the  
24 central operations for a well-functioning  
25 organization. However, not one of our city

contracts accepts this rate. At best we are capped at 10 percent for indirect costs but often at an even lower rate where indirect costs are not allowed at all. This forces us to devote private fundraising dollars to cover in gaps for our back office. Or it means direct allocating central staff to contracts with some central staff having been allocated across more than 40 government contracts which you can imagine is an administrative nightmare. I have worked for several city government human services agencies. I know how critical central functions are. Nonprofit organizations must be funded for these same functions in an equitable and efficient manner. Cost escalates. Debt, taxes, and inflation are three certainties of life. We applaud the mayor's cost of living adjustments, COLAs for wages and salaries but without COLAs for non-personnel costs there will never be real workforce development because of inevitable increases in rent, utilities, health benefits, supplies, and insurance. Contract COLAs must be broader than regular salaries, audits, and reporting requirements. In one three-year period we averaged roughly 50 government

funder audits a year. This is a tremendous strain on staff resources. For years the city has discussed coordinating audits of providers to no avail. I know. I sat on those work groups twice. Yet the routine continues largely unevolved. Despite the progress of HHS accelerator contract documents and administration vary widely as city agencies impose their own requirements. Add in the city wide contract clearance documentation and the result is staff who are solely devoted contract administration and nothing else. Lastly there are ever increasing reporting requirements. As part of the reason wage COLAs for city contracts we had to submit a spreadsheet of over 2,000 rows. A simple across the board contract increase would have been vastly more efficient and would have gotten us to largely the same place with far less effort. Failure to address these challenges will lead to a nonprofit sector even more distressed than it is today. Ultimately the people in need... who we all serve and who the city depends on us to serve will lose us. I thank the city council for the opportunity to testify today. I am happy to address any questions you may have.

JOHN MACINTOSH: Hello Chair Rosenthal and committee members. It's a privilege to testify here today. My name is John MacIntosh. I'm the Managing Partner at SeaChange Capital Partners is also on the HSC Commission. SeaChange recently published a report which you may have, if not I'll give you a copy, which I think included the first comprehensive analysis of the city's not-for-profits based on the data which every organization must submit to the IRS. I'd like to give you three highlights from what we concluded and give you some thoughts of what I think that means. The first thing we concluded, no surprise is that the health and human service sector is very fragile. We guessed it that more than 15 percent of the organizations are insolvent. Perhaps 50 percent have in effect no margin for error. One hiccup and... and they're going to be in a very difficult situation. And... and maybe 20, at most 30 percent are what you would call financial strong. Number two, that things are... are only likely to get worse. For two good reasons it's hard to explain why things can get worse for good reasons but I think the movement to value based payments in health care

1 is going to put enormous strains on some of the...  
2 the sector. And at least in... in specific situations  
3 ditto the minimum wage is not backed with increased  
4 contract. And the third reason is that banks we  
5 believe are reducing credit to not for profits  
6 perhaps quite rationally in the wake of FEES. The  
7 third thing I would say to just prove what you all  
8 know is that from a financial standpoint these  
9 organizations are extensions of government. Almost  
10 half of them are 100 percent government funded.  
11 And... and two thirds are 80 percent government  
12 funded and three quarters... sorry two thirds are 90  
13 percent government funded and three quarters are 80  
14 percent plus government funded. So if you have a  
15 weak sector where things are getting worse it's an  
16 extension of government what does that mean? Well  
17 as you've heard today I think you need to do three  
18 things. One is in effect to pay more. The second is  
19 collaborate more. But the... the one that I think is  
20 the easiest is to pay on time or to pay early and  
21 as a matter of simple fairness if you can't do that  
22 pay interest on the delayed payments which in  
23 effect you've borrowed from the providers. Now you  
24 may say if the providers have no margin for error  
25

1 how do they borrow the money. Well they borrow it  
2 from their vendors by stiffing them and in some  
3 cases they borrow from their staff by saying sorry  
4 we can't pay you until we get paid. The other thing  
5 I would urge you in my 37 seconds is we've heard a  
6 lot about the funds from the city of New York and  
7 it does tremendous work but make no mistake the  
8 funds of the city of New York cannot cover the need  
9 out there. The natural way to cover that need is to  
10 revive some variation on the resilience fund which  
11 was discussed and under planning at the end of the  
12 last administration and find a way to bring banks...  
13 private foundations and the city together to create  
14 some sizable vehicle to fund not for profits'  
15 working capital needs. And I would just say there  
16 in my two seconds I don't distinguish the city from  
17 the state from Medicaid most of these organizations  
18 are... not and you could do good work helping them  
19 figure out how to finance all that government money  
20 even if it some of it isn't yours. Thank you.

22 CHAIRPERSON ROSENTHAL: Yeah I would be  
23 interested in seeing your report. And am I right  
24 that you did not submit testimony?

JOHN MACINTOSH: Well the report is the testimony and I'm... [cross-talk]

CHAIRPERSON ROSENTHAL: Bring it on... bring it... thank you very much. Sorry Heidi.

HEIDI ARONIN: Good afternoon. I'm Heidi Aronin. I'm the Chief Administrative Officer for JASA, one of New York's largest and most trusted largely government funded not-for-profit serving older New Yorkers with a consolidated annual budget in excess of 113 million dollars and approximately 2,000 staff. JASA serves tens of thousands seniors each year through our subsidized housing, licensed home care, and a rich array of services. As you've heard here today the structure of government funding for human services simply does not work. The gap between the funding we receive from government and the cost of providing the service government is buying is growing. The interest of other funders in filling that gap is waning. And left in the middle are not-for-profits struggling to serve clients with insufficient funds and demoralized staff. You've already heard that government contracts do not cover administrative costs such as rent, utilities, and information

1 technology. JASA administrative structure is lean  
2 representing 14 percent of our direct costs but our  
3 funders cover only maybe 10 percent leaving a  
4 shortfall of 1.5 million dollars for us to fill.  
5 Increasingly though government is also underfunding  
6 the direct provision of services. JASA staff  
7 deliver more than 600,000 meals to homebound  
8 elderly each year under DFTA contracts totaling 5.1  
9 million dollars, an extraordinary commitment of  
10 public resources yet this does not cover the actual  
11 costs. This year JASA is projected to lose more  
12 than \$200,000 in this program, approximately four  
13 percent of the contract budget. JASA's 22 DFTA  
14 funded senior centers combined are projected to run  
15 a deficit of more than \$250,000, approximately  
16 three percent of their annual direct budget. The  
17 trend is clear as we're forced to cover three to  
18 five percent and more of many of our government  
19 programs. This shortfall is largely born by our  
20 employees who work daily to serve New York seniors.  
21 JASA's salary increases have been small and over  
22 the last ten years staff went four and five years  
23 with no increases at all. We are finalizing a  
24 collective bargaining agreement now that will pass  
25



1 through the two and a half percent the city  
2 approved for this year but at current salary levels  
3 we are increasingly challenged to recruit and  
4 retain staff which affect the quality and the  
5 quantity of the service we provide. At times we're  
6 in competition with city agencies for staff. In our  
7 adult protective services program our case workers  
8 earn \$34,500 per year, 14 percent lower than the  
9 salaries of city employees doing the identical  
10 work. Having spent the first 11 years of my career  
11 in New York City government ending with my role as  
12 assistant director for social services at OMB I  
13 have seen both sides of this issue. I understand  
14 the city's need to contain costs and improve  
15 productivity. And I, myself, have implemented city  
16 initiatives to save money by contracting out  
17 services. But when contract agencies are forced to  
18 lose money to provide those services the situation  
19 becomes untenable. We understand that government  
20 only has so much to spend. All we ask is that  
21 government pays for what government asks us to  
22 provide. When our funding agencies contract with us  
23 to provide one dollar of service they should not  
24  
25

expect us to provide it for 95 cents. This doesn't seem too much to ask. Thank you.

RONALD ABAD: Good afternoon. My name is Ron Abad. I'm a Chief Operating Officer of Urban Pathways and most formerly an Assistant Commissioner of New York City Department of Homeless Services so I have the advantage of seeing both sides as well. Urban Pathways existing for 40 years serving... providing services and... and housing to homeless New Yorkers. We provide everything from outreach services to Safe Havens, to a drop in center as been existing for... existence for close to 30 years to supportive housing. Our major issues across the board as mentioned in these panels but we significantly struggle with cost escalations. Over time we... we struggle with the... struggle with flat funding or underfunding while the cost increase one in rent, right. Our current payment mechanisms where the contracts do not allow for cost escalations, the average sort of three percent every other year with typical landlords that we negotiate in the city to be factored in our contracts. We have increasing utility costs. Everything from electricity, etcetera, oil,

etcetera increasing over time. We have increased wages that we require to make our staff and to make our organizations competitive. We actually do pay lower than what the city... city agencies do and... and definitely paid much lower than private market. We struggle with regards to administrative overhead as well as mentioned. There isn't sort of one uniform... administrative overhead for each city agencies and we struggle with it. We have various partnerships with city agencies so this is a challenge in sort of keeping cash flow, etcetera. We're asked to provide services of open new... new... new housing services without having registered contracts. We just recently opened up a 16 union 23 bed veteran permanent housing facility in the Bronx which has not yet been recently negotiate... registered. Great partnership with HRA on this but we've been floating the... the site for a little more than a month and this overtime we're concerned whether or not we'll have the contract registered. Typically, everything that the panel members have mentioned we... we support, we're strong, fiscally sound, and prudent organizational or very wise and prudent in our... in our programming and in our fiscal but we

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2 are also operating at the margins. Thank... thank you  
3 for allowing... to testify.

4 SANFORD WEINSTEIN: My name is Sanford  
5 Weinstein, CFO of Goodwill Industries of Greater  
6 New York and Northern New Jersey Inc. Thank you  
7 Council Member Rosenthal and the Committee on  
8 Contracts for holding this hearing. Goodwill  
9 Industries has served New York City for over 100  
10 years and our mission is to empower individuals  
11 with disabilities and other barriers to employment  
12 to gain independence through the power of work. We  
13 have an overall budget of 125 million dollars. In  
14 calendar year 2015 we served 86,000 people, served  
15 99 percent of these people in the five boroughs of  
16 New York City. Our service areas run workforce,  
17 disabilities, youth, and community. We are excelled  
18 stewards of government resources having an indirect  
19 cost rate of 10 percent or less consistently for  
20 over 20 years in a row. Our organization has 21  
21 contracts with the city for approximately seven  
22 million dollars that do not receive reimbursement  
23 for organizational and direct costs. We have 17  
24 youth programs with Department of Youth and  
25 Community Development, DYCD, none of which would

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2 provide reimbursement towards indirect costs to the  
3 organization. Our four New York City Programs for  
4 the disabled with the Department of Health and  
5 Mental Hygiene, DHMH, not only failed to provide an  
6 indirect rate to cover essential operating costs  
7 but do not fully cover direct costs. We estimate  
8 that the minimal indirect costs that the technology  
9 counting security plus the \$700,000 a year which  
10 Goodwill must subsidize. In contrast we have a  
11 federal indirect rate of 10 percent applicable to  
12 our federal contracts which will reimburse Goodwill  
13 for its organizational and direct costs. Most known  
14 for our thrift stores Goodwill is a social  
15 enterprise that runs 13 retail stores in New York  
16 City. They have three objectives. One is to create  
17 jobs for those with barriers to employment. Two  
18 revenue help support Goodwill's operations. And  
19 Three, to divert thousands of pounds of textiles  
20 annually from the landfills. However, any revenue  
21 must be allocated... Goodwill Industries  
22 international and reinvestment and retail  
23 improvement and their escalating costs which is  
24 rent, insurance, and wages. In order to keep  
25 essential indirect costs down there have been

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2 numerous measures taken such as raises delayed a  
3 minimum 18 months, hiring only when absolutely  
4 critical, employees carry a greater work load,  
5 capital repair is delayed, more efficient and  
6 better equipment purchases delayed. For example, 33  
7 percent of our computers are beyond their normal  
8 life. These measures can lead to higher employee  
9 turnover and lower employee productivity. Longer  
10 term employees at the lower paid levels leave as  
11 other options become available. Having less  
12 experienced people impact productivity. Our  
13 infrastructure is strained to maximum capacity. Our  
14 social enterprise is strained to maximum capacity.  
15 Our social enterprise model of retail means that we  
16 have no fundraising structure and we do not have  
17 this capacity beyond our stores. An example of a  
18 Goodwill multi-year contract with the city there's  
19 no cost escalation cause or mechanism to amend the  
20 contract... increases as follows. For 20 years we've  
21 operated Citiview Connections in Long Island City  
22 Queens funded by Department of Health and Mental  
23 Hygiene. This is a psychosocial program serving 150  
24 people with severe and persistent mental illness.  
25 It provides a safe and supportive environment and

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2 offers vocational, educational, recreational, and  
3 case management services. The program currently  
4 loses approximately 60,000 dollars a year on a  
5 direct basis. It loses 100,000 dollars a year when  
6 you take an indirect course. Our recommendation is  
7 to always include at least a 10 percent indirect  
8 reimbursement to Goodwill and all the nonprofits as  
9 a mandatory part of all agency contracts.

10 CHAIRPERSON ROSENTHAL: If you could  
11 just wrap up.

12 SANFORD WEINSTEIN: Yes. Contracts with  
13 governor essential to Goodwill New Jersey... New York  
14 New Jersey and the programs we offer to help  
15 support the dignity of those who work for  
16 disabilities and other barriers to employment.  
17 Government relies on large organizations like  
18 Goodwill to provide critical and quality services  
19 in communities on the behalf as well as the  
20 infrastructure and capital to take over contracts  
21 if other organizations fail. By request we have  
22 fulfilled both DYCD and HR in the past few years. I  
23 can keep going but I'll...

24 CHAIRPERSON ROSENTHAL: Thank you.  
25

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2 SANFORD WEINSTEIN: ...stop there. Thank  
3 you.

4 CHAIRPERSON ROSENTHAL: I just want to  
5 ask... and I forgot to ask the previous panel so I'm  
6 going to ask Allison to start a list for me. But  
7 have any of your organizations this past year... the  
8 year prior had to go to a private bank for... to get  
9 a loan?

10 SANFORD WEINSTEIN: Absolutely.

11 CHAIRPERSON ROSENTHAL: And do you have  
12 a sense of how much you've paid in interest?

13 SANFORD WEINSTEIN: It's been minimal  
14 because the rates are down. You know right now  
15 we're paying a... rate plus 75 basis points so...

16 CHAIRPERSON ROSENTHAL: Mm-hmm.

17 SANFORD WEINSTEIN: ...it's very low. It's  
18 like 1.2 percent or so...

19 CHAIRPERSON ROSENTHAL: That 10,000 or  
20 100,000 dollars?

21 SANFORD WEINSTEIN: ...15, 20,000, 30,000.

22 CHAIRPERSON ROSENTHAL: 15.

23 SANFORD WEINSTEIN: They're... they're low  
24 numbers but the... again if those numbers go up we'll  
25 be paying a lot.



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2 CHAIRPERSON ROSENTHAL: 30,000 isn't  
3 even chump...

4 SANFORD WEINSTEIN: Yeah.

5 CHAIRPERSON ROSENTHAL: ...change in my  
6 book anymore.

7 SANFORD WEINSTEIN: Right, right.

8 CHAIRPERSON ROSENTHAL: Yeah.

9 RONALD ABAD: ...delay payments from the  
10 city. We just had to look at our internal line of  
11 credit with a bank and determine whether we needed  
12 to tap into it. Fortunately, the contract did  
13 register in time so that we didn't have to but we  
14 sort of had to... [cross-talk]

15 CHAIRPERSON ROSENTHAL: Okay. Just for  
16 anyone who had to go to the private market, anyone?

17 HEIDI ARONIN: Well we've made it our  
18 practice to increasingly borrow from our sales from  
19 our own investments because we...

20 CHAIRPERSON ROSENTHAL: Okay.

21 HEIDI ARONIN: ...have a small pot of  
22 investments to do that. But we do routinely have to  
23 dip into it on an annual basis as we're dealing  
24 with our cash flow issues.

25

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2 JOHN MACINTOSH: Yeah I would say we're  
3 in the same situation as JASA.

4 CHAIRPERSON ROSENTHAL: Okay. Thank you  
5 very much. And Allison if you could help me by  
6 asking that question to the previous panel and just  
7 sort of come up with a list of you know in your  
8 consortium which organizations have had to go to  
9 the private market and how much did they pay last  
10 year in interest? Thank you guys very much for your  
11 time. Next I'm going to call up Joseph Rosenberg  
12 from Catholic Charities Archdiocese, Paul  
13 Feuerstein from Barrier Free Living, JoAnne Page  
14 from the Fortune Society, Bobby Watts from Care for  
15 the Homeless, and Stephanie Gendell from the  
16 Citizens Committee for Children. If you're here and  
17 you could come on up I would really appreciate it.  
18 Hang on one second. I just have to text my staff  
19 one thing so I want you to know I'm going to be  
20 listening to you but don't take it the wrong way.  
21 If we could start from... are you ready? Left to  
22 right this time. And again we're on the clock...  
23 three minutes each. If you could start and  
24 introduce yourself.

25

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2 STEPHANIE GENDELL: Good afternoon. My

3 name is Stephanie Gendell. I'm the Associate

4 Executive Director at Citizens Committee for

5 Children of New York. We're a 72-year-old

6 independent multi-issue nonprofit organization

7 dedicated to ensuring every New York child is

8 healthy, housed, educated, and safe. And I just

9 wanted to start off this hearing by saying... my

10 testimony by saying that CCC does not actually

11 accept any government funding and so just thought

12 that was important for a hearing like this. We are

13 a nonprofit but we don't accept any government

14 funding. That said we advocate for all the programs

15 and services that you've heard from who do accept

16 government funding who work with the children of

17 New York. And so we are extremely concerned about

18 what is happening. And so our testimony outlines a

19 few examples and I'll just mention a few. But

20 really we're concerned about the entire sector.

21 Using child care as an example I would say the

22 rules of child care change every day. And the

23 contract rate is never sufficient and we've seen a

24 lot of child care programs either struggle or go

25 out of business. Their providers do not earn the

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2 same salaries of teachers doing the exact same job  
3 in a city funded DOE program that's doing the exact  
4 same job for fewer hours. And you can see similar  
5 things happening in foster care and preventive. And  
6 I'll just use preventive as another example where  
7 there's not been a rate increase for many years so  
8 even though the cost of providing care and families  
9 have more intensive needs because foster care is  
10 reduced there's no increase in the rate and the  
11 contract again is one where they do not cover the  
12 full cost. And if they do not meet certain  
13 expectations they actually lose funding. And that's  
14 just some examples and you've heard numerous  
15 others. And so we just want to say that we  
16 appreciate all of the attention the city council  
17 and your committee is putting into this and that we  
18 look forward to working with you and our colleagues  
19 to try to address this because the children and  
20 families of New York desperately need a resolution  
21 where all of the nonprofit providers that are  
22 helping some of the most vulnerable families in the  
23 city aren't going to have any services to turn to.  
24 So thank you.

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2 JOANNE PAGE: My name's JoAnne Page. I'm  
3 the President and CEO of the Fortune Society. We  
4 are an almost 50-year-old organization that serves  
5 about 6,000 men and women formerly incarcerated  
6 alternatives to incarceration. I've been there as  
7 president and CEO of Fortune for 27 years. I've  
8 never seen a condition as difficult as challenging  
9 or as threatening as the one facing nonprofits  
10 right now. And I'm not going to repeat what's been  
11 said by my colleagues because it's been said really  
12 well and the reports referenced say it really well  
13 and I think my testimony says it really well. So I  
14 want to shift gears a little bit. My dad has a  
15 Jewish ghetto story about a guy who owned a horse  
16 and he decided he was spending too much on feed so  
17 he's going to cut his rations in half and it worked  
18 magnificently. The horse kept working, the cost  
19 went down by 50 percent. He thought it's working,  
20 let me try to cutting to 25 percent and it worked  
21 really well. And then when he got the horse to no  
22 food at all the damn horse went and died. I'm  
23 saying that because I think that is the status of  
24 the nonprofit sector right now. And I've got 27  
25 years of experience of watching it get worse. So I

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2 want to talk briefly about what Fortune is  
3 experiencing because I don't think it's different  
4 than what our colleagues are experiencing. So we  
5 talked about seeing only part of the cost of  
6 services paid. What we do is we lean contracts up  
7 against each other but if one buckles the whole  
8 thing buckles. We used to offer educational  
9 services in Harlem. We had two contracts. One went  
10 down. We had to give up the contract. We no longer  
11 offer educational services in Harlem. We deal with  
12 static funding multi-year in the face of rising  
13 costs. We had a staff member who died of cancer  
14 last year, others who were sick... our health  
15 insurance went up 15 percent. We are struggling  
16 with increased rent, etcetera. We cut 10 staff  
17 lines including vacancies. We have a New York... New  
18 York set of three contracts. They are flat funded.  
19 They pay for rent and they pay for services as rent  
20 goes up for our clients year by year the services  
21 get pinched down. We're looking at giving up a  
22 couple of them because we're not willing to do high  
23 intensity work without staff. The infrastructure  
24 demands that we're dealing with keep going up. The  
25 willingness to pay for them keeps going down. We

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2 just recently increased our IDC costs and got a  
3 federally approved rate of 19 percent up from 16  
4 because our ITN finance costs have gone so much. We  
5 have contracts that pay five percent. I would  
6 celebrate a dance in the streets if our contracts  
7 were 90 days late. We have contracts now I think at  
8 least that were July 1 starts where we haven't seen  
9 a nickel yet. So do we borrow? Yes we borrow. Do we  
10 rely on our line of credit? Yes. Do we take  
11 precious unrestricted dollars and pay them to the  
12 bank? Yes. And I think it's appalling and it's  
13 getting worse. Medicaid is chaos on wheels. I'm  
14 going to end just mentioning that I signed a DSRIP  
15 contract where they say in it you agree that you  
16 may not get paid in full for what you do and you  
17 may not get paid at all. And I signed it doing a  
18 risk assessment; do you have your foot in the door  
19 with something that has opportunity? Yes. How much  
20 risk do you take? You try to control it. Somebody  
21 said something about most nonprofits being one  
22 hiccup away. We're two hiccups away. And the way  
23 we're handling that is we're doing an analysis of  
24 every contract and if it can't rest on its own  
25 bottom we're looking at whether we stop delivering

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2 that service. That is not what you want to see in  
3 New York City when hunger and homelessness are  
4 ballooning. Thank you.

5 JOSEPH ROSENBERG: Good afternoon Chair  
6 Rosenthal. I'm Joseph Rosenberg, the Director of  
7 the Catholic Community Relations Council  
8 representing the archdiocese of New York and the  
9 diocese of Brooklyn on local legislative and policy  
10 issues. Catholic charities of the archdiocese of  
11 New York which covers Manhattan, the Bronx, and  
12 Staten Island... catholic charities of the Diocese of  
13 Brooklyn and Queens and all their affiliated  
14 agencies provide a large line of services to  
15 hundreds of thousands of New Yorkers. Their work is  
16 mission driven and focuses upon the poorest and  
17 most vulnerable among us. There are food pantries  
18 for the hungry, housing for the homeless, the  
19 disabled, and the elderly. Immigration services are  
20 expanded to assist immigrants and unaccompanied  
21 minors fleeing the terrible violence of their  
22 homelands. Youth programs focus on early childhood  
23 services, dropout prevention, and employment  
24 training. When Superstorm Sandy devastated the  
25 coastal communities of our city Catholic charities



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2 was among the first responders and at the forefront  
3 of relief work. And this is just a fraction of what  
4 catholic charities, their affiliates, and so many  
5 other nonprofits in this room provide for all New  
6 Yorkers of all walks of life. As government  
7 agencies struggle with their budgets and mandates  
8 nonprofit providers are increasingly called upon to  
9 fill the void and provide services to New York  
10 City's residents. As partners in public service we  
11 believe that government must acknowledge the real  
12 cost of operating human service programs. We have  
13 all seen an increasing trend among city and state  
14 agencies to limit or disallow administrative  
15 overhead costs outright in their funding  
16 solicitations and inconceivably to disallow these  
17 costs after contracts were executed, budgets were  
18 approved, and the performance period had begun.  
19 Shifting the burden of these operational costs to  
20 the nonprofit sector is detrimental particularly to  
21 small and midsized organizations that cannot bear  
22 the cost of running programs without sufficient  
23 operational support. It's important the contracts  
24 reflect the true cost born by the nonprofit sector  
25 and that such contractual obligations are honored

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2 by the city. The current practice is unsustainable  
3 and impossible to maintain over the long term.  
4 Additionally rising fringe cost, salaries, and cost  
5 of living adjustments have not been paid for many  
6 years. This unjustly shifts the costs for nonprofit  
7 providers who are forced to do more with less. It  
8 is untenable and must be addressed. In terms of  
9 direct services the extremely modest per capita  
10 reimbursement rates and RFPs for legal and social  
11 services is a clear example of underfunding that  
12 jeopardizes the long term programmatic capacity in  
13 fiscal health of nonprofits. Contracts between  
14 government and nonprofit organizations for the  
15 provision of human services must cover the full  
16 costs including administrative, technology, and  
17 capital costs as well as cash advances, annual rent  
18 increases, and utility requirements. Catholic  
19 charities is always willing to supplement  
20 governmental funding with philanthropic efforts. It  
21 is important however to avoid the unrealistic and  
22 sometimes fatal assumption that charitable  
23 organizations have sufficient private resources to  
24 offset public funding shortfalls. Contracts should  
25 also be adjusted to comply with new governmental

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2 mandates. For example minimum... the minimum wage  
3 which was just passed by the state legislature and  
4 signed by the governor a few hours ago is strongly  
5 supported but this additional and significant  
6 expense must be reflected in the contracts the city  
7 and the state enters into with nonprofits. We have  
8 always been there and always been dedicated to help  
9 those with needs in the city. But the contracts  
10 must allow us to do the work that all of us are  
11 mandated and feel we have a mission to do. Thank  
12 you.

13 PAUL FEUERSTEIN: [off mic] My name is  
14 Paul Feuerstein. I'm the Founder and CEO of Barrier  
15 Free Living. We have the first not for profit  
16 shelter in the DHS single system which was opened  
17 in 1990. It was part of a group of shelters that  
18 was funded under Mayor Koch's capital homeless  
19 housing program. When we opened up the program we  
20 asked to have capital reserves put into our budget  
21 so we could keep our... our... our building in decent  
22 shape. We were told they didn't know how to do it  
23 at the time... and ask us at any point for your  
24 capital needs and we will take care of them. Fast  
25

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2 forward to now every request almost with rare  
3 exceptions has been you own it, you fix it.

4 CHAIRPERSON ROSENTHAL: Shocker.

5 PAUL FEUERSTEIN: [off mic] Shocker. We  
6 have received zero money for our HDLC for rent for  
7 the use of the building from 1990 to now. And we  
8 have gone to city council and the borough  
9 president's office three separate times with  
10 support. And the first time we only wanted money  
11 for our elevator. It was 360,000 dollars to fix it.  
12 OMB rejected it because we didn't ask for half a  
13 million. Next year we asked for half a million and  
14 they said well you have to pay 10 percent of that  
15 you only ask for 450,000, rejected again. The next  
16 year we went and asked for 1.2 million, we added a  
17 number of things which we really needed, they said  
18 well you didn't ask to replace all your windows  
19 only the ones that are dysfunctional, we're  
20 rejecting your windows. We're looking at your 12  
21 bathrooms and your 12 showers all as separate  
22 projects. None of them are expensive to meet our  
23 capital standards. Those were rejected. By the time  
24 OMB finished we were below the 500,000 dollars  
25 again. I went hat in hand to the state... to the

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2 governor's office to state... [on mic] legislatures...  
3 whoops. Hello, can you hear me now? And... hat in  
4 hand asking for 1.2 million dollars. Finally, we  
5 met with Commissioner Taylor when he first came  
6 into you know his position. We reported that our  
7 budget the year before under the Bloomberg  
8 Administration was \$1,000 less than it was in  
9 fiscal '91 when we began the program and that we  
10 had major need for capital repairs. He asked for an  
11 engineering survey. It took eight months to have  
12 that funded through the system. When the engineers  
13 came in they found 4.4 million dollars' worth of  
14 structural repairs that needed to be done because  
15 so many things like fixing leaks in bathrooms were  
16 kicked down the road. We're in a place now where my  
17 board has said we are in danger of some structural  
18 failure in the building and if that happens that is  
19 a great liability, a great risk for the  
20 organization. If we don't get this fixed or find  
21 money to fix it soon we'll have to close. We're the  
22 only shelter for nursing home diverted homeless  
23 people in the state of New York. The cost of having  
24 people in nursing homes in New York City is  
25 142,000. We get paid 29. 6.9 million dollars is

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2 what it's going to cost to put our people in  
3 nursing homes rather than paying 4.4 one time to  
4 get it fixed.

5 CHAIRPERSON ROSENTHAL: At... just sorry  
6 really quickly curious. As it traveled through the  
7 system?

8 JOSEPH ROSENBERG: We've been in... we  
9 have... we've given... [cross-talk] our engineering  
10 report to the city when it came up. We've been  
11 inspected by five... four different city agencies and  
12 the Coalition for the Homeless. No one has yet said  
13 we've got money to be able to help you fix your  
14 needs.

15 CHAIRPERSON ROSENTHAL: Okay thank you.

16 BOBBY WATTS: Good afternoon Chair  
17 Rosenthal. I'm Bobby Watts. I'm the Executive  
18 Director of Care for the Homeless, a federally  
19 qualified health center and the only healthcare  
20 organization in New York City devoted exclusively  
21 to surveying homeless men, women, and children of  
22 all ages. We do this through a network of more than  
23 25 clinics that are collocated in shelters, soup  
24 kitchens, and alongside street outreach programs  
25 that operate in four boroughs. We also operate

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2 under a contract with DHS, Susan's place to shelter  
3 in the Bronx for 200 mentally ill and/or medically  
4 frail women. Hopefully you also know that we  
5 advocate for policies to end homelessness. While we  
6 are very grateful for the funding to operate  
7 Susan's Place I must say that compared to  
8 administering our federal grants contracting with  
9 the city has been much more challenging. I'll focus  
10 on just two areas; one, which has been addressed, a  
11 lack of cost of living adjustments for staff, and  
12 an issue that I understand other shelter operators  
13 also face, being... being reimbursed for property  
14 taxes on the leased property where the shelter is  
15 operating. We began operating our shelter Susan's  
16 Place in 2008 and did not receive a COLA increase  
17 until last year. I say receive in quotation marks  
18 because we have not yet seen the contract... the  
19 increase reflected in our contract. As an agency  
20 committed to social justice and one that wants to  
21 practice what we preach we have given bonuses and  
22 increases to our staff each year even when the city  
23 did not. To do that we have to subsidize the  
24 operation of Susan's Place from private donations  
25 and other sources which can be increasingly

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2 difficult to sustain. As a result, we have lost  
3 talented shelter staff to other social service  
4 sectors and have a harder time recruiting the  
5 talented and skilled staff the residents need to  
6 move out of the shelter to appropriate housing. The  
7 second area is because the tax assessment by the  
8 Department of Finance is higher than we and the  
9 Department of Homeless Services anticipated in our  
10 initial contract and budget for this recurring and  
11 largely predictable expense we have to first pay  
12 the taxes twice a year and then apply for new needs  
13 funding. While D... while DHS has always honored the  
14 commitment theoretically the new needs funding  
15 application could be denied. It also results in  
16 several months' delay and being reimbursed for the  
17 expense that is approximately 200,000 dollars. It  
18 seems it'll be more efficient for shelter operators  
19 and for the city itself to adjust the shelter  
20 budget to account for this necessary, unavoidable,  
21 and predictable expense. It would increase cash  
22 flow and increase predictability for this city and  
23 for shelter operators and reduce paperwork for all  
24 parties concerned. I again thank this committee for  
25 your interest and commitment to making the



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2 contracting process with nonprofit providers of  
3 human services yield the best possible result for  
4 tax payers, residents, and our neighbors in need.  
5 Thank you.

6 CHAIRPERSON ROSENTHAL: Thank you very  
7 much. And just real quickly... everyone here has a  
8 line of credit with a bank or...

9 BOBBY WATTS: Yes.

10 CHAIRPERSON ROSENTHAL: And how much  
11 last year did you pay in interest?

12 BOBBY WATTS: We have a line but we did  
13 not need to tap it last year.

14 JOANNE PAGE: I just checked with my  
15 office; 30,000 last year, 37,000 probably this  
16 year.

17 CHAIRPERSON ROSENTHAL: Okay thank you.

18 JOSEPH ROSENBERG: I don't have that  
19 information but I'll get it to you.

20 CHAIRPERSON ROSENTHAL: Okay thank you  
21 Mr. Rosenberg. Thank you all so much. Thank you for  
22 your time. I appreciate your staying today to give  
23 us your testimony. It's all on the record and will  
24 be uploaded for public information so thank you.

25 [cross-talk]

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2 CHAIRPERSON ROSENTHAL: Okay so next we  
3 have Carlyn Cowen from the FPWA , Jacqueline  
4 Sherman from the Jewish Child Care Association,  
5 Steven Jones from Project Renewal, Steven Helfin  
6 [sp?] from the Federation of Mental Health Clinics,  
7 Sheena Wright from the United Way of New York City,  
8 Nicole Gallant from the United Way of New York  
9 City. And I'm going to do something really rude and  
10 ask you... I'm going to shorten the clock to two  
11 minutes only for the sake of time but... and I see  
12 three people up here so I'm going to call a lot of  
13 people left. Someone's coming up right now. So  
14 maybe two more names. That's okay. That's... great,  
15 thank you. I'm just going to call up two more  
16 people. Hang on one second. Stewart Cohen from  
17 Fiscal Management Associates, Cara Burkawitz [sp?]  
18 from the Jewish Board. I don't know if Cara's still  
19 here. Okay I see Gregory Brender from the United  
20 Neighborhood Houses, Judy Zangwill from wherever  
21 she's from, and the woman in the red jacket who's  
22 been sitting here for a long time, and I'm sorry  
23 the woman in the black jacket with the purple  
24 shirt, come on up. Sorry there was a little... And  
25 what I'm going to ask you to do is please if we

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2 could start on my right, your left, and just  
3 introduce yourself so we know who you are. That  
4 would be great. Thank you.

5 CARLYN COWEN: Good afternoon everyone.  
6 My name is Carlyn Cowen. I'm a Policy Analyst at  
7 the Federation of Protestant Welfare Agencies. As  
8 requested I'll attempt to keep my remarks brief.  
9 Thank you Council Member Rosenthal and the  
10 committee for the opportunity to testify today and  
11 for holding this hearing on such important issues.  
12 In order to support our nearly 200 member agencies  
13 as well... other nonprofit human service  
14 organizations. FPWA urges the city of New York to  
15 invest in strengthening nonprofit and human service  
16 sector through the following recommendations which  
17 you can see in my full written testimony. First  
18 implementing the OMB indirect guidance and  
19 addressing the real cost of human service contracts  
20 which was addressed earlier in the hearing and so  
21 I'll just briefly review. With the OMB indirect  
22 guidance list in 2013 thus far New York City and  
23 state have not yet fully implemented the guidance.  
24 And we urge the city council as well as the city to  
25 work to implement this guidance and use avenues and

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2 opportunity to take up the greater issue of  
3 funding, the real cost of human service  
4 organizations. Secondly supporting small business...  
5 small community based organizations while there are  
6 challenges faced by all nonprofit organizations  
7 doing business with government there are unique  
8 challenges faced by small organizations or those...  
9 have a budget of 1.5 million or less. FPWA's been  
10 collaborating closely with the Mayor's Office of  
11 Contract Services on this issue and we are grateful  
12 for their concern and attention to issues that face  
13 small CBOs. Based on these conversations we've  
14 developed a series of recommendations the city can  
15 implement. The full recommendations are in my  
16 written testimony but they include reforming the  
17 request for proposal process, facilitating  
18 subcontract between larger and smaller  
19 organizations, providing outreach and education,  
20 leveraging micro purchasing to help small  
21 organizations, contracting with federations and  
22 coalitions to provide training and technical  
23 assistance, providing back office administrative  
24 support, and reforming city's payment system to  
25 ensure contractual organizations receive funding

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2 within 60 days. I won't go over the... the parts on  
3 living wage and salary pay now but they are seen in  
4 my full written testimony and others have echoed  
5 what I say so I just stand in support with them.  
6 Thank you very much for the opportunity to testify  
7 today.

8 STEVEN JONES: Good afternoon. My name  
9 is Steven Jones and I'm the Chief Financial and  
10 Administrative Officer for Project Renewal. Thank  
11 you Council Member Rosenthal and the entire  
12 committee for holding this hearing. We are  
13 appreciative of the opportunity to be heard.  
14 Project Renewal's mission is to end the cycle of  
15 homelessness in New York City. Project Renewal  
16 serves about 15,000 people per year and our primary  
17 area of focus is Manhattan and the Bronx. And our  
18 approach is to implement effective solutions in  
19 transitional and permanent housing, primary and  
20 psychiatric healthcare and employment. Project  
21 renewal's budget is approximately 60 million  
22 dollars and we have 950 employees. We have 11  
23 contracts with New York City agencies totaling  
24 approximately 23.3 million dollars which is about  
25 85 percent of our budget, total budget. We face a

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2 number of challenges but I'd like to offer  
3 testimony just on the indirect cost rates. None of  
4 our city contracts reimburse indirect costs at a  
5 rate that comes close to actual cost. We have  
6 contracts with two city partners that represent a  
7 total of 23.3 million dollars in indirect costs.  
8 The rates on these contracts are eight percent and  
9 10 percent respectively. That leaves approximately  
10 two million dollars, 2.1 actually, that I have to  
11 raise privately just to fund indirect costs. So out  
12 of 2.6 million dollars that I raised 2.1 million  
13 just about goes to fund indirect costs. And other  
14 ways that we've gone about in the agency to close  
15 this gap is to suspend payments to employee benefit  
16 plans. We have not been able to give COLAs every  
17 year. And of course our technology infrastructure  
18 suffers. And we're unable to make the investment  
19 that we think is critical for data collection and  
20 analysis and for reporting to our government  
21 funders who are increasingly interested in  
22 performance base... performance based contracts and  
23 funding based on outcomes. So again we appreciate  
24 the opportunity to... to share how we feel.

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2 CHAIRPERSON ROSENTHAL: Absolutely.

3 Thank you.

4 STEVEN JONES: Mm-hmm.

5 CHAIRPERSON ROSENTHAL: Do you have a  
6 copy of your testimony?

7 STEVEN JONES: I do not but I will  
8 forward one back to you.

9 CHAIRPERSON ROSENTHAL: Terrific, thank  
10 you so much.

11 STEVEN JONES: Thank you.

12 JACQUELINE SHERMAN: Good Afternoon.  
13 Thank you Chair Rosenthal and members of the  
14 committee for the opportunity to testify at today's  
15 hearing on behalf of JCCA, formerly known as the  
16 Jewish Child Care Association. My name is  
17 Jacqueline Sherman and I'm the Chief Legal and  
18 Administrative Officer of JCCA. JCCA is a nearly  
19 200-year-old organization with a mission to meet  
20 the child welfare and mental health needs of all  
21 those children and their families in the New York  
22 metropolitan area who are referred to us for care.  
23 With a approximately 110 million dollar annual  
24 budget and staff of over 900 we serve over 14,000  
25 children and their families per year. JCCA

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2 contracts with city and state agencies to address  
3 significant and enduring social problems. We  
4 receive approximately 64 percent of our total  
5 annual revenue through government contracts. I  
6 wanted to underscore a few of the challenges we  
7 face which are very similar to those that have been  
8 voiced by our colleagues. In order to provide  
9 quality services that address the entrenched social  
10 problems that our mission drives us to address, an  
11 organization such as ours requires an efficient  
12 infrastructure. We need to manage our human  
13 resources, ensure fiscal and contractual  
14 responsibility, electronically store and track data  
15 and trends about our clients, services, and  
16 finances, manage facilities, communicate  
17 consistently and accurately with our staff,  
18 clients, and the general public and ensure quality  
19 and innovation. All of these are commonly  
20 recognized costs of doing business whether in the  
21 for profit or the not for profit sector. When it  
22 comes to organizations such as ours however, city  
23 and state funded programs do not cover the full  
24 cost of the infrastructure required to provide  
25 quality services. You'll have... you'll have my full



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2 testimony. We'd like to thank the city council and  
3 the administration for including the cost of living  
4 adjustment and the wage floor in last year's  
5 budget. These were very positive steps. We... we  
6 greatly appreciate this hearing today and your  
7 committee's focus on these issues. We look forward  
8 to partnering with your committee, the city  
9 council, and the administration to come up with  
10 additional solutions to the problems we face. Thank  
11 you.

12 CHAIRPERSON ROSENTHAL: Thank you.

13 Gregory.

14 GREGORY BRENDER: Hi, I'm Gregory

15 Brender. I'm here on behalf of United Neighborhood  
16 Houses. And I'm here with Elizabeth Hoagland from  
17 Stanley Isaacs Neighborhood Centers, one of our  
18 member agencies, and Judy Zangwill from Sunnyside  
19 Community Services. You have my lengthy testimony  
20 which concurs with many of the things you've heard  
21 before so I'm not going to read it to you. But just  
22 turn it over to the two of them with a point that  
23 the issues that have been identified, the issues  
24 that are in place in many of the contracts are also  
25 baked into procurements that are happening now and

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2 are essentially going to happen and... and are going  
3 to exist in future programs. And so we... is we have  
4 this opportunity now with programs like youth  
5 pathways which Elizabeth will talk about and the  
6 geriatric mental health initiative which Judy will  
7 talk about to reform them and in fact we're  
8 grateful to have seen in today's council budget  
9 response mentioned of the youth pathways RFP. So  
10 I'm going to turn it over to them to talk about the  
11 specifics in these two current RFPs.

12 ELIZABETH HOAGLAND: So because of our  
13 deep commitment to the promise of young adults who  
14 experience disconnection and the extraordinary cost  
15 on our local economy when we do not invest in young  
16 adults we were very enthusiastic about the release  
17 of the New York City human resources youth pathways  
18 concept paper in July 2015 and subsequent RFP in  
19 February 2016. However, the concept paper failed to  
20 deliver on a few critical issues; one of them  
21 assumptions regarding the cost to deliver the  
22 required services were grossly misaligned with the  
23 realities of serving... the young adult population.  
24 For example, comparable contracts have a  
25 reimbursement rate of 85 hundred 10,500 per

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2 participant but these contracts have rates of \$826  
3 per participant. And those comparable contracts  
4 don't even cover the full costs. Also there are  
5 penalties for failing to reach performance targets  
6 which increase undue burden on risk management for  
7 nonprofits. And then finally some other concerns  
8 are... is that it is possible for organizations that  
9 are not huge but have deep connections with  
10 communities they served to be able to take on these  
11 contracts but youth pathways provides for only ten  
12 contractors with only two for all of Manhattan and  
13 Queens and Staten Island having only one provider  
14 each. This means that not only the volume per  
15 provider will be tremendous but also the  
16 organizations that have built trust in  
17 neighborhoods may not be able to provide these  
18 services. So in conclusion the effect of young  
19 adult's disconnection affects everything from  
20 earnings and self-efficacy to health and marital  
21 prospects and creates an undue significant taxpayer  
22 burden. So we are addressing the promise of young  
23 adults and we hope that investment in their future  
24 will be more appropriately considered. Thank you.

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2 CHAIRPERSON ROSENTHAL: Okay and real  
3 quickly do you have a separate testimony...

4 ELIZABETH HOAGLAND: Yes, we have copies  
5 here. We'll give...

6 CHAIRPERSON ROSENTHAL: Oh okay great if  
7 you could just give it to the Sergeant, thank you.

8 JUDY ZANGWILL: Is it on now? Yep. So as  
9 Gregory said I'm Judy Zangwill, Executive Director  
10 of Sunnyside Community Services. With four decades  
11 of experience serving youth families and seniors  
12 currently 14,000 people annually, a 63-million-  
13 dollar budget, and 22 city contracts we have a  
14 wealth of experience implementing city contracts  
15 that we feel that change the lives of people. I'm  
16 here to tell the story of how our organization will  
17 not be able to apply for critical funds for a  
18 longstanding program. Something almost unheard of  
19 in our work and a very painful decision for us. For  
20 10 years Sunnyside Community Services has received  
21 funding from the city council for our geriatric  
22 mental health initiative. Operating under the  
23 oversight of the Department of Health Mental  
24 Hygiene we have served hundreds of seniors in their  
25 homes and out of our senior centers they faced the

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2 challenges of anxiety, depression, substance abuse,  
3 and social isolation. We have honed a model that  
4 works through screenings, educational workshops,  
5 support groups, and counselling sessions. This year  
6 the Department of Health and Mental Hygiene  
7 released an RFP with the intent of replacing our  
8 current contract called decreasing depression,  
9 increasing social connectedness among New York  
10 City's older adults. The new model that has been  
11 introduced effectively ends our ability to serve  
12 the mental health needs of seniors in our  
13 communities for the following reasons. The model is  
14 one size fits all calling for six and eight  
15 counselling sessions to treat depression. The model  
16 assumes that seniors can then receive follow-up  
17 services via referral. These services are not  
18 widely accessible in Western Queens especially for  
19 homebound non-English speaking seniors. We are  
20 assigned two areas on the opposite ends of Queens.  
21 I'm talking very fast... the RFP pairs community  
22 districts that are not near each other for  
23 services. So for instance in our case it's Long  
24 Island City, Astoria, Sunnyside, and Jamaica which  
25 are 10 miles and an hour apart. So it moves away

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2 from a community based vision to a consolidated  
3 plan which... which may meet statistical target goals  
4 but does not satisfy neighborhood needs. The  
5 service goals don't match the resources available.  
6 I'm almost finished. We took their mandate, DOH's,  
7 and counted hour by hour person by person what it  
8 would take to deliver the required programming.  
9 They provided guidelines for estimated service  
10 hours to achieve their goals. These guidelines  
11 don't match practice in the field. They don't sound  
12 accurate based on 10 years of experience, and using  
13 their own estimates the required hours still  
14 surpass the funding they've made available. In  
15 conclusion the reason we are not applying for this  
16 is because we feel it sets us up for failure. Thank  
17 you.

18 CHAIRPERSON ROSENTHAL: May I just ask...  
19 do you know of other organizations that will be  
20 applying?

21 JUDY ZANGWILL: I know of one other and  
22 they happen to be in a NYCHA building and they will  
23 be getting support from other sources is my  
24 understanding. Gregory I don't know if you can...  
25 [cross-talk]

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2 CHAIRPERSON ROSENTHAL: I'm just... I mean  
3 it's the larger question of to the extent that some  
4 organizations start to drop out as a new  
5 administration comes in with new ideas of how  
6 something should be tackled does another  
7 organization step in to take its place, sort of  
8 that broader question?

9 GREGORY BRENDER: Other organizations  
10 may step in to take the place but ultimately it  
11 seems to be a program model that is not as strong  
12 as the city council's geriatric mental health  
13 initiative which they've... which you guys have... have  
14 put forward for many years. So while you know it's  
15 rare to get a RFP that nobody applies to there has  
16 been a large consensus that this RFP is dangerous  
17 for nonprofits and also really changes the scope  
18 and type of services that... that seniors have  
19 traditionally gravitated to with GMHI.

20 CHAIRPERSON ROSENTHAL: ...interrupt...  
21 sorry.

22 SARA RAKITA: Thank you. And good  
23 afternoon. My name is Sara Rakita. I'm Managing  
24 Director of the New York Immigration Coalition. I  
25 want to thank you to the chairwoman in this

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2 committee for holding this hearing. I think this  
3 issue is very important particular for New York's  
4 immigrant communities. The NYC is an umbrella  
5 policy and advocacy organization with 175 members.  
6 We have member organizations in every borough of  
7 New York City that collectively serve communities  
8 in more than 65 languages. Many of our  
9 organizations have contracts with the city and  
10 experience the challenges that we've heard about  
11 today. But with my limited time I'd like to talk a  
12 little bit more about others who are actually well  
13 placed to provide human services in vulnerable  
14 communities but they've been unsuccessful in  
15 obtaining city contracts to do so essentially  
16 leaving their communities underserved. We have been  
17 in a dialogue with FWPA and some other coalitions  
18 about focusing on small CBOs and I think this is  
19 really an issue that we're glad to see the  
20 administration has expressed an interest in the  
21 council as well and I think there's a lot that can  
22 be done here. Immigrants serving CBOs play a  
23 crucial role in the communities. Their linguistic  
24 and cultural competency enable them to provide  
25 proper service in areas that are otherwise



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2 marginalized. They are known and trusted by  
3 vulnerable individuals who otherwise might be  
4 afraid to come forward for health. Some of the  
5 things which are explained more in my testimony  
6 which we can do is identify ways to modify rigid  
7 processes to allow CBOs to get culturally competent  
8 services to immigrant communities. Streamlining  
9 bureaucracy to make it possible for small CBOs to  
10 participate, encouraging micro purchases and  
11 subcontracting and other ways to get amount... you  
12 know smaller amounts of money to organizations that  
13 cannot produce largely at scale but can really  
14 provide targeted services in their communities.  
15 And... and as it's been said... said before I think for  
16 this group in particular strengthening the capacity  
17 of small CBOs to allow them to contract with the  
18 city, improve their governance and provide better  
19 services for New York City's immigrants. With that  
20 I'll just say thank you for giving me the time for  
21 having this hearing and we're looking forward to  
22 partnering with the city to make this a reality.

23 CHAIRPERSON ROSENTHAL: Thank you. And  
24 thank you for all the work that the coalition does.  
25 And really that goes for everyone. Thank you for

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2 your time. Thank you for the work that your  
3 organizations do to help the lives of everyday New  
4 Yorkers. I'm just going to call up the next panel.  
5 Judith Castillo from Phipps neighborhood, Lester  
6 Marks from the Lighthouse Guild, John Weed from  
7 BronxWorks, Reverend Wendy Calderon from Bronx  
8 Connect, and Quinia Abreu [phonetic] from the New  
9 York Women's Chamber of Commerce if you're still  
10 here. Thank you. Thank you. Okay we'll make this a  
11 small panel. Let's... let's go.

12 JUDITH CASTILLO: My name is Judith  
13 Castillo, Director of Finance at Phipps  
14 Neighborhoods. Our organization helps children,  
15 youth, and families in low income communities rise  
16 above poverty through education and career programs  
17 and access to community resources. We serve  
18 approximately 10,000 clients a year and 80 percent  
19 of our 25-million-dollar budget is comprised of  
20 city and state contracts. I'm here to offer  
21 testimony to you today about the tremendous burden  
22 that complying with multiple contract audits places  
23 on our staff the burden that it imposes on our  
24 budgets and ultimately how it affects our ability  
25 to fulfil our mission. I urge that this committee

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2 take the necessary steps to streamline these audit  
3 mandates in order to relieve some of these burdens  
4 and allow our organization and other organizations  
5 like ours focus on our missions. In my role I serve  
6 as liaison between my organization and external  
7 auditors and as a result I'm continuously exposed  
8 to the redundancies and inefficiencies that  
9 multiple audit requirements impose on my  
10 organization. As a nonprofit organization recipient  
11 of federal funding we are required to undergo an  
12 annual independent audit that includes A133  
13 testing. As part of the A133 independent auditors  
14 conduct a thorough analysis that examines our  
15 financial records, statements, and internal  
16 controls. A133 testing considers material-ality  
17 [phonetic] at a more rigorous levels than  
18 independent audits and auditors go through more  
19 criteria in order to assess compliance  
20 requirements. In addition to the A133 city agencies  
21 consistently require that my organization undergo  
22 additional independent audits. We've been subjected  
23 to this added scrutiny over the last four  
24 consecutive years despite consistently receiving  
25 unmodified opinions in our audits. DYCD for example

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2 deploys their employees to conduct a mid-year  
3 fiscal review at all of our contracts. In other  
4 cases, they hire independent audit firms and  
5 subject us to audits for prior fiscal years well  
6 after the fiscal year has ended. Allow me to  
7 illustrate further. Over the last month my team and  
8 I have been preparing for an FY '15 audit of 20 of  
9 our contracts. In preparation for that audit the  
10 independent audit firm has requested that we submit  
11 copies of all monthly invoices. These invoices  
12 contain handwritten signatures for the entire  
13 fiscal year. That's 12 invoices for 20 contracts,  
14 240 invoices. With each invoice averaging five to  
15 10 pages that's 2,000 pages we have to upload of  
16 information that's already available in a  
17 spreadsheet format and in DYCD's financial  
18 management system. Sorry. While APS...

19 CHAIRPERSON ROSENTHAL: ...just wrap it  
20 up?

21 JUDITH CASTILLO: Sure.

22 CHAIRPERSON ROSENTHAL: And do we have a  
23 copy of that?

24 JUDITH CASTILLO: Yes, we provided it.

25 CHAIRPERSON ROSENTHAL: Okay thanks.

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2 JUDITH CASTILLO: So basically what I'm  
3 asking the committee is to accept the A133 as a  
4 standard form for those organizations that are  
5 required to file it. And those that are not  
6 required establish a requirement for an annual  
7 independent audit and instead redeploy the  
8 resources being used in duplicative audit efforts  
9 to focus on quality improvement and technical  
10 assistance that way we can assure our organizations  
11 are helping more vulnerable New Yorkers reach their  
12 potential.

13 CHAIRPERSON ROSENTHAL: I apologize I'm...  
14 I'm having a small family crisis. I'm going to take  
15 a two-minute break and I'll be right back. Thank  
16 you.

17 [pause]

18 CHAIRPERSON ROSENTHAL: Sorry about  
19 that. Please continue.

20 REVEREND WENDY PAYNE: Hi, my name is  
21 Reverend Wendy Calderon Payne. I'm the Executive  
22 Director over Bronx Connect. And we're a very  
23 different kind of organization than the majority  
24 that have testified today. We're about at 1.5  
25 million dollars. We're what I consider a small

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2 organization. We do alternate incarceration,  
3 alternate to detention, and cure violence work and  
4 we do it with excellence. So there are two areas.  
5 I'm sorry I... I did see the report that came out and  
6 this response but I wanted to talk to you about  
7 city contracting because if I can get this into  
8 your ear I will. It is of my opinion that the HHS  
9 accelerator system has actually been harmful to  
10 smaller agencies like myself because by needing to  
11 value certain areas of program they have  
12 undervalued experience. So in the past where RFPs  
13 would have experience at 35 to 45 points out of 100  
14 they've been shifted down to 25 points because  
15 program has been divided up. And what this has  
16 happened... what this has allowed to happen is that  
17 smaller agencies or community based agencies... I've  
18 heard about this in the juvenile justice world and  
19 also in the head start world. There was a big issue  
20 about a lot of Harlem head start contractors losing  
21 their contracts in compares to larger  
22 organizations. So there is this problem that needs  
23 to be looked at. In addition, on the back there is  
24 a relevant experience form which two years ago was  
25 a normal part of contracting but it's not now. So

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2 agencies can go in and put down that they've served  
3 young people for 40 years but they don't actually  
4 say what they did on the last contract. So they  
5 could fail their last contract but not be forced to  
6 disclose that in that system. Do you understand  
7 what I'm saying? And... and I have spoken to any city  
8 council member I can about this. Finally, the  
9 contract process. I love MOCS but you can't get a  
10 loan if your contract isn't registered. So right  
11 now... like last week DOE registered... they finally  
12 registered a contract that was from last fiscal  
13 year. So the loan... I can get a loan or DOE can pay  
14 my... my... my invoices, 120,000 dollars of invoices.  
15 So they're going to just pay them but I have to do  
16 services for a year and a half with no money. So...  
17 so I mean I like MOCS, I see that they're trying  
18 but maybe you guys need to hire more staff. Because  
19 if it takes a year to... to register a contract... now  
20 there are agencies with a million dollars in the  
21 bank, I don't have that.

22 CHAIRPERSON ROSENTHAL: I got you. And  
23 did you end up taking a private loan to cover those  
24 costs?

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2 REVEREND WENDY PAYNE: No. We ended up  
3 not...

4 CHAIRPERSON ROSENTHAL: Okay.

5 REVEREND WENDY PAYNE: We hire very  
6 carefully.

7 CHAIRPERSON ROSENTHAL: Okay... [cross-  
8 talk]

9 REVEREND WENDY PAYNE: And... I mean if...  
10 if you look at the testimony...

11 CHAIRPERSON ROSENTHAL: I got ya  
12 [phonetic].

13 REVEREND WENDY PAYNE: ...we're just... we  
14 are literally last year this... I know everybody. I  
15 reached out to commissioner for things to get paid  
16 on time. I was begging everybody but we would  
17 literally put money in and the next day it was  
18 payroll.

19 CHAIRPERSON ROSENTHAL: And Reverend  
20 actually do you have time to stay...

21 REVEREND WENDY PAYNE: I will stay and  
22 talk to you.

23 CHAIRPERSON ROSENTHAL: ...longer because  
24 I'd love to talk to you at the end of the hearing.

25 REVEREND WENDY PAYNE: Okay thank you.



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2 CHAIRPERSON ROSENTHAL: Okay.

3 REVEREND WENDY PAYNE: Thank you.

4 JOHN WEED: [off-mic] Good afternoon. My  
5 name is John Weed... [cross-talk] [on-mic] Okay. My  
6 name is John Weed from BronxWorks. Thank you  
7 Council Member Rosenthal for holding these  
8 hearings. BronxWorks feeds, shelters, teaches, and  
9 supports 35,000 individuals in the South Bronx  
10 every year. We have a budget of about 60 million  
11 dollars. 95 percent of that is... is New York City  
12 governments and we have 120 contracts  
13 approximately. Some of the programs that we run are  
14 early childhood, after school. We have  
15 cornerstones. We run programs for families, family  
16 case management, and then we have homeless  
17 shelters, and senior centers. I was going to talk  
18 about late payment, indirect cost issue, and cost  
19 escalation but I don't think the two minutes really  
20 gives me time for that. I want to focus on late  
21 payment which was a particular problem this year.  
22 We started to run into cash flow problems over the  
23 summer, some of our contracts which are large, DHS  
24 contracts weren't registered for months and months  
25 and months. And... and so I heard a gentleman say

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2 before well what do you do, you stiff your... your...  
3 your vendors. Well we do have a line of credit that  
4 float 100... 1.5 million dollars is what we generally  
5 have. The interest on that is you know relatively  
6 sizable so that... you know you're... you're paying  
7 interest payments on money that you should be  
8 getting from the city in contracts. Basically we  
9 have to pay our line staff first. That's kind of  
10 our mandate. So in some cases vendors do get paid  
11 late. It's a real problem. This year it was a  
12 particular problem. I don't think we got paid on  
13 some of our larger shelter contracts until mid-  
14 year. In fact, some contracts as the lady right  
15 here pointed out are still unregistered, not at DHS  
16 but at some other city agencies which really  
17 presents problems for our organization in terms of  
18 providing services. In terms of the indirect costs  
19 since I have... since I don't have time I will  
20 provide you with the testimony, thank you.

21 CHAIRPERSON ROSENTHAL: And we have your  
22 testimony, yeah?

23 JOHN WEED: No actually it developed  
24 over time. I've been here for three hours so I was  
25

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2 able to edit a little bit. I will type it up nicely  
3 and hand it in tomorrow.

4 CHAIRPERSON ROSENTHAL: Thank you so  
5 much. We'll make sure it's in the record. Thank  
6 you.

7 DANA ALTNEU: Good afternoon. I'm Dana  
8 Altneu, Senior Manager of Government Contracts at  
9 Good Shepherd Services. I want to thank Council  
10 Member Rosenthal and the Committee on Contracts for  
11 holding this hearing... holding this hearing on the  
12 challenges facing nonprofits and city contracting.

13 CHAIRPERSON ROSENTHAL: I'm going to ask  
14 you to summarize your testimony if that's okay.

15 DANA ALTNEU: Sure.

16 CHAIRPERSON ROSENTHAL: And just hit on  
17 the highlights, we have it.

18 DANA ALTNEU: Okay great. So I'll just  
19 give a few examples today; the first being that we  
20 are not paid on our indirect federally approved  
21 cost rate which is currently 16.9 percent. But the  
22 rate we are currently being paid on... contracts  
23 ranges from only zero to 10 percent. Like others  
24 have said delays in city contract registration is  
25 also highly problematic. One of our contracts this

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2 year you know started at the beginning of the  
3 fiscal year in July and was not registered until  
4 February of this year causing a nearly two-million-  
5 dollar reimbursement issue over six and a half  
6 months. We still have to pay front line staff,  
7 administrative staff, order supplies, pay for  
8 space. Additionally, you know we... we use HHS  
9 Accelerator and have been thrilled to use it and  
10 think it's an amazing system that streamlines a  
11 very burdensome process. But that being said it  
12 only works if it is used and in the past five  
13 months New York City agencies required submissions  
14 for nine out of our 11 city contracts that were  
15 going through the procurement process through the  
16 paper system. Those are the highlights and the rest  
17 of it is in the written testimony.

18 CHAIRPERSON ROSENTHAL: Really helpful,  
19 thank you.

20 LESTER MARKS: Good afternoon. My name  
21 is Lester Marks from Lighthouse Guild. I'm... I'm... I  
22 will not read my testimony but I just wanted to  
23 highlight a couple of things. Obviously when the  
24 city proposes a major initiative the first place it  
25 turns to is the nonprofit sector. Just look at the

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2 major initiatives between UPK, homelessness, mental  
3 health. All of these initiatives hinge... the success  
4 of these initiatives hinge on... on the backs of the  
5 nonprofit sector. So this... this report that was  
6 issued today is... or last week is... is really  
7 important. One of the things that I'd like to  
8 highlight is the... the audit process. It is  
9 extremely onerous and an organization like  
10 Lighthouse has numerous contracts with state, city,  
11 and federal officials. Each... we'll... we'll handle  
12 the city for instance... each agency requires a  
13 different set of documents, a different... slightly  
14 altered request for information such as you know  
15 Board of Directors Information. One agency might  
16 want it with affiliations and contact information.  
17 The other might want it sub... you know just names of  
18 boards of directors. And it's small things like  
19 that that add up and require an inordinate amount  
20 of time to respond to audits from city agencies. So  
21 whatever the council can do and... and the report  
22 highlights the need for a single standard for an  
23 audit across city agency. And however that is  
24 determined we will obviously be a part of that  
25 process. But to remove that burden of you know the

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2 onerous audits that require an insane amount of  
3 staff will... will be a tremendous benefit so thank  
4 you.

5 CHAIRPERSON ROSENTHAL: Thank you all so  
6 much. Thank you for your time. I really appreciate  
7 it. I'm going to call up the next panel. Excuse me  
8 if I mispronounce, Angelina Gardner, Garnair  
9 [phonetic]... Garneva... thank you it's just a  
10 handwriting issue New York City Employment and  
11 Training Coalition, Garson Atien [sp?] from Turning  
12 Point Brooklyn, Margaret Karate [sp?] from  
13 Partnership with Children, and Tom Dambakly from  
14 CAMBA. If there are any other organizations that  
15 are here that want to testify please fill out one  
16 of these slips which you can get at the Sergeant at  
17 Arms desk. Thank you. Angelina if you could start.

18 ANGELINA GARNEVA: My name is Annie  
19 Garneva and I'm here to represent the over 160  
20 member organizations of the New York City  
21 Employment Training Coalition.

22 CHAIRPERSON ROSENTHAL: Annie sorry.  
23 Sorry I got your name, sorry go ahead.

24 ANGELINA GARNEVA: No it was... I go by  
25 both. Who collectively provide workforce services

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2 to over 800,000 New Yorkers. You can read the... my  
3 entire... the entirety of my testimony but today I  
4 will focus on challenges that we see within the  
5 contracting process through the lens of the current  
6 HRA RFPs. Last fall... last fall we were hopeful when  
7 HRA issued CASA papers for a new transformational  
8 system and invited responses. We surveyed our  
9 member organizations and held workshops to provide  
10 feedback warning that only... that overly complex  
11 contracts with low cost per participant rates would  
12 not facilitate the transformation or the outcomes  
13 desired. We were hopeful that HRA was listening to  
14 our voices as the issuance of the RFPs were delayed  
15 by several months. We were ultimately disappointed  
16 that the RFPs cost per participant are severely  
17 below comparable programs both within New York City  
18 and nationally. Previously someone spoke about the  
19 youth pathways program so I'll focus on the other  
20 two programs which are career advance and career  
21 compass. Career advance allows for a 931 dollars  
22 per participant and career compass 437 dollars per  
23 participant. However, the current cost per  
24 participant in New York City program is most  
25 similar to both of those are between 1,000 and 24

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2 hundred dollars per client and up to 7,000 in some  
3 places... some cases. So the HSC report that says 80  
4 cents on the dollar in these instances it's as low  
5 as 20 cents on the dollar. From our member  
6 organizations more than 80 individuals attended a  
7 session last month held by the workforce  
8 professionals training institute to assist  
9 providers in assessing the viability of these RFPs  
10 for their respective organizations and to provide  
11 technical assistance. At the end of those sessions  
12 it was clear that the majority of the organizations  
13 present including several who currently have  
14 contracts with HRA for these services determine  
15 that funding offered to provide increased services  
16 and outcomes on a performance based contract are  
17 too low and would prohibit the majority of the  
18 organizations from applying. In addition, with the  
19 low funding much anticipated partnerships in the  
20 HRA concept between large and small agencies will  
21 not be feasible which eliminates client choice and  
22 severely diminishes the high quality training that  
23 is envisioned by the mayor's careers pathways  
24 vision.



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2 CHAIRPERSON ROSENTHAL: Could I ask you  
3 to wrap up.

4 ANGELINA GARNEVA: So I just wanted to  
5 mention that it's really important that providers  
6 be included in the program design prospect from the  
7 beginning. One... one suggestion that we had made was  
8 creating a standard assessment tool that would  
9 encourage referrals and... and not waste funding. So  
10 this is just one example of the kinds of innovative  
11 strategies that we... come up with to include in the  
12 RFPs rather than be giving them at the end of the  
13 process. Thank you.

14 CHAIRPERSON ROSENTHAL: Thank you.

15 ANGELINA GARNEVA: Thank you.

16 THOMAS DAMBAKLY: Hi, my name Tom  
17 Dambakly. I'm Chief Administrative Officer and  
18 Executive Vice President for Operations at CAMBA.  
19 We're a multi-service social service agency with  
20 120-million-dollar annual budget. 105 million  
21 dollars of it comes from city contracts. We  
22 currently have 88 contracts across 11 city agencies  
23 totaling 105 million dollars. I'm just going to  
24 touch upon a few quick points because I know that  
25 we need to be brief. CAMBA and not for profits like

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2 us have... have had to deal with impacts of inflation  
3 across a wide range of our operating expenses such  
4 as rent and personnel and insurance costs among  
5 others. As an example in... in one of our... in one of  
6 our service modalities we operate scatter site  
7 housing for people with HIV since 1993. We have 270  
8 such units across the city. These contracts have  
9 not had budget increases since 1993. That's 26  
10 years in some cases since we've had... since we've  
11 had some increases since the median rent for an  
12 apartment in New York City was only 501 dollars at  
13 that time. We've been covering the increases ever  
14 since. Like our peers we also have... have to deal  
15 with... with... you know with being funded with... with  
16 government dollars and... and... and the challenges  
17 that that faces. Late payments have been an  
18 increasingly difficult situation to deal with over  
19 the last several years. The delays in... in being  
20 paid cause us to incur substantial expenses with  
21 respect to interest in order to meet payroll. We...  
22 we have a 13 and a half million-dollar line of cred  
23 that we... that we utilize frequently and often  
24 fully. Last year CAMBA paid 375,000 dollars in  
25 interest for the use of our line of credit. To date

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2 we have roughly a dozen contracts that have not  
3 been paid since... since July 1<sup>st</sup> of the last fiscal  
4 year. I'm going to summarize with one last point.  
5 Like our other... like our not for profits we're also  
6 committed to transparency and the accurate  
7 reporting and how we do business and operate  
8 programs and we understand that regulation is an  
9 important part of the process. But during fiscal  
10 year 2016 we have been forced to undergo not less  
11 than 106 separate city audits which is a tremendous  
12 waste of... of our... of a human effort and a  
13 tremendous expense for the organization.

14 CHAIRPERSON ROSENTHAL: Okay that ended  
15 it on a really solid note. You really made the  
16 point there. So thank you so much for waiting 'till  
17 the end...

18 THOMAS DAMBAKLY: Not a problem.

19 CHAIRPERSON ROSENTHAL: ...staying, and  
20 such powerful testimony. Thank you for that. I  
21 actually... if it's okay and I've been told this is  
22 my hearing so I can do it. Allison can I call you  
23 back up to testify just real quickly.

24 ALLISON SESSO: [off mic] Yes,  
25 absolutely.

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2 CHAIRPERSON ROSENTHAL: Thank you. And  
3 thank you for staying the whole time and I know  
4 this is unusual and I'm sure completely  
5 inappropriate. So can I just ask you... I mean first  
6 of all thank you for bringing everyone here today.  
7 We had over 25 organizations testify. I know at  
8 least five left testimony... they had to go. These  
9 are large organizations providing hundreds of  
10 millions of dollars' worth of city services to New  
11 Yorkers. So I feel you really made the point. This  
12 is the four billion dollars of... you know... sort of  
13 you know a good... a good pool of the four billion  
14 dollars in contract services.

15 ALLISON SESSO: Yep.

16 CHAIRPERSON ROSENTHAL: And the summary  
17 points that you made in your report obviously were  
18 covered with examples today.

19 ALLISON SESSO: Right.

20 CHAIRPERSON ROSENTHAL: Do you feel  
21 that... I'm a little overwhelmed by the next steps.  
22 And I know and I'm confident that the  
23 administration is taking this all in and is taking...  
24 you know making good steps forward... and there were  
25

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2 a couple of suggestions for legislation and there  
3 was a request for one... a one shot of funding.

4 ALLISON SESSO: Mm-hmm.

5 CHAIRPERSON ROSENTHAL: So I heard all  
6 of that. Do you think it's reasonable to ask the  
7 administration for some sort of road map or  
8 strategic plan for how you get from these  
9 recommendations to implementation? I mean what sort  
10 of the... you know besides...

11 ALLISON SESSO: Absolutely.

12 CHAIRPERSON ROSENTHAL: ...government  
13 grinding along which it is.

14 ALLISON SESSO: Yes, I mean I think...  
15 Look, I think at the heart of this is the... is the...  
16 the rates. And it... it's about what do we call...  
17 consider program costs. And there has to be a real  
18 conversation and some consistency across city... and  
19 I would say to some degree state agencies as well.  
20 I'm not saying the city and state has to be exactly  
21 the same because I know that's very difficult and I  
22 operate in reality. But I think that those two  
23 conversations have to happen and there has to be  
24 consistency across city agencies and some... and it  
25 can't be vastly different at the state level. What

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2 that means for a nonprofit it's operating in both  
3 of those. So what are the... what... you know the  
4 categories that Marla talked about... I think we need  
5 to really look at those together and say what can  
6 we... how can we rationally approach this? I mean...  
7 and it's not going to be perfect. I mean let's...  
8 let's also realize that in this system there will  
9 be changes and it will mean that some nonprofits  
10 will lose from... you know some are operating... I  
11 wouldn't say anyone's operating well but they  
12 figured out how to operate in this environment. And  
13 so if you really open up the Pandora's box and you  
14 take a look and you say okay are we really going to  
15 take a look at this and figure out what the real  
16 costs are and how we going to... how are we going to  
17 allocate things it may mean some losses and  
18 differences for nonprofits. But I think as a system  
19 as a whole it will strengthen it. And I have to say  
20 this was part of the commission which is very  
21 important. We are not trying to protect any one  
22 entity. And this is a hard position for me. I'm a  
23 membership association, 170 members. And of course  
24 I care about the membership; FECS was also one of  
25 my members. At the end of the day this is for me

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2 and for the commission about putting the individual  
3 entities aside and saying we have to make sure that  
4 as a city that we have the capacity to ensure  
5 wellbeing and do these range of services that we  
6 need that support the education system and the  
7 healthcare system. And if we're not... if we're  
8 expecting to solve these very large social problems  
9 on the backs of these nonprofit agencies that are  
10 financially falling apart we're missing a real  
11 opportunity. And so that's what we're concerned  
12 about here. Because at some point if too many  
13 nonprofits close our ability to... for the... for the  
14 rest of the system to absorb all of the things that  
15 are left over is going to be small. And I think  
16 we're missing the opportunity to really get the  
17 innovation and... and you know Pat Jenny was here  
18 talking about the New York Community Trust and  
19 their 40-million-dollar contribution. And it's  
20 frustrating for them because their... have to... they  
21 have to do business with organizations that are not  
22 financially doing that well and they want to use  
23 their dollars differently, not to fill in gaps. So  
24 I think we need a collective conversation. And I do  
25 think that MOCS will be a good partner but there

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2 does have to be a directive at the very highest  
3 levels of the administration to want to do this  
4 and... and I think a road map is the best way to go.  
5 And this is not a problem that happened you know  
6 overnight. We're probably not going to solve it  
7 overnight, this is the long game here.

8 CHAIRPERSON ROSENTHAL: Yeah. I mean if  
9 you look at... you know and you talked about this in  
10 the... in the ABNY panel discussion you know at one  
11 point we lost the fringe benefits overhead for our  
12 contract services that paid for insurance.

13 ALLISON SESSO: Right.

14 CHAIRPERSON ROSENTHAL: And then another  
15 time you lost you know something else. So we've  
16 been chipping away at it for the last 40 years.

17 ALLISON SESSO: And if there's another  
18 recession we're in... we're... it's going to come  
19 avalanching back down at us. And look we've been...  
20 since 2008 I mean every eight or nine years or so  
21 there usually is a downturn in the economy. If that  
22 happens and the... and the government has to cut back  
23 we're usually the last on the list and that's... that  
24 is going to be a big problem. And again that's... in  
25 a... in a context of that we are providing services



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2 that are a bridge to opportunity for the... some of  
3 the you know neediest people in New York City. So  
4 it's... it's a problem... it's going to be a problem.  
5 We're going to feel it one way or another if we  
6 don't do something.

7 CHAIRPERSON ROSENTHAL: Okay. And then I  
8 had texted you this question but...

9 ALLISON SESSO: Mm-hmm.

10 CHAIRPERSON ROSENTHAL: ...just for the  
11 public to know I... if you could get me a list you  
12 know for whatever organizations feel comfortable...  
13 I'm not interested in the name of the organization.

14 ALLISON SESSO: Mm-hmm.

15 CHAIRPERSON ROSENTHAL: But if you could  
16 break it into categories of organizations like in  
17 the homeless services sector and the after school  
18 program sector, in the...

19 ALLISON SESSO: Mm-hmm.

20 CHAIRPERSON ROSENTHAL: ...you know...  
21 social services for people with disability sector  
22 what... how many have to... so the number of  
23 organizations that have to get private bank loans  
24 and how much for each of those groups annually last  
25 year 2000... fiscal year '15, fiscal year '16, I

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2 don't care... did they have to take out in loans and  
3 how much...

4 ALLISON SESSO: Yeah.

5 CHAIRPERSON ROSENTHAL: ...interest did  
6 they pay.

7 ALLISON SESSO: Yeah so... so we can... we  
8 can get that but I will just say this. The other  
9 thing that we've heard and I don't have evidence of  
10 this but I've heard it anecdotally and often times  
11 that's truth; because so many nonprofits have been  
12 failing the banks... getting a loan from the banks  
13 has been harder for a lot of nonprofits.

14 CHAIRPERSON ROSENTHAL: So maybe do the  
15 analysis from 2013...

16 ALLISON SESSO: Mm-hmm.

17 CHAIRPERSON ROSENTHAL: Pick a year that  
18 you think is a meaningful year.

19 ALLISON SESSO: Yep.

20 CHAIRPERSON ROSENTHAL: And that's a  
21 good footnote to put in there.

22 ALLISON SESSO: Right. Will do. So  
23 we'll... we'll... we'll work on doing that. And I do  
24 think that John MacIntosh's report has some good  
25 suggestions about how to get the banks to come to

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2 the table in a more meaningful way which I think he  
3 mentioned but we should look at that as well. And...  
4 I'm... I'm happy to follow up and give you you know  
5 more concrete steps on what the council can do post  
6 this and... and also what the... how the council can  
7 help to push the administration. And I... I just want  
8 to thank you really for spending so many hours and...  
9 and raising this up. I mean you're a real partner.  
10 And the call to action part you have taken very  
11 seriously.

12 CHAIRPERSON ROSENTHAL: Alright well  
13 it's a pleasure working with you. Thank you so  
14 much...

15 ALLISON SESSO: Great.

16 CHAIRPERSON ROSENTHAL: Calling the  
17 hearing to a close.

18 [gavel]

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C E R T I F I C A T E

World Wide Dictation certifies that the foregoing transcript is a true and accurate record of the proceedings. We further certify that there is no relation to any of the parties to this action by blood or marriage, and that there is interest in the outcome of this matter.



Date April 29, 2016