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CITY COUNCIL  
CITY OF NEW YORK

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TRANSCRIPT OF THE MINUTES

Of the

COMMITTEE ON CONTRACTS

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November 25, 2020  
Start: 10:07 a.m.  
Recess: 2:38 p.m.

HELD AT: REMOTE HEARING

B E F O R E: Ben Kallos,  
Chairperson

COUNCIL MEMBERS:  
Inez D. Barron  
Bill Perkins  
Keith Powers  
Helen K. Rosenthal

A P P E A R A N C E S

Jennifer Geiling

Deputy Director for the Social Services Task  
Force in the Procurement Operations Division at  
the Mayor's Office of Contract Services, MOCS

Erin Villari

Deputy Director for our Procurement Operations  
Division at the Mayor's Office of Contract  
Services, MOCS

Michelle Jackson

Executive Director of the Human Services Council

Damyn Kelly

President and CEO of Lutheran Social Services of  
New York

Janelle Farris

Executive Director and the President of Brooklyn  
Community Services

Gregory Morris

Executive Director of the Stanley M. Isaacs  
Neighborhood Center

Keith Little

President and CEO of SCO Family Services

Catherine Trapani

Executive Director of Homeless Services United

Alan Mucatel

CEO of Rising Ground

Darren Bloch

Executive Director and CEO of Greenwich House

A P P E A R A N C E S (CONT.)

1 Paul Feuerstein  
2 CEO of Barrier Free Living

3 Michelle Yanche  
4 Executive Director of Good Shepherd Services

5 Katelyn Andrews  
6 Director of Public Policy at LiveOn New York

7 Emily Levine  
8 Supportive Housing Network of New York

9 Jonathan Miller  
10 Chief Financial Officer of Sunnyside Community  
11 Services

12 J.T. Falcone  
13 Policy Analyst at United Neighborhood Houses

14 Annie Garneva  
15 Representing the New York City Employment and  
16 Training Coalition

17 Beatriz Diaz Taveras  
18 Executive Director for Catholic Charities  
19 Community Services

20 Paula Magnus  
21 Deputy Director and Financial Officer at  
22 Northside Center for Child Development

23 Carlyn Cowen  
24 Chief Policy and Public Affairs Officer at the  
25 Chinese American Planning Council

Nicole McVinua  
Director of Policy at Urban Pathways

A P P E A R A N C E S (CONT.)

David Collins  
Chief Program Officer at Children's Village in  
Harlem Dowling

Veronica Wong  
Advocacy Director for University Settlement

D. Alexandra Dyer  
Chief Financial Officer for the Rise Borough  
Community Partnership

Yolanda McBride  
Director of Public Policy at Children's Aid

Anthony Edwards  
Chief Financial Officer at Sheltering Arms

Michelle DeMott  
Chief of Staff to Mitchell Netburn, President and  
CEO of Samaritan Daytop Village

Lew Bader  
Finance Director for Counseling in Schools

Michael Winter  
Chief Operating Officer of Lantern Community  
Services

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SERGEANT LUGO: Alright, Cloud recording is good.

SERGEANT KOTOWSKI: Sergeant Jones, can you give your opening please.

SERGEANT JONES: Okay. Good morning everyone and welcome to today's Remote New York City Council hearing on the Committee on Contracts. At this time, would all panelists please turn on their videos.

To minimize disruption, please place electronic devices to vibrate or on silent and if you wish to submit testimony, you may do so at [testimony@council.nyc.gov](mailto:testimony@council.nyc.gov) and again, that is [testimony@council.nyc.gov](mailto:testimony@council.nyc.gov) and thank you for your cooperation and Chair, we are ready to begin.

CHAIRPERSON KALLOS: Thank you very much, good morning. Today is the day before Thanksgiving and we are here to talk about how we as a city can do better at feeding the hungry and helping those who need it most during this pandemic.

I want to welcome you to this Virtual Hearing of the Contracts Committee of the New York City Council. My name is Ben Kallos and I have the privilege of Chairing this Committee. For those of you who are watching remotely please feel free to participate in this hearing. You can Tweet questions that have for

1  
2 me, for providers, for the Administration at Ben  
3 Kallos.

4 I want to start with a huge thank you to former  
5 Contracts Chair Helen Rosenthal who has joined us  
6 today for her leadership on this issue and Keith  
7 Powers, a Committee Member who is here bright and  
8 early.

9 After promising to fully fund indirect costs with  
10 \$54 million in November of last year, Mayor de Blasio  
11 announced in July, this July, that it would be  
12 cutting the city's reimbursements for these costs  
13 both retroactively and moving forward. Prior to this  
14 Mayor de Blasio's executive plan in April cut  
15 indirect funding by nearly 40 percent to \$34 million  
16 because he said he was right sizing. Which was to  
17 say that they budgeted too much and they provided  
18 assurances for providers that reimbursements from the  
19 last fiscal year would not be impacted and that  
20 people would still get paid. That it was just a  
21 right sizing.

22 Human Service providers are now in trouble,  
23 having already spent the funds they are relying on  
24 this for this reimbursement and they are only seeing  
25 a de minimis ten percent and some of them are getting

1  
2 60 percent but somehow they are supposed to get  
3 through this pandemic. And during this pandemic, my  
4 biggest question is, if the city said they were going  
5 to pay the money and now they are saying no, where  
6 are they supposed to get this money? Especially as  
7 we are celebrating Thanksgiving. Everyone is  
8 stretched thin and our hungry, those with the highest  
9 needs are leaning on our Human Service providers more  
10 now than ever.

11 This isn't a new issue. In August, we joined  
12 with Council Member Rosenthal and 18 other Council  
13 Members in a letter demanding the restoration of  
14 these funds. When we didn't hear back on that  
15 letter, we actually had a rally demanding restoration  
16 of these funds in September with our Borough  
17 President Gale Brewer, Council Member Rosenthal and  
18 other Council Members and this is the next step. We  
19 are holding a hearing on this and we expect answers.  
20 And there is only one right answer which is, we will  
21 find the money for these providers.

22 Since we have been going through all this, we  
23 have had conversations with the provider community  
24 and we discovered that roughly 330 human service  
25 providers opted for a higher rate. This is something

1  
2 we want to hear confirmed from the Mayor's Office of  
3 Contracts, which meant that they could cover basic  
4 operating expenses, appropriate pay for their staff  
5 and albeit at the cost of a public accountant and all  
6 these efforts now seem for naught. In many cases,  
7 these funds have already been spent and these  
8 providers are awaiting reimbursement from the city.

9 And so, just to be clear, what we are talking  
10 about is, if we are going to have a youth center, it  
11 would be nice if the city would also pay for heat.  
12 So, the children can feel their fingers while they  
13 are trying to play with their toys. Similarly, for  
14 seniors, it would be nice if we could turn on the  
15 lights. And these are just some examples of indirect  
16 costs.

17 I want to thank our tremendous Committee staff,  
18 our Legislative Counsel Alex Paulenoff, our Policy  
19 Analyst Leah S., Finance Analyst Frank Sarno, Finance  
20 Unit Head John Russell for all their hard work.

21 We have a tremendous number of Human Service  
22 providers who are planning to testify today, we have  
23 31. In conversations I tend to want to offer people  
24 five minutes because of the serious number of folks  
25 who have turned out, I think we have all agreed that



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we are going to stick to I believe three minutes. We are coordinating a list; Will Fredo[SP] in my office is working with Human Service Council to maintain it. With 31 folks we are going to do our best to try to text you, let you know when you are on deck, when you will be coming up. The order is not by order of importance or anything like that. It is literally in order of when folks said, this is my window for when I think I could testify. If you have ever been to one of these hearings, it is kind of a game of hurry up and wait and we wanted to try to get rid of that pain point.

So, please feel free to reach out and we will try to do our best to make it as easy as possible for you to testify today. Just by way of timing, it is about 10:15. We will hear from the Administration. We are hoping that they are somewhere around 15 minutes in testimony, hopefully not much longer. We will hear questions from members that will probably take us to about 10:45 or 11 before we starting hearing from our providers and just for the first three providers on deck, we will be hearing from Human Services Council, Lutheran Social Services, Brooklyn Community Services and Isaacs Center and that will probably take us at

1  
2 least to 11:15, 11:30. So, just a way of giving  
3 folks some idea of what the day entails. It is going  
4 to be a long day. Folks will be working late the  
5 night before Thanksgiving and I appreciate that and  
6 everything that Human Service Providers do.

7 If you would like to submit testimony, you can  
8 submit it within 72 hours of this hearing and you can  
9 submit it at [citycouncil.nyc.gov/I believe testify](http://citycouncil.nyc.gov/I%20believe%20testify) and  
10 please send a copy to [contracts@benkallos.com](mailto:contracts@benkallos.com). I  
11 will now turn it over to our Moderator, Committee  
12 Counsel Alex Paulenoff to over some procedural items.

13 COMMITTEE COUNSEL: Thank you Chair Kallos. As  
14 the Chair mentioned, I am Alex Paulenoff, Counsel to  
15 the Contracts Committee of the New York City Council.

16 Before we begin testimony, I would like to remind  
17 everyone that you will be on mute until you are  
18 called upon to testify, at which point you will be  
19 unmuted by the host. I will be calling on panelists  
20 individually to testify, so please listen for your  
21 name to be called.

22 The first panelist to give testimony today will  
23 be the Deputy Director for Policy and Partnerships at  
24 the Mayor's Office of Contract Services Jennifer  
25 Geiling. Deputy Director Erin Villari will also be

1  
2 available for questing today. I will call on each of  
3 you shortly when it is time to begin testimony.

4 During the hearing if Council Members would like to  
5 ask a question of the Administration or of a specific  
6 panelist, please use the Zoom raise hand function and  
7 we will call on you in the order that you raised your  
8 hand.

9 We will be limiting Council Member questions to  
10 five minutes, which includes the time it takes to  
11 answer questions. Please note, that for the ease of  
12 this virtual hearing, we will not be allowing a  
13 second round of questions for each panelist outside  
14 of the Chair's questions. All hearing participants  
15 should submit written testimony, as the Chair  
16 mentioned, to [testimony@council.nyc.gov](mailto:testimony@council.nyc.gov).

17 Before we begin, I will administer the oath. To  
18 all members of the Administration who will be  
19 offering testimony or will be available for  
20 questions, please raise your right hands. I will be  
21 calling on each of you individually for a response.

22 Do you affirm to tell the truth, the whole truth  
23 and nothing but the truth before this Committee today  
24 and to respond honestly to Council Member questions?  
25 Deputy Director Geiling?

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JENNIFER GEILING: I do.

COMMITTEE COUNSEL: Deputy Director Villari?

ERIN VILLARI: I do.

COMMITTEE COUNSEL: Thank you. Deputy Director Geiling, you may begin your testimony.

JENNIFER GEILING: Thank you and good morning. Good morning Chair Kallos and members of the Contracts Committee. As you heard, my name is Jennifer Geiling and I serve as the Deputy Director for the Social Services Task Force in our Procurement Operations Division at the Mayor's Office of Contract Services, MOCS. I am joined by my colleague Erin Villari, Deputy Director for our Procurement Operations Division.

Thank you for the opportunity to describe the work the City Implementation Team, CIT has led over the past fourteen months to achieve a major breakthrough in recognizing and funding indirect costs associated with the delivery of human services. This is an issue that nonprofit providers have championed for many years, across at least two New York City Mayoral Administrations and various funding communities nationwide.

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2 Through our partnership with the sector we have  
3 now established New York City as the first large  
4 municipality in the country to recognize and invest  
5 in providers' indirect costs. Our nonprofit partners  
6 deliver vital services to our City's five boroughs,  
7 including some of our most vulnerable neighbors. In  
8 fact, Mayor de Blasio has deemed their critical work  
9 to be essential during the current State of  
10 Emergency. The Administration has worked closely  
11 with the sector over the years and during this crisis  
12 period to reduce administrative challenges, increase  
13 cash flow and create a more open dialogue.

14 A significant component of our shared  
15 conversations has been the need to recognize indirect  
16 costs as legitimate and necessary to providing  
17 services. Indirect costs represent costs that do not  
18 directly contribute to the delivery of services but  
19 impact the effective operation of an organization.  
20 For example, the salary of an organization's  
21 accountant or the depreciation cost of a computer  
22 that is used to manage an organization, these are  
23 both indirect costs.

24 An indirect cost rate is a ratio, expressed as a  
25 percentage of the indirect costs to a direct cost

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2 base. Recognizing and funding these indirect costs  
3 and indirect cost rates are not issues that are  
4 unique to New York City. Municipalities across the  
5 country, along with foundations, have been grappling  
6 with these concepts as well. In my testimony today,  
7 I will provide background on how the City, in  
8 partnership with the sector, has led in indirect cost  
9 policy and practice and then describe the Indirect  
10 Cost Rate Funding Initiative, ICR Funding Initiative.

11 The City Cost Manual recognizing indirect costs.  
12 This Administration has led the way in moving the  
13 needle in the national indirect cost dialogue. The  
14 first step was developing and adopting in Fiscal Year  
15 2020 the City's Health and Human Services Cost Policy  
16 and Procedures Manual, the Cost Manual. Two years in  
17 the making, the Cost Manual establishes for all City  
18 Health and Human Services contracts, what costs are  
19 direct, indirect, allowable and unallowable.

20 Previously, cost treatment varied across  
21 contracts, what may have been allowable in one  
22 program may have been unallowable in another, and  
23 what were deemed direct costs in one agency may have  
24 been indirect in another. This disparate treatment  
25 created administrative challenges and expenses for

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2 providers, as well as confusion, especially for those  
3 that manage multiple City contracts at the same time.  
4 Understandably, the sector called for a single  
5 framework and pushed for alignment with Federal  
6 Guidance. The Cost Manual realizes both goals. Like  
7 programmatic costs themselves, indirect cost rates  
8 were historically subject to varied calculations and  
9 treatment within City contracts. While this  
10 Administration has long been committed to recognizing  
11 at least a 10 percent indirect cost rate for our City  
12 contracts, the Cost Manual took indirect cost rates  
13 to the next level. With the adoption of the Cost  
14 Manual, we recognize that every organization has a  
15 different cost structure and indirect cost rate and  
16 now have a uniformed framework for organizations to  
17 submit those rates and the City to accept them.

18       Leveraging the Federal Guidance, providers with  
19 federal Negotiated Indirect Cost Rate Agreements,  
20 NICRAs can submit those rates to the CIT for City  
21 acceptance and use them in developing contract  
22 budgets. For those providers that do not have a  
23 federal rate, the City offers two options for  
24 claiming, both also based off Federal Guidance.

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2 First, providers can claim a 10 percent de  
3 minimis indirect cost rate without any upfront  
4 verification documentation. Alternatively, a  
5 provider can calculate its indirect cost rate through  
6 a range of acceptable methods, have that calculation  
7 verified by an independent certified public  
8 accountant and submit the rate and verification  
9 documentation to the CIT for City acceptance and use.  
10 This indirect cost rate policy is a breakthrough. It  
11 standardizes budgeting practices, centralizes  
12 activity and recognizes each organization's unique  
13 structure.

14 The Cost Manual sets a precedent that we  
15 encourage foundations and other municipalities to  
16 consider in order to establish a cohesive operating  
17 environment for our nonprofit partners. The Indirect  
18 Cost Rate Funding Initiative, in June 2019, with the  
19 adoption of the City's budget, Speaker Johnson and  
20 Mayor de Blasio announced that the New York City  
21 Council and the Administration agreed not only to  
22 adopt the Cost Manual but to also make an investment  
23 to close the gap between existing indirect cost rate  
24 funding and actual indirect costs. Remaining true to  
25 a core principle that each provider has a unique



1  
2 individual cost rate and recognizing the varied  
3 treatment across human services contracts, the City  
4 went into this investment with a commitment to  
5 identify the true indirect costs within each of the  
6 thousands of active City contracts.

7 This unprecedented approach gave rise to the CIT,  
8 co-led by MOCS and the Mayor's Office of Management  
9 and Budget OMB, which was charged with implementing  
10 the ICR Funding Initiative by establishing and  
11 managing the claiming process. In November 2019, the  
12 CIT, in partnership with Council Finance, launched  
13 that process. This was a monumental undertaking that  
14 was accomplished through a collaboration with the  
15 Nonprofit Resiliency Committee, the New York City  
16 Council, the New York State Society of Certified  
17 Public Accountants, the Provider Executive Director  
18 ICR Workgroup and City agencies.

19 The design of the claiming process considered the  
20 range of providers that do business with the City of  
21 New York. Our first step was to convene a workgroup  
22 of executive directors from nonprofits and membership  
23 organizations, the Provider Executive Director ICR  
24 Workgroup, to advise with our planning and  
25 implementation design. We established a process that

1  
2 runs 18 months from the date of the Fiscal Year 2020  
3 Adopted Budget, allowing providers time to organize  
4 their operations in order to claim.

5 Based on the recommendation of our Provider  
6 Executive Director ICR Workgroup, we created a  
7 Conditional Indirect Cost Rate which allowed  
8 organizations that knew they had a rate higher than  
9 10 percent but didn't yet have the verification  
10 documentation, to claim a rate of up to 12 percent  
11 for Fiscal Year 2020 funding. This opportunity was  
12 available on the condition that the provider obtain  
13 an Accepted Indirect Cost Rate in Fiscal Year 2021.

14 Finally, we created a range of resources and  
15 support services, worksheets, checklists, videos,  
16 webinars and job aids which are all available online  
17 at [nyc.gov/nonprofits](http://nyc.gov/nonprofits). We also have a central  
18 service desk that stands at the ready to answer  
19 specific questions from providers and certified  
20 public accountants with a developed escalation path  
21 to ensure appropriate and timely responses.

22 A Global Pandemic hits the City, CIT maintains  
23 operations and sector communication. Four months  
24 into the rollout of the claiming process, the global  
25 COVID-19 pandemic hit the City like nothing we have

1  
2 seen before. Despite massive displacement, the CIT  
3 claiming process remained intact, providers continued  
4 to submit indirect cost rate claims and the CIT  
5 oversaw reviews and approvals. We connected with  
6 every single provider that submitted an Entryway Form  
7 in Fiscal Year 2020 and more than 90 percent of  
8 providers that entered the process saw it through to  
9 completion.

10 We also continued to release constant  
11 communications so nonprofits could stay abreast of  
12 new resources, information and upcoming deadlines.  
13 Communication has been a hallmark of our work since  
14 we first created the CIT. If you visit the Indirect  
15 Implementation Webpage, you will see an archive of  
16 more than 52 emails, each to more than 3600 provider  
17 executives and staff, virtually one email for every  
18 week since we launched the initiative. We also share  
19 our weekly communications with membership  
20 organizations and City agencies so that they can  
21 distribute them through their networks.

22 As we near key milestones, we send targeted  
23 communications to specific provider groups and  
24 conduct one-on-one outreach. We have also met with  
25 the Provider Executive Director ICR Workgroup

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2 throughout the initiative. All of this has been  
3 maintained throughout the past nine months. When the  
4 budgetary fallout of COVID-19 began to come into view  
5 during Fiscal Year 2021 budget negotiations, the  
6 Administration and City Council were faced with  
7 drastic declines in revenue and together made  
8 challenging cuts across the City's budget. The ICR  
9 Funding Initiative was no exception. We were  
10 grateful that the investment remained but it was  
11 reduced. Providers who had Accepted Indirect Cost  
12 Rates in Fiscal Year 2020 would receive budget  
13 amendments of either 60 percent of their accepted  
14 Fiscal Year 2020 amendment value or funding equal to  
15 a 10 percent indirect cost rate, whichever amount was  
16 higher.

17 With this policy, providers could maximize their  
18 funding within the current budget realities and the  
19 City remained true to its ongoing commitment to  
20 funding contracts with at least a 10 percent indirect  
21 cost rate. In practice, this meant providers who had  
22 already claimed the 10 percent de minimis rate saw no  
23 changes to their expected Fiscal Year 2020 additional  
24 funding, while others experienced additional funding  
25 at a lower than expected level.

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2 While MOCS does not play a role in budget  
3 negotiations, as a principal member of the CIT we  
4 were part of the team tasked with announcing the  
5 City's policy for implementing the adjusted funding  
6 and updating the indirect cost rate amendment process  
7 to reflect the changes. As soon as the Fiscal Year  
8 2020 funding policy was established, the CIT  
9 immediately announced it to the Provider Executive  
10 Director ICR Workgroup in a conference call  
11 conversation and issued a letter later that day to  
12 the sector, which can be found on our webpage.

13 Additionally, we hosted three live webinars,  
14 posted a recording to our website and developed tools  
15 to support agencies and providers with the amendment  
16 adjustments. Looking ahead we understand the  
17 challenges faced by the City Council and the  
18 Administration when negotiating the Fiscal Year 2021  
19 budget and the disappointment of providers who  
20 expected full additional funding. Our work for the  
21 remaining weeks is to ensure that the indirect cost  
22 rate claiming and funding allocations are managed  
23 through a timely, central, transparent and uniform  
24 process.

1  
2 We continue to leverage technology in this  
3 pursuit, maximizing use of HHS Accelerator and  
4 Passport. The Fiscal Year 2021 application deadline  
5 is December 1st and the initiative closes on December  
6 31st. We have worked closely with City-contracted  
7 providers to ensure they have the information and  
8 resources they need to enter the process and  
9 successfully complete it before the end of the year.  
10 It is critical that all providers enter the process  
11 so that they may use their true indirect cost rates  
12 to design their contract budgets, receive Fiscal Year  
13 2021 funding and be in a position to receive any  
14 additional indirect cost rate funding that may become  
15 available in the future.

16 The City values the tremendous work of the  
17 nonprofit community and the critical services they  
18 deliver to improve the lives of countless New  
19 Yorkers. Establishing a process for recognizing and  
20 paying indirect costs reflects the significance of  
21 our partnership and our commitment to the sector. We  
22 recognize that this continues to be a difficult  
23 situation for all parties as the City addresses the  
24 ongoing impact of the COVID-19 crisis but we look  
25 forward to the City Council and Administration

1  
2 restoring full funding levels as soon as the  
3 budgetary environment permits.

4 Thank you, we are happy to answer any questions  
5 about the CIT or the initiative.

6 COMMITTEE COUNSEL: Thank you Deputy Director  
7 Geiling. I will now turn it over to questions from  
8 the Chair. Panelists from the Administration, please  
9 stay unmuted if possible during this question and  
10 answer period and a reminder to Chair Kallos that you  
11 will be in control of muting and unmuting yourself  
12 during this period. Chair Kallos, you may begin.

13 CHAIRPERSON KALLOS: I believe you stated this in  
14 your testimony but who sets the budget? Who made  
15 these cuts and who has the power to fund these  
16 nonprofits? And if it is not you who is able to say  
17 yes today, then who?

18 ERIN VILLARI: I will take that question. Thank  
19 you Chair Kallos. The FY21 Adopted Budget was  
20 negotiated by the City Council and Administration and  
21 we expect that any future funding for this initiative  
22 will be negotiated through the Standard Budget.

23 CHAIRPERSON KALLOS: I am going to throw some  
24 examples at you and if you can help me, tell me  
25 whether things are indirect cost with a yes, no or

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2 maybe. I think a lot of what we do in government can  
3 be incredibly and accessible even to those who work  
4 in government. So, let's start with utilities. So,  
5 heat to keep clients warm. Is that an indirect cost?

6 ERIN VILLARI: Heat can be both an indirect cost  
7 and a direct cost.

8 CHAIRPERSON KALLOS: Lights, so works and clients  
9 can actually see what they are doing?

10 ERIN VILLARI: Light can be both an indirect cost  
11 and a direct cost.

12 CHAIRPERSON KALLOS: Power, so clients can turn  
13 on music, internet or even TV?

14 ERIN VILLARI: Can be both an indirect cost and a  
15 direct cost.

16 CHAIRPERSON KALLOS: They are going to be in  
17 facilities, so maintenance. So, we have a bathroom  
18 in our office and the plumber is a close friend by  
19 this point. So, a plumber to fix the bathroom?

20 ERIN VILLARI: Can be both an indirect cost and a  
21 direct cost.

22 CHAIRPERSON KALLOS: Keeping things clean, like  
23 taking out the trash and during this pandemic,  
24 cleaning surfaces.



1  
2 ERIN VILLARI: Can be both an indirect cost and a  
3 direct cost.

4 CHAIRPERSON KALLOS: I guess, it seems like there  
5 is an assumption here and you can correct my  
6 assumption but that the City doesn't actually pay the  
7 full cost and so, these providers need to get more  
8 money from somewhere, so they have to do fundraising.  
9 So, if they hire somebody to whose job it is to  
10 actually do fund raising and development to cover the  
11 cost that the City doesn't, is that indirect cost?

12 ERIN VILLARI: Fundraising is not an indirect  
13 cost. Fundraising is an allowable cost.

14 CHAIRPERSON KALLOS: In order to do business with  
15 the City, they need audited financials in order to  
16 participate in this indirect process they need to  
17 hire a CPA, is that a direct or indirect cost?

18 ERIN VILLARI: That can be a direct cost or an  
19 indirect cost.

20 CHAIRPERSON KALLOS: So, given the fact that they  
21 can be - I see Jennifer raised her hand, so.

22 JENNIFER GEILING: Yeah, I just wanted to - I  
23 think appreciate the specific question and we do  
24 encourage providers that do have these very specific  
25 nuance questions to reach out to us. We have been

1  
2 doing, as I mentioned before, outreach over the  
3 course of the initiative. That's our role is to help  
4 providers and CPA firms understand how to use the  
5 Cost Manual in order to make these determinations and  
6 I think that's a piece that I just want to bring back  
7 into this conversation and into your question. The  
8 Cost Manual Chair Kallos, really is the foundation  
9 for making these decisions. Whether it be  
10 identifying allowable, unallowable, direct, indirect,  
11 also for setting a framework for calculating your  
12 indirect cost rate.

13 As we mentioned in the testimony, individual  
14 organizations are structured differently, organized  
15 differently and the Cost Manual is that guidance  
16 document to make those determinations as they apply  
17 to each specific program that they are contracted  
18 for.

19 CHAIRPERSON KALLOS: If somebody is having  
20 difficulty with this part of the problem, not getting  
21 paid, which is the larger problem but just making  
22 these determinations. I know that they can email me  
23 at [contract@benkallos.com](mailto:contract@benkallos.com), who can they email? What  
24 is the email address for MOCS at the city?

25

1  
2 JENNIFER GEILING: Sure, thanks for asking. It's  
3 [help@mocs.nyc.gov](mailto:help@mocs.nyc.gov). It goes to a support group that  
4 has been managing the questions for the past you  
5 know, 18 months or so. They are able to support most  
6 of the questions that come in and as I mentioned in  
7 the testimony, we do have an established escalation  
8 path into the CIT where we can jump in and go even  
9 deeper. We have had you know, every day, we have  
10 multiple calls with providers, CPA firms, membership  
11 organizations to support them in moving through the  
12 process successfully.

13 CHAIRPERSON KALLOS: In your testimony, you  
14 stated "the initiative is closing on December 31<sup>st</sup>."  
15 Does that mean the deadline being December 1<sup>st</sup> and  
16 December 31<sup>st</sup> for the previous fiscal year or does  
17 this mean like this program is done and folks can't  
18 even get access to the 10 percent after December  
19 31<sup>st</sup>? I am requesting clarification.

20 JENNIFER GEILING: Yeah sure, thanks for asking.  
21 So, the initiative really kicked off in July of 2019  
22 and as I mentioned before and as you are recalling,  
23 we purposely created a longer timeline than just one  
24 fiscal year to allow folks the time to organize and  
25 submit.

1  
2           What the deadlines mean is for those  
3 organizations that do not already have an accepted  
4 indirect cost rate through their FY21 process, if you  
5 are one of the organizations that didn't enter the  
6 process, perhaps you had a conditional indirect cost  
7 rate, please enter by December 1<sup>st</sup>. There is an  
8 indirect entryway choice form on our webpage at  
9 nyc.gov/nonprofits. You go into that form; indicate  
10 how you are intending to claim your indirect cost  
11 rate. We will then provide you through HHS  
12 Accelerator Document Fault, a template for you to  
13 complete. You will then submit that template along  
14 with your verification documentation and there may be  
15 some back and forth, so we are asking that that  
16 information come back to us by December 15<sup>th</sup>. And  
17 then that way you will be in a good position to have  
18 an accepted indirect cost rate by December 31<sup>st</sup>.

19           So, these deadlines Chair Kallos, really apply to  
20 those organizations that have not entered yet and do  
21 not have an accepted indirect cost rate from FY20.

22           CHAIRPERSON KALLOS: Okay, so just to unpack,  
23 anytime we say the word FY, I think a lot of people  
24 watching get lost. Sometimes I get lost, so when we

25

1  
2 say FY20 what we mean is the budget year running from  
3 July 1, 2019 to June 30, 2020.

4 So, the deadline for cost incurred between those  
5 two dates is December 1<sup>st</sup> and I guess my question is,  
6 are folks going to get the 10 percent from July 1,  
7 2020 through June 30, 2021? And so, that is the  
8 specific question.

9 JENNIFER GEILING: Yeah, so thank you for the  
10 clarification and sometimes we do get stuck in our  
11 jargon. So again, if there is anything that is  
12 confusing to a provider watching this or a membership  
13 organization, please reach out to [help@mocs.nyc.gov](mailto:help@mocs.nyc.gov).  
14 We are more than happy to get on a call and walk you  
15 through it.

16 Again, so for organizations that enter the  
17 process in the Fiscal Year 2020 year as Chair Kallos  
18 you know, just described and received and accepted  
19 indirect cost rate, you are now waiting for your FY20  
20 amendments. For those of you who have not yet  
21 entered and you are looking to enter in the next week  
22 or so by December 1<sup>st</sup>, you will then work to have an  
23 accepted indirect cost rate that is effective as of  
24 July 1, 2020.

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With respect to funding for the 10 percent and additional funding allocations for the Fiscal Year 2021 period of time, we don't yet have our funding policy in place. Providers are still coming into the process every single day and again, it wraps at the end of this calendar year. And once we have the understanding of the full scope of providers, than we will be able to report out on what the policy is for funding for Fiscal Year 2021.

CHAIRPERSON KALLOS: To be clear, if somebody is applying right now, they are applying, they are doing all the work, they are paying a CPA but they don't know if they are actually going to get anything.

JENNIFER GEILING: Well, so there is funding in the budget for Fiscal Year 2021. So, please, please, alter the process.

CHAIRPERSON KALLOS: Okay.

JENNIFER GEILING: There is funding there. How it is allocated is what will be determined once the initiative closes and then we will communicate to the sector of what the funding policy will be.

CHAIRPERSON KALLOS: I would like to acknowledge we have been joined by Council Member Bill Perkins. So, since all of this relates to how many have

1  
2 applied, in my opening statement I said that I think  
3 that the number we have might be 330. What is the  
4 actual number of nonprofits that have already  
5 applied? Assuming that there might still be more  
6 coming on December but as of today or a date certain,  
7 how many providers have applied?

8 JENNIFER GEILING: I will defer to Erin. She can  
9 answer this question.

10 ERIN VILLARI: Thank you. I was having a little  
11 trouble with my mute button. So, Chair Kallos, thank  
12 you for the question. As you might be aware, there  
13 was a report put out in July which gave a point and  
14 time, set figures for exactly that data set but I do  
15 want to provide you with some updates to those  
16 numbers which are current as of Friday.

17 We have for those that entered in FY20; we have  
18 262 organizations that followed through with a  
19 process that Deputy Director Geiling had described.  
20 Of those 262 organizations that entered and completed  
21 the process in FY20, 261 of them have completed the  
22 process and have an accepted rate.

23 We did have a number of organizations that  
24 indicated they were going to enter the process in  
25 FY20 but did not actually get past the initial step.

1  
2 That number is 88. We also have 53 organizations in  
3 FY20 that entered the process but it was found that  
4 they did not have any eligible contracts to continue  
5 forward in that process.

6 For FY21 and so, as Jennifer described, there was  
7 entering in FY20 for a rate effective FY20 which is  
8 July 1, 2019 and there is an extended entryway  
9 through the end of this year and the entryway form of  
10 course is due on December 1<sup>st</sup>, as we just discussed.  
11 So far, 173 organizations have started the process in  
12 FY21. 163 of those organizations have submitted the  
13 templates that Deputy Director Geiling described and  
14 of those, we are still working with many of them to  
15 make provisions to those templates, which is why it  
16 is so important for organizations that are going  
17 through this process to submit as early as possible,  
18 so that we can work with them. 23 of those 163  
19 organizations have completed the process in FY21 and  
20 have an accepted rate.

21 CHAIRPERSON KALLOS: I appreciate this  
22 transparency and getting an answer to this question.  
23 I am concerned about the 88 did not get past it. So,  
24 I am concerned about the 88 and the 63, can you just  
25 share why of the 63 who were deemed ineligible



1  
2 because of their contract status, is that they didn't  
3 have an active contract at all or what would be a  
4 reason for those 63? And then I am curious what went  
5 wrong with the 88 because those are not great numbers  
6 given – yeah, those are not great odds. The odds are  
7 not in our favor.

8 ERIN VILLARI: So, thank you, so I just want to  
9 correct. It is 53 organizations that did not have  
10 eligible contracts and so, they did not have eligible  
11 active contracts to continue.

12 In terms of the 88, we were also concerned and  
13 did significant outreach to them in FY20 but I just  
14 want to make sure that everyone understands they are  
15 not cut off on the process. This initiative is still  
16 active and open and we have been doing targeted  
17 outreach to those 88 in addition to the organizations  
18 that have active eligible contracts and have not yet  
19 entered the initiative.

20 So, we share your concern and we want to make  
21 sure that if they are listening today, they  
22 understand that this initiative is still open and  
23 they can enter the initiative by December 1<sup>st</sup>.

24 CHAIRPERSON KALLOS: There is a large discrepancy  
25 between the number of people who applied in 2020

1  
2 versus for 2021. It went from 262 down to 173. Why  
3 not just treat it kind of like a renewal, which is  
4 like, you are already in, so we will just keep you  
5 in. Why do they have to start over from scratch  
6 again?

7 JENNIFER GEILING: They actually don't -

8 ERIN VILLARI: Let me clar-

9 JENNIFER GEILING: Yeah, do you want - okay, the  
10 challenges of Zoom. They actually, to be clear, the  
11 providers that entered and received and accepted  
12 indirect cost rate, by the time the FY20, Fiscal Year  
13 '20 initiative closed, are not coming back in. Their  
14 accepted indirect cost rate is valid for three years.  
15 They are set, they are done.

16 So, the 160 or 170 or so that are coming in for  
17 FY21, those are organizations that either did not  
18 come in in Fiscal Year '20 and as we mentioned in the  
19 testimony, they maybe didn't come in - we actually  
20 did outreach to them. Some of them said they didn't  
21 come in yet because they were trying to organize the  
22 work they needed to do to submit. Others said that  
23 they didn't come in because they were waiting for  
24 Fiscal Year 2021 for a variety of different reasons.  
25 The folks who are also coming in Fiscal Year 2021 are

1  
2 comprised of organizations that opted for the  
3 conditional indirect cost rate.

4 So, they said in Fiscal Year 2020, we know our  
5 indirect cost rate is more than 10 percent, we want  
6 to receive some funding for Fiscal Year 2020. We are  
7 going to claim up to 12 percent to receive that  
8 funding and we recognize that a condition of claiming  
9 the conditional is to come in in 2021 with our actual  
10 indirect cost rate and the appropriate verification  
11 documentation.

12 So, those are some of the folks to who are coming  
13 in for 2021. To be clear, the folks who got accepted  
14 indirect cost rates in Fiscal Year 2020, they are  
15 valid for three years. The ones who are coming in –

16 CHAIRPERSON KALLOS: But you don't know how much  
17 they are actually going to get paid yet?

18 JENNIFER GEILING: For Fiscal Year 2020?

19 CHAIRPERSON KALLOS: For the 262 who are – sorry  
20 these 261 who are accepted, they are set for the next  
21 three years. They just don't know how much they will  
22 actually get.

23 JENNIFER GEILING: So, they currently, they have  
24 accepted Fiscal Year '20 amendments that have been

1  
2 updated. We had several webinars that walked the  
3 providers through how to update their -

4 CHAIRPERSON KALLOS: Well, we are in July 1<sup>st</sup>. We  
5 are past July 1<sup>st</sup>, so they are spending money now and  
6 they need to get reimbursed now. They are trying to  
7 do a budget and so, they have an idea of what they  
8 have been approved for but there is still no  
9 commitment from this Administration, the day before  
10 Thanksgiving that they will actually get paid for  
11 what they have established they need.

12 ERIN VILLARI: So, I think I will take that if  
13 that is okay Jenn. So, the FY20 funding  
14 implementation policy which you point out is now at  
15 this point retroactive, will fund providers at a  
16 minimum, those 261 providers and we fully expect that  
17 provider we are working with to be accepted shortly.

18 We will fund providers at a minimum of a 10  
19 percent de minimis rate. And so that 25 percent of  
20 the 262, actually entered at the de minimis rate, so  
21 they will receive 100 percent of their funding,  
22 anticipated funding in FY20. For the balance of the  
23 providers, they will receive either that effective  
24 minimum rate of 10 percent or a higher amount which  
25

1  
2 is 60 percent of their FY20, anticipated amendment  
3 value.

4 As Jennifer mentioned, we did a webinar; we put  
5 an amendment calculator on the website, so folks  
6 could use that to do some planning. Recognizing of  
7 course there is FY20. I do want to say, while that  
8 funding is less than the anticipated amendment values  
9 for FY20, it is still additive funding and we are  
10 continuing to work with providers to ensure that they  
11 can maximize the use of that, which I think was the  
12 spirit of the question earlier.

13 In terms of FY21, acknowledging the fact that we  
14 have not determined the funding policy yet and that  
15 is because the initiative is still very much active  
16 and open and we are still encouraging providers that  
17 have not entered yet to come in. So, as Jennifer had  
18 testified earlier, once we know that scope of the  
19 initiative, then we can determine the funding policy  
20 based on what is currently in the FY21 adopted  
21 budget.

22 CHAIRPERSON KALLOS: In November 2019.

23 ERIN VILLARI: The November Plan, excuse me, the  
24 November Plan.

1  
2 CHAIRPERSON KALLOS: November 2019, you told  
3 nonprofit providers, we will cover your indirect  
4 rate. 262 applied, 261 accepted and they close their  
5 books on June 30<sup>th</sup> of this year. After the Mayor  
6 said that they were essential. After they said, go  
7 out there, do you jobs, we will cover you and then a  
8 month after they closed their books, a month after  
9 they laid out all of their money and they were  
10 waiting to get paid back, you said, no, we are  
11 breaking our word and we are not going to pay you.  
12 The pandemic is threatening small businesses. It is  
13 threatening nonprofits. Where are they supposed to  
14 come up with the extra – 75 percent of the people who  
15 applied are supposed to come up with the extra 40  
16 percent that they were counting on. Thanksgiving is  
17 tomorrow, they want something to be thankful for.

18 ERIN VILLARI: Yes, so, the FY21 Adopted Budget  
19 negotiated by the City Council and the Administration  
20 did include the \$34 million in funding which led to  
21 the funding implementation plan that was announced in  
22 August. Recognizing that we are working with  
23 organizations now and we encourage them to reach out  
24 to us at [help@mocs.nyc.gov](mailto:help@mocs.nyc.gov) to work through how  
25 strategies for maximizing that funding, recognizing

1  
2 as you said, that 75 percent of those providers, it  
3 is less than the anticipated value, although it is  
4 still additive.

5 CHAIRPERSON KALLOS: When was the due date for  
6 expenses between July 2019 and June 2020? When was  
7 that due date?

8 ERIN VILLARI: I am sorry, I don't understand the  
9 question Chair Kallos.

10 CHAIRPERSON KALLOS: If somebody wants to get the  
11 indirect rates for expenses between July 2019 and  
12 June 2020, when is that deadline?

13 ERIN VILLARI: I believe what you are asking is,  
14 what is the deadline for providers to submit invoices  
15 for reimbursement to their contracting agencies for  
16 FY20?

17 CHAIRPERSON KALLOS: And also to get into the  
18 indirect program for FY20.

19 ERIN VILLARI: The original deadline for the  
20 indirect cost rate initiative for FY20 retroactivity  
21 was June 30<sup>th</sup>.

22 CHAIRPERSON KALLOS: Of this year?

23 JENNIFER GEILING: Closed in Fiscal Year '20. It  
24 was open from – in the Fiscal, it was retroactive to  
25 the start of Fiscal Year 2020 and then it closed at

1  
2 the end of Fiscal Year 2020, recognizing the pandemic  
3 and the state of play at that time. We actually did  
4 extend it a couple times. So, it actually ended up  
5 closing at the end of August but to claim to receive  
6 an FY20 amendment for additional funding, you have to  
7 have an accepted indirect cost rate from Fiscal Year  
8 '20. The part I am most angry about is simply you  
9 right sized it. You came in and said you allocated  
10 too much money. You cut the program by 40 percent.  
11 When did you know that that right sizing, what went  
12 wrong with the right sizing because I want to say I  
13 am pretty upset about a right sizing that wasn't -  
14 like, when did you know the right sizing was actually  
15 going to lead to cuts, what day?

16 JENNIFER GEILING: So, Chair Kallos, we too  
17 appreciate the frustrating situation that everybody  
18 is in right now and the very challenging situation  
19 for providers for City Council for the  
20 Administration. Deputy Director Villari and myself  
21 are here representing MOCS and our role with the City  
22 implementation team. We are not part of the team  
23 that negotiates the budget for the Administration  
24 with City Council. We stand at the ready to

25



1  
2 implement the budget, to implement any future funding  
3 restorations should they -

4 CHAIRPERSON KALLOS: How much money do we need.

5 So, you are the ones who have the knowledge, so all  
6 this in management, Mayor Bill de Blasio had to go to  
7 somebody to say, what is the right size.

8 So, did you provide the numbers for the estimate  
9 of the right size? Where did the number for right  
10 sizing come from.

11 JENNIFER GEILING: I mean I can defer to Erin as  
12 well but we are not part of the budget. We at MOCS  
13 are not part of the budget negotiations. We are not  
14 part of those conversations that happen between City  
15 Council. We are not the representatives of the  
16 Administration that participate in the budget  
17 negotiation.

18 CHAIRPERSON KALLOS: Did Office of Management and  
19 Budget or Bill de Blasio reach out to MOCS before  
20 they came up with a right size and cuts to ask, how  
21 many people have applied and how much we needed for  
22 the project, for the program. Did anyone even  
23 consult you?

24 ERIN VILLARI: I just would like to point out  
25 that over the course of the spring and as Deputy

1  
2 Director Geiling has mentioned, due to the nature and  
3 the context of the pandemic or in June, July and  
4 August, we did continue to keep the initiative open.  
5 And so, that number was a moving target and continued  
6 to be a moving target from the date the initiative  
7 opened in November to the date that it finally closed  
8 in August.

9 CHAIRPERSON KALLOS: I am looking at, I visited  
10 the  
11 [nyc.gov/site/nonprofit/fundedprovider/indirectimplication.page](https://nyc.gov/site/nonprofit/fundedprovider/indirectimplication.page)  
12 and I am looking at the march report  
13 that you were very kind to put out and there were  
14 actually 339 providers that applied as of March. So,  
15 we actually have fewer than we did before, so as of  
16 March when we were negotiating the budget, it seems  
17 like that you would have known how many people  
18 applied and what the needs are.

19 I guess my question is, did OMB or the Mayor ask  
20 MOCS about the applications and the need before they  
21 proposed a cut under the guides of right sizing and I  
22 am getting close to using the L-word here because it  
23 seems like it may have been a lot.

24

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1  
2 ERIN VILLARI: I should just point out that the  
3 entryway form which is that 339 number that you  
4 pointed out does not indicate any dollar value.

5 CHAIRPERSON KALLOS: Can you share the dollar  
6 values because I have been desperate to get the  
7 dollar values for how much this program should cost  
8 when properly funded because we are having a  
9 negotiation. So, how much do you anticipate it would  
10 cost to fully fund this program for FY20 and FY21?  
11 So, for last year and this year moving forward, how  
12 much does it cost?

13 ERIN VILLARI: So, as we mentioned the initiative  
14 is still very much active and open and when the  
15 initiative closes, we will be happy to work with City  
16 Council on whatever public reporting may be  
17 appropriate and necessary.

18 CHAIRPERSON KALLOS: You closed the applications  
19 for last year for any expenses before June 30<sup>th</sup> in  
20 August. You have a known universe. How much would  
21 it cost to fund everyone above the 60 percent rate?

22 ERIN VILLARI: The FY21 Adopted Budget,  
23 negotiated by City Council and the Administration  
24 includes \$34 million in funding and we published an  
25 FY20 Funding Implementation Plan and that

1  
2 Implementation Plan funds 25 percent of those 261  
3 providers at their full amendment value and adds  
4 funding to the remaining 75 percent at a lower than  
5 anticipated rate but at 60 percent of their  
6 anticipated amendment value.

7 CHAIRPERSON KALLOS: How much? I just need a  
8 number to go back to.

9 JENNIFER GEILING: Yeah, so, I think what Deputy  
10 Director Villari is saying is that when the  
11 initiative closes, we will be able to work with  
12 Council and Council finance to provide information.

13 CHAIRPERSON KALLOS: You said that the initiative  
14 closed in August.

15 JENNIFER GEILING: For FY20 but we are updating  
16 all of – there is more than 2,000, there is  
17 approximately 2,000 amendments that are currently  
18 being updated right now that we are in the process of  
19 revising and –

20 CHAIRPERSON KALLOS: A business, you have a  
21 balance sheet, your balance sheet is a snapshot of  
22 what is happening right now in time. Yes, there will  
23 be amendments but like, how much do we need to get  
24 people paid back for the previous, from June 30<sup>th</sup> and  
25

1  
2 previous. That is the big question. These are  
3 people who have already laid out the money.

4 JENNIFER GEILING: So, Chair Kallos, we don't  
5 have that information here but we will circle back  
6 with you afterwards and happy to continue the  
7 conversation and get the information you know, that  
8 is helpful for you and Council Finance.

9 CHAIRPERSON KALLOS: Ahead of these hearings, I  
10 am not interested in gotcha moments. I am interested  
11 in having answers, getting to a good place.  
12 Honestly, I would have canceled this hearing if the  
13 Mayor had found the \$10 million or \$20 million to  
14 make these people whole. How did you come to this  
15 hearing not having that answer? Did we not give you  
16 enough information? Was it not something that you  
17 would expect us to ask?

18 ERIN VILLARI: I just want to say that the 261  
19 providers that are currently accepted that entered in  
20 the FY20 process and the one provider that we are  
21 continuing to work with, as Deputy Director Geiling  
22 indicated, that translates to almost 2,000 amendments  
23 for individual contracts for those providers. And  
24 so, we have worked closely with all the contracting  
25 agencies to recalculate those amendment values and

1  
2 are finalizing those numbers. And so, we do not have  
3 that information today but we will work with City  
4 Council Finance on getting you the information that  
5 is required.

6 CHAIRPERSON KALLOS: Okay, I am just going to  
7 state this and you can correct me if I am wrong. At  
8 this point, you have not testified that the Mayor or  
9 Office of Management and budget checked in with you  
10 before making cuts to this program and right sizing,  
11 which means I am taking to the conclusion that the  
12 Mayor lied when he said that this was right sizing  
13 when it wasn't. It was a cut and the Administration  
14 lied to thousands of nonprofits during a pandemic. I  
15 am not being corrected on that, okay.

16 JENNIFER GEILING: Well I mean, the truth is, is  
17 that we are representing the City Implementation  
18 Team. The City Implementation Team is comprised of  
19 MOCS and OMB. They are part of the City  
20 Implementation Team and again, just reiterating, we  
21 are happy to come back and we don't have the data and  
22 information that you are looking for in front of us  
23 right now but we are happy to come back. We have  
24 worked collaboratively with you.

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CHAIRPERSON KALLOS: Human Services Council submitted a question, which was just fairly. So, under the system that you are proposing, providers have to go each year wondering if they are going to get any indirect funding and how is that every other program in the city when we passed the budget by June 30<sup>th</sup>, we know how much money they are getting but for the nonprofits, even after we pass the budget, they have to wonder how much they are getting.

ERIN VILLARI: So, I would like to take that question. Thank you Chair Kallos and thank you to the Human Services Council for the question. The FY21 funding implementation plan, I just want to be more specific. The FY21 Adopted Budget includes an annual funding level of \$34 million and so, that means that the FY21 Funding Implementation Plan which we expect to be published shortly after the initiative closes because it is still open and active will include funding for FY21 forward so that uncertainty will be minimized.

CHAIRPERSON KALLOS: I am particularly angry. Rather than saying more things than I would want to, I will just say that we are going to need you to testify during budget, both Preliminary and Executive

1  
2 to tell us whether or not OMB and the Mayor are lying  
3 to us again. Any time they are talking about  
4 different funding for our nonprofits. This is  
5 completely unacceptable and I am so angry that the  
6 City Council was lied to during the budget process.

7 I am going to just tap out for a moment. I will  
8 have more questions. I would like to acknowledge  
9 that we have been joined by Council Member Inez  
10 Barron and I would like to turn it over to Council  
11 Member Helen Rosenthal to please follow up. She  
12 looks angrier than I am and well, the members of the  
13 Committee will have a five minute clock, I ask not to  
14 have a clock for Council Member Rosenthal, given her  
15 leadership on this issue.

16 COUNCIL MEMBER ROSENTHAL: Thank you very much  
17 Chair Kallos. I really want to start by giving a lot  
18 of thank you's. This has been a long arduous process  
19 that probably started at least seven years ago for  
20 me. And I know for many of the nonprofits here it  
21 started you decades before that.

22 So, I really want to thank the nonprofits for  
23 hanging in there and continuing to provide the  
24 service. I really want to thank MOCS, the Mayor's  
25 Office of Contracts which has been asked to do



1  
2 yeoman's work to modify all these contracts for so  
3 many things but in this particular case, the indirect  
4 rates. I am hearing you talk about the number of  
5 contracts and really feeling the amount of work that  
6 has gone into that.

7       So, I really want to thank you for that and a lot  
8 of thanks goes out to the City Council Finance Team.  
9 I am not sure who is on right now from the Finance  
10 Team but its leader Latonia McKinney deserves just  
11 heaps of praise for understanding this issue to its  
12 core and fighting on behalf of Council Members who  
13 care about this but really fighting on behalf of the  
14 nonprofits who are really fighting on behalf of the  
15 constituents they serve because of course; the  
16 nonprofits are the safety net for the City of New  
17 York. They are the ones who you know, when we have  
18 homeless in the streets and we are all trying to  
19 figure out how to help with homelessness, we have  
20 homeless outreach workers who go out and try to guide  
21 people to come into the shelter system and as I  
22 listen to the exchange earlier in the hearing about  
23 what is an indirect rate and what does it apply to,  
24 of course the homeless outreach worker does not count  
25 as an indirect person but the accountant that helped

1  
2 to get him there on the street doing the very  
3 important work counts as an indirect rate person and  
4 Deputy Director Geiling, once you said that word,  
5 that just really was a great example and it made me  
6 think that if we were looking at – if we thought of  
7 New York City government as analogues to a nonprofit  
8 or like UJA or Catholic Charities, you know, is we  
9 might say and would you agree that the Mayor's Office  
10 of Contracts and OMB are part of our New York City's  
11 Indirect rate if we were UJA. Do you think that's a  
12 fair comparison?

13 JENNIFER GEILING: Again, I can't in the abstract  
14 opine on particular examples. I also just want to  
15 say hello Council Member Rosenthal.

16 COUNCIL MEMBER ROSENTHAL: It is so good to see  
17 you.

18 JENNIFER GEILING: Before I start answering, so I  
19 apologize but I can't opine but there is something  
20 that you said that struck me for folks that are  
21 listening. We care very deeply about all the costs  
22 that providers incur and certainly Deputy Director  
23 Villari and I represent all of MOCS in saying how  
24 committed we are to this initiative. You had  
25 mentioned seven years for you in working on this.

1  
2 You know, when I first came to the city, this was the  
3 topic that sort of launched a lot of the  
4 conversations and we have been very committed and  
5 passionate about pursuing it and being transparent  
6 and open throughout the process.

7 And so, I just wanted to share that with folks  
8 that we are hopeful. Perhaps you know, down the line  
9 there will be future funding but indirect costs are  
10 significant. The cost manual explicitly states that  
11 actually in the manual, that they are recognized.

12 The manual was based off of federal guidance, so the  
13 way that terms are defined, the examples around the  
14 25 or so commonly incurred costs are derived from the  
15 federal guidance and we are grateful to the providers  
16 for really advocating for the federal guidance and  
17 provided a really good baseline for us to spring from  
18 and build this policy around as well, so.

19 COUNCIL MEMBER ROSENTHAL: You are right, you are  
20 right to mention that and I do think MOCS has been  
21 incredibly transparent and has tried hard. I don't  
22 think the problem is with MOCS. I think MOCS has  
23 gone above and beyond and frankly, I would even say  
24 OMB has worked very hard on each of these contracts

1  
2 and the agencies. You know, the ACO's; to all the  
3 ACO's who are out there, we have thanks.

4 But stay with me for a second on this analogy to  
5 MOCS and OMB because you know, another social service  
6 provider in some ways is ACS workers, you know.

7 Administration for Children Services, the case  
8 workers, the social workers who go into homes. Steve  
9 Levin had a hearing on General Welfare yesterday and  
10 so, that's why it is fresh in my mind but the City  
11 hires directly case workers who do follow up work in  
12 foster homes to make sure the placements are good and  
13 then to work on family reunification, a whole other  
14 issue. But those case workers are direct - would be  
15 paid as direct service and the heat, light and power  
16 at ACS could be considered a direct service because  
17 that's the office that houses the case worker. But  
18 for all of the work that case workers do, there are  
19 contracts that the City has with nonprofits that also  
20 do some work for foster care. And I am a little bit  
21 making it up here, so bear with me but for those  
22 contracts, the Mayor's Office of Contract Services  
23 and OMB is the indirect rate because you are not  
24 directly providing the service the way ACS is by  
25 hiring a social worker.

1  
2 But you are there, not you so much but OMB making  
3 sure money is in the budget available so that ACS can  
4 both pay for its service, its social workers and pay  
5 for the nonprofit and that's why when you went  
6 through an opening set of questions from Council  
7 Member Kallos and he asked, well the janitor. Is  
8 that direct or indirect and your answer was both  
9 because if the janitor is working at ACS to clean up  
10 and make sure the place looks good for the social  
11 workers, it is a direct cost. But if the janitor  
12 works at OMB or at MOCS, it is indirect because  
13 indirect - just you know, because the janitor is not  
14 helping to make the direct service as possible but  
15 helping to make sure that the infrastructure is in  
16 place to get to the place where your provider  
17 service.

18 What do you think? Do you think it is fair what  
19 I am saying?

20 ERIN VILLARI: Sure, thank you Council Member  
21 Rosenthal. I think it is a fair analogy, it is a  
22 general analogy. I think the point you are making,  
23 which is 100 percent true, is that this is a very  
24 complicated and individual -

25 COUNCIL MEMBER ROSENTHAL: Yes.

1  
2 ERIN VILLARI: And each organization be it the  
3 City of New York or the individual nonprofit  
4 providers, go through a process of identifying  
5 specific costs for their cost treatments and those  
6 costs become, depending on the allocation methodology  
7 they choose, perhaps in consultation with a certified  
8 public accountant become part of their direct cost  
9 base, their indirect cost base. A distorting factor  
10 is their allocation methodology includes that  
11 calculation and that they then, armed with that  
12 information, go to their various funding sources of  
13 which the City is one.

14 COUNCIL MEMBER ROSENTHAL: Yes.

15 ERIN VILLARI: And maximize funding accordingly.

16 COUNCIL MEMBER ROSENTHAL: Fair, fair point, fair  
17 point because what you are saying is that the  
18 nonprofits have an ability to get money from the  
19 state, from the federal government and from the  
20 private sector, from philanthropy, from donation.

21 ERIN VILLARI: We tried to do with the Cost  
22 Manual, if you will permit me to say, is a line as  
23 closely as possible. Our Cost Manual and the cost  
24 treatments with the federal guidance to make that  
25 process as standardized and easy as possible.

1  
2 COUNCIL MEMBER ROSENTHAL: And that's why now I  
3 understand with your literally really clear  
4 description, I really understand now why it is taking  
5 this long. This is real work that has gone on. So,  
6 okay, good and of course, you can see where I am  
7 going with it, right and where the problem lies.

8 You know, I work closely right now with Project  
9 Renewal, which is a nonprofit that shelters homeless  
10 individuals and they have a contract and they have  
11 negotiated that contract and their indirect rate with  
12 the City and the last time I checked, I don't  
13 remember the number but it is over \$1 million for  
14 them because they have lots of shelters.

15 So, their indirect rate that should be in the  
16 budget but they can't actually in other word invoice  
17 for is over \$1 million. And you know, this all gets  
18 to Chair Kallos's point of why it is so hard during  
19 not just the pandemic but an economic free fall.  
20 It's what the pandemic has rot you know, the economic  
21 free fall where we have more people coming into  
22 shelter. We have longer and longer lines at food  
23 pantries and so, I want to get to a second sort of  
24 piece. This is where I am going. So, the first  
25 piece is really understanding what an indirect rate

1  
2 is. The second piece is understanding the nuance  
3 between budget and actual spend and sort of how you  
4 get from one to the next. But here, I would like to  
5 just clarify my understanding in the sense of you  
6 have done this amazing job negotiating what the -  
7 through your cost manual which people worked so hard  
8 on.

9 I know there was a working group and you know,  
10 okay. So, you figured out what indirect rates are  
11 and over years and thousands about tens of thousands  
12 of hours of work and come up with a cost manual and  
13 some place like Project Renewal then can figure out  
14 what - so for many years, they have done their work  
15 based on I am going to hazard to guess, a ten percent  
16 reimbursement rate for their indirect costs and what  
17 the cost manual has allowed them to do in working  
18 with the CPA, I don't know, I don't know what they  
19 did but it allowed them to find a differential  
20 between the 10 percent standard reimbursement rate  
21 and what their actual cost is.

22 I am going to make it up, really making this up,  
23 so I should have said nonprofit x but let's say it is  
24 17 percent. So, there is that differential between  
25 10 and 17 percent. That's the dollar amount we are



1  
2 talking about and for a really long time, the  
3 nonprofits have always gotten the 10 percent but not  
4 the 17 percent.

5 So, they have had to figure out how to operate  
6 because the cost of the 17 percent are real, right.  
7 MOCS and OMB works for the City because their jobs  
8 are real. They have to be doing their jobs whether  
9 or not, in order for the City to function. If they  
10 weren't doing their jobs or if they were only doing a  
11 fraction of their jobs, the City couldn't function.

12 Right, you wouldn't get your full reimbursement.  
13 I mean, I used to work in OMB. You wouldn't be able  
14 to draw down your federal money or the state pass  
15 throughs or any of the other funding. You wouldn't  
16 be able to process contracts if MOCS were only at 80  
17 percent or 70 percent of its true funding, right.  
18 You would do a cruddy job at it and of course, what  
19 would you do? Well, what have the nonprofits done?  
20 They have gone to philanthropy to fill the gap and  
21 you mentioned that before. And let's be clear, under  
22 the Giuliani and Bloomberg Budget Administrations,  
23 there was very little if no attempt. I mean  
24 Bloomberg, I will give him a little credit because he  
25 used to actually get the contracts paid on time but

1  
2 no recognition for this additional cost. There was  
3 real good luck and bye bye and do the work attitude.

4 Under the de Blasio Administration, those costs,  
5 this is the work of what you are doing. You are  
6 acknowledging that these - that differential between  
7 10 and 17 percent exists and you last year and I  
8 remember Michele Jackson was a part of it, her  
9 predecessor, again, Latonia McKinney, working so hard  
10 to make sure that definitionally, sectionally, in  
11 schedule seat, I think in a footnote that it makes it  
12 very clear that this payment process that you are now  
13 describing will happen and the money will go out and  
14 money was estimated and put in the budget for that.

15 You know, it is true, it is disheartening that  
16 the Administration was not, again, this is not you at  
17 all. This is OMB and the Budget negotiations with  
18 the City Council this past year. It was not  
19 forthcoming and we were told very clearly that and  
20 again, not you. Not you guys sitting here but as a  
21 member of the negotiating team, I was told that the  
22 reduction that went from a budget of whatever it was  
23 \$50 million down to \$34 million was because of the  
24 forecast that no more than \$34 million would be  
25 spent.

1  
2       So, hence the – you know it is sort of like two  
3 steps forward, now four steps back you know. Hence  
4 the sort of bitterness at this juncture. So, that  
5 sort of lays out sort of from my perspective how the  
6 story worked in terms of the money but I am afraid I  
7 have to go one level deeper and that is the  
8 difference between budget and actual spend.

9       So, the way that happens is OMB puts money in the  
10 budget. You, with the agency, with the nonprofit  
11 figure out what the actual spend should be. Great  
12 but then you have to get that – don't you have to  
13 register that new spending level? That modification  
14 of the contract with the Comptroller's Office? Is  
15 that accurate? Before a nonprofit can start to  
16 invoice to draw down their actual spend, is that  
17 right or am I adding a step that doesn't need to be  
18 there?

19       ERIN VILLARI: So, thank you Council Member  
20 Rosenthal for the question and for the  
21 acknowledgement of the process and our commitment to  
22 it. So, my answer, so this is by way of apology, my  
23 answer is going to be similarly complicated because  
24 this is a complex process. And so, as you pointed  
25 out earlier, nonprofits were funded at a particular

1  
2 percentage for indirect cost rate and that percentage  
3 actually varied across contract, across agency,  
4 contracting agency. Right, it was up and down and  
5 vendors, providers tended to maximize their funding  
6 anyway they could. And so, some costs that may have  
7 under a standardized process like we find ourselves  
8 in now, maybe determined to be indirect but for years  
9 they had charged them on a direct line where they had  
10 funding.

11 And so, that is all part of the cleanup that has  
12 to happen.

13 COUNCIL MEMBER ROSENTHAL: For sure.

14 ERIN VILLARI: Rightly point out that additive  
15 funding needs to be processed as an amendment and  
16 registered by the Comptroller's Office. Anything  
17 that is additional to the base funding but we are  
18 working with providers and some of what the Delta  
19 template which is a key part of this process does is  
20 helps providers to identify indirect costs in  
21 alignment with their new schedule of indirect cost  
22 rate.

23 COUNCIL MEMBER ROSENTHAL: Fair point.

24 ERIN VILLARI: To move funding from direct lines  
25 to indirect lines.

1  
2 COUNCIL MEMBER ROSENTHAL: Listen, God bless you.  
3 I don't - I appreciate your adding nuance to it  
4 because that's another series of sort of you know,  
5 ups and downs to clean that up. Clean up is a good  
6 word for it but my point being that until in terms of  
7 actual invoicing and getting reimbursement from the  
8 City. You go through the whole process but then that  
9 modification needs to be registered with -

10 JENNIFER GEILING: The amendment. I think you  
11 are talking about the amendment.

12 COUNCIL MEMBER ROSENTHAL: Yeah.

13 JENNIFER GEILING: It is registered with the  
14 Comptroller and it is at that point that you can  
15 start the invoice off of that, yeah.

16 COUNCIL MEMBER ROSENTHAL: Exactly. So, so, how  
17 many contracts have been registered with the  
18 Comptroller?

19 JENNIFER GEILING: Yeah, so a fair question and a  
20 good question to ask. Not as many as we would like  
21 and that's for a couple of reasons. First of all,  
22 after the budget was adopted, we had to then design a  
23 policy that was aligned with the new budget and that  
24 took a little bit of time. And as we have been  
25

1  
2 discussing here, resulted in a reduction for some  
3 providers on their expected additional funding.

4 COUNCIL MEMBER ROSENTHAL: Sure.

5 JENNIFER GEILING: So, we had to get to that  
6 place to understand how we were calculating it and  
7 then calculate it and then reissue the amendments.  
8 As you recognized through your leadership through the  
9 years, nearly 2,000 amendments in the offline process  
10 is a lot of work, boom.

11 COUNCIL MEMBER ROSENTHAL: Brain explode, sure.

12 JENNIFER GEILING: And it is one of the drivers  
13 behind the work that MOCS has been leading over the  
14 last you know, six, ten years around digitizing,  
15 streamlining, centralizing the procurement process.

16 So, now we have Passport, we have a new release  
17 of Passport that has been rolling out and we  
18 identified the opportunity to actually be able to  
19 move these amendments in a much more expeditious  
20 fashion.

21 COUNCIL MEMBER ROSENTHAL: Yeah, yeah.

22 JENNIFER GEILING: Yeah, so Council Member  
23 Rosenthal and Chair Kallos and other Members of the  
24 Contracts Committee, we are now looking to do like a  
25 bulk upload of those amendments into Passport.

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COUNCIL MEMBER ROSENTHAL: Great.

JENNIFER GEILING: From move through Passport. We are working on that right now and we will be supporting our agencies with that to and with the providers and they will be able to track their amendments through the system.

COUNCIL MEMBER ROSENTHAL: Yeah, I mean, I have two thoughts on that. First, is if you could just tell me how many contracts had been registered with the Comptroller?

ERIN VILLARI: I don't have that information. The thing is, is we just had to update everything.

COUNCIL MEMBER ROSENTHAL: Right I mean, so when — I don't even know where we are anymore what month or year it is but I think nine months ago, when we passed the budget at the end of June and many organizations, like the first organizations, like do you think five nonprofits have contracts that are registered with the Comptroller?

JENNIFER GEILING: So, it is the amendments I think that we are talking about, which are adding funding to the contract.

COUNCIL MEMBER ROSENTHAL: That's right.

1  
2 JENNIFER GEILING: Yeah, so if you look at the  
3 report that we filed with City Council, it is not  
4 enough. I mean, quite frankly –

5 COUNCIL MEMBER ROSENTHAL: No, no, no, just the  
6 number.

7 JENNIFER GEILING: Yeah, yeah, yeah, that was  
8 filed with City Council. We had 86 at that time,  
9 which was in the end of July, 86 had been sent to  
10 Comptroller for registration.

11 COUNCIL MEMBER ROSENTHAL: And how many has the  
12 Comptroller registered? All of them?

13 JENNIFER GEILING: I mean, I suspect – I actually  
14 don't have that information.

15 COUNCIL MEMBER ROSENTHAL: Here is why I think  
16 you should, is because of the next step, which is  
17 invoicing, which does go through some version of  
18 Passport.

19 So, you should know because that's of course, my  
20 next question. How many nonprofits have invoiced and  
21 how much money has actually gone out the door for  
22 Fiscal Year 2020 and Fiscal Year 2021 for these  
23 contract modifications through all these many, many  
24 steps. So, do you have that number? Like and maybe  
25 the easy way, we are going at it two different ways.



1  
2 How many nonprofits – how many of those contracts of  
3 your 2,000 or so can now invoice with the modified  
4 indirect rate that has been registered by the  
5 Comptroller?

6 JENNIFER GEILING: So, appreciate you  
7 questioning. I hoping that I am able to answer your  
8 question. So, let's say there is approximately 100  
9 that were sent to the Comptroller. Let's assume that  
10 they have all gone onto registration for the most  
11 part. There hasn't been an issue around that. Where  
12 the sort of nuance lays is a fact that we then have  
13 an updated funding policy around the adopted budget.

14 COUNCIL MEMBER ROSENTHAL: Right, right, I  
15 understand. So, are you saying, so I really want to  
16 unpack what you are saying. There is Fiscal Year  
17 2020 and there is Fiscal Year 2021. The agreement  
18 was made starting in Fiscal Year 2020, is that right?

19 JENNIFER GEILING: It is retroactive.

20 COUNCIL MEMBER ROSENTHAL: Then through the  
21 Fiscal Year –

22 JENNIFER GEILING: Yeah, it is retroactive. If  
23 you came and received it is an indirect cost.

24 COUNCIL MEMBER ROSENTHAL: Exactly. So, let's  
25 stick with Fiscal Year 2020 only. We are not going

1  
2 to talk about 2021. How many invoices have been  
3 reimbursed by the City? Not invoices, you know what  
4 I mean, contracts who have been able to invoice.

5 JENNIFER GEILING: I don't know if you have that  
6 data Erin or if that is something we have to get back  
7 to you on Council Member.

8 COUNCIL MEMBER ROSENTHAL: And is the reason you  
9 don't know, which is hard to believe given that  
10 password is so wonderfully easy, seriously,  
11 seriously, I mean, it lays it out so beautifully.  
12 So, it is hard to believe that answer that you  
13 wouldn't know but also, it raises the specter of, is  
14 the Comptroller on board with this? Does the  
15 Comptroller have the technical bandwidth so that when  
16 Passport sends something to the Comptroller, is that  
17 seamless? Is the Comptroller's technology  
18 synchronized with Passport or is there a disconnect  
19 there?

20 ERIN VILLARI: So, I will take this question  
21 Council Member Rosenthal and thank you. At this  
22 point, I just want to clarify a couple of points.  
23 So, Passport does not yet support invoicing for  
24 contracts that is part of the activity that will be  
25 part of release four.

1  
2 COUNCIL MEMBER ROSENTHAL: So, perhaps then just  
3 talk about the accelerator.

4 ERIN VILLARI: Yeah, so, invoicing at this point  
5 is for these contracts still in HHS Accelerator. In  
6 terms of the registration of the contracts though, I  
7 just want to show the timeline a little bit. So, the  
8 FY20 funding implementation policy, which was  
9 communicated out in August, then required a  
10 recalculation of the nearly 2,000 amendments.

11 COUNCIL MEMBER ROSENTHAL: That's right, that's  
12 right, that's what we have been talking about.  
13 That's in the modifications.

14 ERIN VILLARI: And so, those 2,000 amendments as  
15 Jennifer acknowledged, we are not nearly as far along

16 -

17 COUNCIL MEMBER ROSENTHAL: I am just asking,  
18 let's talk about the first people out of the gate.  
19 Whoever the first - I want to make it as simple as  
20 possible in order to see where we are. Let's take  
21 the first contractor that MOCS said, good to go.  
22 Sending it, you are ready to register, sending it to  
23 the Comptroller. Does the Comptroller have a system  
24 that is synchronized with the accelerator then. You

1  
2 are talking about in order to register to allow  
3 people to invoice. Yes or no?

4 ERIN VILLARI: The answer is yes. So, the 100 or  
5 so amendments that Jennifer testified were sent to  
6 the Comptroller. It did go through without any  
7 issue. We are now transferring this process to lend  
8 transparency to Passport and we do not -

9 COUNCIL MEMBER ROSENTHAL: Well, of those 100  
10 that got registered or whatever, how many invoices  
11 have actually been reimbursed?

12 ERIN VILLARI: That is not information that we  
13 have but as you point out, it is an accelerator and  
14 available, so we can follow up with you.

15 COUNCIL MEMBER ROSENTHAL: But isn't that the  
16 point of the whole hearing?

17 ERIN VILLARI: So, we are definitely here to  
18 testify about the implementation of the Indirect Cost  
19 Rate Initiative.

20 COUNCIL MEMBER ROSENTHAL: Wait but so you are  
21 saying invoicing doesn't fall under MOCS?

22 ERIN VILLARI: Nonprofit providers do invoice the  
23 contracting agency based on an approved and  
24 established budget.

1  
2 COUNCIL MEMBER ROSENTHAL: By the Accelerator  
3 which MOCS administers.

4 ERIN VILLARI: Largely and those FY20, this would  
5 be part of an FY20 closeout invoice typically and so,  
6 those close out processes and the timeline for those  
7 close out processes vary by contracting agency.

8 COUNCIL MEMBER ROSENTHAL: Yeah, I guess, I hear  
9 what you are saying and I think we have talked at  
10 nauseum about the complexity. That's just not the  
11 issue. I mean, I am trying to make it as simple and  
12 straight forward as possible. One contract, do you  
13 know if one invoice has been paid and I am going to  
14 end there because that's the point. That's the  
15 point, is that I think the number is little if not de  
16 minimis and it means that nonprofits are out upwards  
17 you know, from hundreds of thousands to millions and  
18 now let's add insult to injury. If the contract is  
19 not registered with the Comptroller, the nonprofit  
20 can't even get a returnable grant fund loan for this.  
21 Has to borrow from a bank and my understanding from  
22 these big providers, they are still paying 5 to 8  
23 percent interest on those loans.

24 So, that would be like because MOCS and OMB are  
25 like the indirect rates. That would be like the City

1  
2 borrowing money for current expenses, which by the  
3 way, would trigger the Financial Control Board if we  
4 did that and current tax payers would be on the hook  
5 as part of the money we give to the City every year.

6 I think the point is this. These nonprofits that  
7 do the most I would argue, important work for the  
8 City of New York, are worse than step children.

9 Well, step children is not a good example, I know  
10 many step children who are loved. Are treated like  
11 dirt and are asked to take care of the most  
12 vulnerable among us with a hand tied behind their  
13 back, and New York City doesn't do that to itself.  
14 We don't cut OMB and MOCS so they can't do their  
15 work.

16 Yeah, there is some trimming when budget time  
17 comes along but we don't cut off your hand and this  
18 has just been going on too long. And at the same  
19 time, I would argue for everything we have just gone  
20 through to the extent that somebody who is a bridge  
21 builder comes along and says, I need \$40 million to  
22 build a bridge. With little fanfare, the City of New  
23 York writes a check for \$40 million.

24 And when they come back and say, hmm, it wasn't  
25 \$40 million, change orders it is \$42 million, the

1  
2 City of New York pays \$2 million additional with  
3 little fanfare. Can you imagine if that happened  
4 with our nonprofits, how well taken care of. How  
5 government could then fully fund their base work so  
6 that when they went to philanthropy it would be for  
7 the additional innovation, technology, ideas to do  
8 really good work but we don't do that.

9       It's not your fault. So, the wrong people are  
10 here. It really is on the Mayor's shoulder because  
11 when OMB comes to the Mayor with a list of things  
12 that could possibly be cut because the word indirect  
13 rate is so very complicated and I think I have spent  
14 - the Chair has been so completely gracious to me  
15 with time. I think we have spent a half an hour  
16 talking about what it really is.

17       I mean the Mayor did it with sanitation. He cut  
18 litter basket pickup. That's very tangible. He cut  
19 that but could you imagine him saying out loud, I am  
20 going to cut the number of street homeless workers.  
21 I am going to cut the amount of food that gets  
22 distributed to people when we are in the middle of an  
23 economic free fall and the number of people lining up  
24 for food has grown.

1  
2           The truth of the matter is paying for an indirect  
3 rate at the correct amount, is exactly analogous  
4 because if you want to fully fund food, you have to  
5 fully fund the indirect rate. Otherwise, the  
6 nonprofits are taking from food in order to pay the  
7 indirect rate, which is a fixed cost just like MOCS  
8 and OMB are a fixed cost.

9           So, where do they shave? It means that people  
10 who are hungry stay hungry. It means the quality of  
11 food we give our seniors; God bless Margaret Chin  
12 every year. You know, cost per meal, what is it now  
13 \$2.00 being negotiated down to \$1.75. They have to  
14 do it because their accountants, their MOCS and OMB  
15 have to be paid or else the nonprofit would get no  
16 money.

17           This falls squarely on the Mayor's lap. OMB  
18 comes to them with a list of things that could be cut  
19 or money added when you have a tight budget and the  
20 Mayor has chosen to not help people who are desperate  
21 in order to continue fully funding that bridge repair  
22 work. And fundamentally when you take it a step  
23 farther, it means that and I am going to shorthand  
24 because the Chair has been so freakishly patient, it  
25 means that the men who do the work for the bridge,



1  
2 their work is more highly valued than the more likely  
3 than not women and women of color who are doing the  
4 work for nonprofits. Who are completely undervalued  
5 and so at the end of the day, this is all about pay  
6 equity. It is all about the fact that these  
7 nonprofits generally don't have unions representing  
8 them, where the bridge builders have unions and are  
9 paid a fair living wage. And so the case worker is  
10 paid way below the living wage.

11 You know, everyone is bored and no one wants to  
12 be at the indirect rate hearing. God bless Chair  
13 Kallos for insisting on having this hearing because  
14 what we are talking about is not having, perpetuating  
15 a system that keeps Black and Brown women, primarily  
16 80 percent of the workforce in poverty.

17 That's what we are talking about and MOCS, God  
18 bless you but cog in the wheel and the decision stops  
19 with Bill de Blasio and you can't come in and say you  
20 are for racial justice, economic justice and  
21 underfund the nonprofits that are doing this work.

22 So, I think I am done. I will think of something  
23 in five minutes but Chair Kallos, thank you so much  
24 for allowing me that extra time. I really appreciate  
25 it. Thank you.

1  
2 COMMITTEE COUNSEL: Thank you Council Member  
3 Rosenthal. We will now hear from Council Member  
4 Lander. You may begin when the Sergeants call time.

5 SERGEANT AT ARMS: Time begins now.

6 COUNCIL MEMBER LANDER: Thank you very much Chair  
7 Kallos for convening this hearing and Council Member  
8 Rosenthal for those passionate remarks, which are  
9 hard to follow and I am largely going to just  
10 associate myself with them, as well as for the work  
11 you both have done Chair Kallos and Council Member  
12 Rosenthal on behalf of our nonprofits and fixing this  
13 broken system.

14 You know, I think what Council Member Rosenthal  
15 said just hits the mark so squarely. Here we are at  
16 this moment and time when we urgently need our  
17 nonprofit human service providers in every way.  
18 Like, we have seen it in every single neighborhood.  
19 We say we see it. We say we recognize how unequal  
20 the City is, how those communities that are lowest  
21 income and communities of color are hardest hit by  
22 this pandemic. How we want them to have the services  
23 that they need in every way for health, for food, for  
24 all the activities that we are trying to provide  
25 given the increase in street homelessness. Given

1  
2 what our young people are facing and the challenges  
3 of pandemic education. All the things our human  
4 service providers do and yet at the very time,  
5 because – kind of because we can, because no one pays  
6 that much attention to the Contract budget or the  
7 indirect cost rate. We will hope it just gets  
8 buried.

9       So, there is a volume about how we are working  
10 hard to avoid layoffs and it is good we are working  
11 hard to avoid layoffs, but it is just kind of a lie  
12 to say, we are not doing layoffs of the people in the  
13 public sector who are paid directly and not by  
14 contracts. Because we are going to do everything we  
15 possibly can in Albany and here to avoid those  
16 layoffs but you know what, the number of human  
17 service providers paid for by the City of New York  
18 for services that we budgeted just like those others  
19 that are paid for directly to provide – if those  
20 workers get laid off, if those services get cut,  
21 hopefully just no one will notice. Because you know,  
22 we told them we were going to give them an indirect  
23 cost rate increase but now we are going back on our  
24 word. We told them we would fix a broken system that  
25 delays their payments by years and we really aren't

1  
2 going to get it done and that's where we are. And  
3 now we got all these leaders on this Zoom and I see  
4 them out in the field. I was just out with Brooklyn  
5 Community Services and Janelle Farris who are  
6 bringing a homeless shower per bus to Brooklyn.

7       So, that street homeless folks can have a little  
8 dignity amidst this pandemic when we know that  
9 hygiene is critical to saving lives in addition to  
10 basic bits of dignity. And yet at the same time that  
11 they are out there raising the resources for  
12 providing services to these communities, we are  
13 cutting their budgets and making them wait for their  
14 payments and then like, pretending like that didn't  
15 happen because we are trying not to do layoffs or  
16 because the Mayor says we are prioritizing health and  
17 safety. When in fact we are cutting health and  
18 safety and services.

19       And so, I mean, it is outrageous and it is  
20 depressing that it is being kind of hidden. I mean,  
21 I guess really, you know, I would like to know when  
22 it is the Passport will be available for invoicing.  
23 I would like a better timeline for all the  
24 information. I would like to understand why anyone on  
25 this call could expect that their payments will be

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processed. I would like an argument to anyone about why it is okay to cut the indirect cost rates. I don't think any of that will come but I mean, I guess the only question I have is like, I mean, why is it that the human service providers on this call and in our communities shouldn't feel like their City, their Mayor, their City Hall, has abandoned them and said, you know, good luck out there. We know it's a pandemic but we basically cut you off. We have cut your budgets; we aren't going to pay you what you are owed. Other priorities are more important.

Like, don't you think that's the message that they are hearing and if it is not, what would you say to them to make them feel like it was?

JENNIFER GEILING: Thank you Council Member. So, that's Deputy Director Villari and I here on behalf of the City Implementation Team in part to let folks know that we are here. We are committed to a transparent, fair, open process for claiming indirect costs and indirect cost rates.

Should the City Council and the Administration in their budget negotiations be able to identify additional funding for this initiative, we will jump

1  
2 into action and we will implement it and we will move  
3 that to the providers.

4 So, we are here to support it. We believe very  
5 deeply in it. We are very committed to it. We are  
6 on the phone with providers you know, all day to  
7 support them and their CPA firms to ensure that folks  
8 have the information they need and we continue to be  
9 standing at the ready should the Council and the  
10 Administration be able to restore funding. That we  
11 could then move through the process.

12 COUNCIL MEMBER LANDER: So, I know you mean it  
13 and though I feel a lot of passion about this having  
14 run nonprofit human service providers before I came  
15 to the Council and working so closely with these  
16 groups. I know you care about it and I don't think  
17 the two of you are personally responsible for the set  
18 of decisions that have been made here. That the  
19 Mayor is ultimately responsible for but it is hard  
20 because the Council doesn't feel like an honest  
21 partner in this when the Council fought so hard to  
22 get the indirect cost rate increase and you know, it  
23 is pretty clearly a mayoral priority to take it back  
24 and you know, I feel for you guys because  
25 implementing a system whose values are upside down

1  
2 has got to be frustrating on a daily basis and I  
3 appreciate that you guys show up and keep doing the  
4 work. But that's really where we are. Like, our  
5 values are upside down in a pandemic and it is  
6 important to be honest about.

7       So, anyway, I thank you Chair Kallos for helping  
8 lead this fight. I appreciate the work that Council  
9 Member Rosenthal did to push us here. I really  
10 appreciate the work that our nonprofit human service  
11 providers are doing despite the fact that the city is  
12 failing you and I am going to own my share of that as  
13 well because it is the Council and the Mayor  
14 together. We can rightly blame the Mayor. We are  
15 collectively failing you and yet you are continuing  
16 to deliver for us. So, I want to say at this  
17 Thanksgiving when we see the need you know, that's  
18 there all the time but we don't always pause on it,  
19 how grateful I am but it feels hypocritical to say it  
20 given the ways that we are not succeeding and  
21 delivering for you.

22       So, thank you Chair for calling our attention to  
23 it and for demanding that we all do better by it.  
24 You know in the form of indirect cost rate and  
25 speeding up the contracting, we have to find a way to

1  
2 honor support, respect and pay for the work that our  
3 nonprofit human resource providers are doing. So,  
4 thank you all very much.

5 CHAIRPERSON KALLOS: Thank you. Thank you to  
6 former Contracts Chair Rosenthal for her leadership  
7 and partnership. Council Member Brad Lander, please  
8 tell your providers that I will buy them a shower bus  
9 for Manhattan if they will operate it in my borough  
10 and find a parking spot in Manhattan for it. We have  
11 been trying to buy a shower bus for quite some time  
12 and I am incredibly jealous that Brooklyn has one and  
13 Manhattan doesn't.

14 COUNCIL MEMBER LANDER: Council Members are  
15 taking turns like running around trying to find  
16 parking space you know and standing in them. So, no,  
17 it's an amazing thing and I want to give credit not  
18 only to DCS and Faris but also to Borough President  
19 Eric Adams who provided the capital resources and  
20 worked closely with the Council to make it happen but  
21 it is just one more example of the remarkable work  
22 this community is doing and why we have got to show  
23 up for them. Thank you so much.

24 CHAIRPERSON KALLOS: I just want to Jennifer,  
25 Erin, MOCS, you keep throwing the budget process back



1  
2 at me and other Council Members at the Council and  
3 the providers and if you say it just one more, just  
4 don't. That's not taking responsibility, that's  
5 finger pointing. The budget require trust and  
6 nothing defines that more than the fact that we  
7 actually have a physical handshake between the Mayor  
8 and the City Council.

9 April was during the height of the pandemic. You  
10 cut \$20 million and represented that it would not  
11 mean less money for nonprofits and then they got a  
12 cut. So, in order to trust you again, I am asking  
13 you to apologize to the Council and the providers.  
14 Say you won't do it again and tell me how you do  
15 things differently.

16 So, in April, did you know that \$34 million  
17 wasn't enough? Yes or no?

18 JENNIFER GEILING: Council Member Kallos, we are  
19 not part of the budget conversations. We don't  
20 represent the Administration.

21 CHAIRPERSON KALLOS: Okay, fine so let's just  
22 skip the part of it -

23 JENNIFER GEILING: We are not even part of that  
24 assessment.

1  
2 CHAIRPERSON KALLOS: Like listen, fool me once,  
3 shame on you, fool me twice, shame on me. When will  
4 you tell me how much it will cost to fully fund last  
5 June?

6 JENNIFER GEILING: When the initiative closes and  
7 part of closing Council Member Kallos is also  
8 updating the amendments to reflect the current budget  
9 situation. We will circle back with you.

10 CHAIRPERSON KALLOS: Okay, so when you do a  
11 budget because I have done budgets, you go to the  
12 people and you ask them, how much is this going to  
13 cost? And then you set a budget and you have the  
14 budget versus the actuals but you actually ask people  
15 how much it will cost. And so, if you are telling me  
16 that you are not willing to tell us how much it will  
17 cost, like that is a problem. So, I guess the  
18 question is, do we need to introduce legislation that  
19 will force you to tell us every single step of this  
20 process? Every single person who applies and make it  
21 completely transparent? So, I, the service providers  
22 can all see it because you are telling us, you won't  
23 give us the numbers and so, if you won't give me the  
24 numbers, I can compel you to by law but it takes a  
25 while to get the bill draft and get it done. So, I

1  
2 am just asking why you won't be transparent and just  
3 tell us what the actual numbers are instead of  
4 saying, oh, we don't know because there is  
5 amendments. At least we can have a starting point  
6 for negotiation and know that there might be more  
7 coming.

8 So, will you just tell us what the number is  
9 today without the amendments?

10 JENNIFER GEILING: We don't have that number here  
11 but we are happy to work with you.

12 CHAIRPERSON KALLOS: When can I have it?

13 JENNIFER GEILING: To get you that information.  
14 We are happy to work with you and have that  
15 conversation after you know, this hearing here today  
16 and come up with the approach, the timing, for the  
17 information that you all need and work with Council  
18 Finance on that as well.

19 CHAIRPERSON KALLOS: We are five months into the  
20 year and I am - you are saying you are not part of  
21 the budget process. I am and so, in order to budget  
22 I need the people who are managing that piece of the  
23 budget to tell me how much things will cost and five  
24 months in and you won't tell me. And as a person who  
25 manages people, if you say, get something done but

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you don't give a deadline, that it doesn't get done.

Like, there are a lot of human service providers, they know this too. They run businesses too and they run nonprofits.

So, like, can you get us the number in two weeks?

JENNIFER GEILING: Council Member Kallos, I don't have that information in front of me. We work really closely with you and your office and we will circle back on the information that you need and that Council Finance requires and would like for us to share out, understanding that we are still working through the process. But we will work with you, we are committed to working together and to get you the information that you need.

CHAIRPERSON KALLOS: Will you give me the list of the 262 providers who applied? How much they applied for? So, we can have the breakdowns of who got the 10 percent, who got the 60 percent for FY 2020 which is already closed?

JENNIFER GEILING: So, we have every interest of being collaborative. You know, we recognize that we have had a relationship of communication, an open dialogue. What you just listed is a whole bunch of data that we are happy to talk through with you what

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2 we have and what we can provide and what we can share  
3 and in the format that's helpful for you. I just  
4 don't have that information and the specific answers  
5 for you right now at this hearing but are committed  
6 to following right back up and working through what  
7 it is exactly that you all need and Council Finance  
8 would like to see as well. We have been reporting on  
9 the initiative throughout the process. We have been  
10 keeping up with those reports. They are online, they  
11 are available for the public for Council to see. We  
12 are committed to continuing to report, continuing to  
13 be open and transparent as we have the information  
14 and we will work with you to provide it to you in a  
15 format that works for you and Council Finance.

16 CHAIRPERSON KALLOS: The reports you are talking  
17 about are two or three pages and don't include the  
18 one thing I need, which is how much this costs. And  
19 so, I don't think it is fair or honest to say, we are  
20 not part of the budget process and this is between  
21 the Council and OMB at the same time as you are  
22 saying that you won't tell me how much it costs.

23 So, correct me if I am wrong but you are the  
24 knowledge holder. You are the ones who ultimately  
25 have the answer of how much this will cost.

1  
2 JENNIFER GEILING: We are still trying to assess  
3 the exact amount that is going to cost through  
4 updating the amendments. MOCS is a principal member  
5 with OMB in the City Implementation Team. It is not  
6 a MOCS team, it's MOCS and OMB working together to  
7 manage the process. We manage the process for  
8 claiming indirect cost and indirect cost rates.

9 CHAIRPERSON KALLOS: MOCS, OMB and the Council  
10 were part of a - let's call it a process even though  
11 it is like completely offensive that has hurt 262  
12 providers with 173 who still don't know what is  
13 happening and thousands of New Yorkers who don't have  
14 the resources that they need.

15 And so, when I make a mistake or somebody makes a  
16 mistake, I want to hear I am sorry and I want to hear  
17 a path forward for how we can avoid it again. And  
18 so, what I think would help is if we had some of  
19 these numbers and if we had a pathway for these  
20 numbers. And I am just looking for, how do we get to  
21 real numbers so that we can actually help people?

22 JENNIFER GEILING: So, we have worked with you in  
23 your office time and time again to provide you with  
24 information and to be supportive and the path forward  
25 is to continue that method. We will connect with you

1  
2 after the hearing. We are happy to discuss what the  
3 information is, what we have, we could provide.  
4 Again, we are committed to transparency, to openness  
5 and we are part of the team that manages this  
6 process.

7 CHAIRPERSON KALLOS: The Mayor's Office of  
8 Contracts has been incredibly cooperative with  
9 providing contracts and under my Charter Rights,  
10 which I appreciate. When we asked for PPE numbers  
11 you provided it. Very recently we asked for  
12 additional PPE numbers for how much we actually have  
13 in stock, you provided it. You have historically  
14 provided a lot of the things, this is why this is so  
15 upsetting because this is completely out of character  
16 for your agency and whether it is trying to get it in  
17 a time certain or legislating that since you are  
18 caught in the middle and obviously you were a part of  
19 a situation where - you heard from Council Member  
20 Rosenthal was on the Budget Negotiating Team that she  
21 was lied to, that the Council, the human services  
22 providers had no idea that this cut was coming. And  
23 the budget process relies on trust, so we can either  
24 trust you in a situation where I feel like that's  
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1  
2 pretty much been breached or try to share what's  
3 really going on and do so.

4 So, I want to just move on from there and just  
5 talk a little bit about money because I keep hearing  
6 from the Administration, not you, you haven't said it  
7 yet. Well, there is a budget crisis, we don't have  
8 money. So, I do have good news. So, on October  
9 22<sup>nd</sup>, we actually had a hearing with MOCS on personal  
10 protective equipment procurement and so, as far as I  
11 understand the city incumbered \$120 million to pay a  
12 company named Digital Gadgets which was led by a de  
13 Blasio donor for masks and ventilators.

14 And so, that was read and reported in the New  
15 York Post and so at that hearing we asked what  
16 happened to that and so, just to be clear, as MOCS,  
17 if we incumber a contract for \$120 million with  
18 somebody before June 30<sup>th</sup> and then they get us that  
19 stuff by June 30<sup>th</sup> or even July 1<sup>st</sup>, it is in the  
20 mail, do we end up paying out that \$120 million to  
21 pay them even if it is during a budget crisis?

22 JENNIFER GEILING: So, Deputy Director Villari  
23 and I are really not part of that conversation but we  
24 are happy to connect you with our team members -

25 CHAIRPERSON KALLOS: I am not asking about the -



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JENNIFER GEILING: In that process.

CHAIRPERSON KALLOS: Sure, well a contract for \$100 million with a private vendor and we say we are going to pay them \$120 million and they deliver and the money was in the budget, do we cut them the check?

JENNIFER GEILING: I don't have an answer for that question and how it relates to the broader conversation but happy -

CHAIRPERSON KALLOS: The broader conversation is at the last hearing, DCAS actually shared that that contract was reduced from \$120 million down to \$9.1 million.

So, that means coming out of last fiscal year, we have \$111 million and extra money just off that one PPE contract. So, given the fact that we saw a reduction of \$20 million, the good news is we have five times more than we need just from that one contract that maybe shouldn't have even gone to that de Blasio doner.

JENNIFER GEILING: I mean, if there is an ability to restore funding for the fall funding for the Cost Rate Initiative and City Council and the Administration in negotiations are able to do that,

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2 we are ready to go and pursue that through the  
3 process and revise the amendments to be able to allow  
4 for providers to realize that additional funding but  
5 we are not part of that conversation.

6 CHAIRPERSON KALLOS: Well, I am asking you, so,  
7 we have another example. There is a company called  
8 Woodhull Medical Supply. I actually blew the whistle  
9 on that one in Crane's in May. They had a \$91.5  
10 million contract with the city despite having tax  
11 liens and other things that indicated they might not  
12 be able to deliver. That contract was actually  
13 cancelled and we only ended up paying them \$500,000  
14 and \$91.5 million.

15 So, taken together that's \$200 million. So, I  
16 guess my question is MOCS gets to see all the  
17 contracts floating around in the City. Is it  
18 possible that MOCS can look at these two contracts  
19 and other contracts the city has that ended up not  
20 going through and even though we budgeted for it last  
21 year and said we were going to have this money to  
22 spend on June 30<sup>th</sup> because we used cash budgeting as  
23 far as I understand and since we have about \$200  
24 million in cash laying around, could we use this to  
25 take care of the nonprofits?

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2 JENNIFER GEILING: So, again, you are asking a  
3 question that we cannot answer. We are not part of  
4 the budget negotiations and the decisions –

5 CHAIRPERSON KALLOS: Okay, when a contract gets  
6 cancelled, when MOCS is involved in a contract that  
7 is cancelled, so nonprofits, the nonprofits have a  
8 contract, they were supposed to get 100 percent of  
9 the money. When that money doesn't get given to  
10 them, where does it go? Did it go somewhere else in  
11 the budget? Did it evaporate? What happens to the  
12 money?

13 JENNIFER GEILING: And that is not a MOCS  
14 question Council Member. I appreciate where you are  
15 going and I want to recognize that if there are  
16 opportunities, that you are able to identify, that  
17 the Administration is able to identify that can come  
18 into play for budget negotiations and we can restore  
19 funding, we are here to support that and we would be  
20 excited to be able to push them amendments through  
21 with that additional 100 percent funding. But we  
22 can't answer those questions about funding and  
23 budget, it is just not what MOCS does. It is just  
24 not our place and our representation here is on  
25 behalf of the CIT which is committed to process and

1  
2 maintaining an open practice for providers to come in  
3 to claim their indirect cost and their indirect cost  
4 rates. And I know that's a frustrating answer but it  
5 is just not, it's not part of MOCS's purview.

6 CHAIRPERSON KALLOS: Okay, so just to go into  
7 this because this is the first time you folks have  
8 ever come without the answers. You won't tell us if  
9 and when you knew that the money wasn't enough. You  
10 won't tell us how much money we need for last year.  
11 You will not tell us how much money we need for this  
12 year. You will not tell providers that have already  
13 been certified for three years that they can count on  
14 that money moving forward and you will not say  
15 whether or not they are cost savings from the  
16 previous fiscal year budget that I just told you  
17 about that your own agency testified to. Last month  
18 can be used to fulfill this. So, those are my five  
19 things that we are going to follow up in writing. We  
20 are going to demand answers. We will send it to you  
21 as a CC since you don't have the answers. We will  
22 send it to Mayor de Blasio himself. We expect those  
23 answers and whether it is – and I am willing to use  
24 my full powers in the Council to get those answers.  
25 If anything I just said is inaccurate, please feel

1  
2 free to correct me, otherwise, I am prepared to let  
3 you go.

4 JENNIFER GEILING: On behalf of Erin and myself  
5 and MOCS and the City Implementation Team want to  
6 thank you for the opportunity to share the work that  
7 we have done. The work that we have done in  
8 partnership with any providers that I see on the  
9 screen today and again, we are committed to a fair,  
10 equitable, open process to claiming indirect costs  
11 and indirect cost rates and should Council and the  
12 Administration identify opportunities to restore  
13 funding, we will jump right into action. We will  
14 communicate to providers and we will also create a  
15 process that allows for that additional funding.

16 And before I leave, I do want to just ask  
17 providers who have not yet entered the process,  
18 please do so by December 1<sup>st</sup>. You can contact  
19 [help@mocs.nyc.gov](mailto:help@mocs.nyc.gov) if you need assistance. The  
20 Entryway Choice Forms close on December 1<sup>st</sup>, the end  
21 of the initiative is December 31<sup>st</sup>. We urge you to  
22 come into the process. We are here to support you.  
23 And finally, want to just wish the Contract Committee  
24 and everybody on today, a happy and healthy  
25 Thanksgiving. Thank you.

1  
2 COMMITTEE COUNSEL: Thank you Deputy Director  
3 Geiling, thank you Chair Kallos. Chair if you have a  
4 minute, I will turn it over to public testimony now.

5 CHAIRPERSON KALLOS: Absolutely. So, I want to  
6 thank folks. I know when we opened we were aiming  
7 for 11:15. We wanted to make sure that former Chair  
8 Rosenthal had the time she needed given her  
9 tremendous work on this and we wanted to make sure  
10 you got as many of the answers as you could. We have  
11 about 31 of you and so, we are just going to go  
12 really quickly trying to go because we have like the  
13 ten or so folks. We are hoping to hear from HSC,  
14 Lutheran Social Services, Brooklyn Community  
15 Services, Isaacs Center, SCO Family Services, HSU,  
16 Rising Brown, Greenwich House, Area Free Living, Good  
17 Shepherd. Those are the folks who are next up for  
18 the next ten. So, everyone will get three minutes.  
19 That is a three minutes that we all discussed and  
20 agreed upon because we wanted to make sure all of you  
21 could get in. And if you have questions that you  
22 feel are important to be asked, feel free to pass  
23 them along and I will make sure to ask them. If I  
24 don't ask you questions, please do not feel offended,  
25 we want to make sure everyone has their voice and we

1  
2 are also trying to work with folks to email or text  
3 to make sure that you did not have to sit here all  
4 morning, well into the afternoon waiting – hurry up  
5 and wait. So, I just want to thank you for your  
6 partnership. Thank everyone who agreed to testify  
7 and thank HSC for helping us get the word out and I  
8 will turn it back to our Committee Counsel.

9 COMMITTEE COUNSEL: Thank you Chair Kallos. The  
10 Chair covered most of the procedural issues here, so  
11 I will just cut to the chase. Council Members, if  
12 you have questions for a particular panelist, please  
13 use the Zoom raise hand function and we will call on  
14 you after the panelists have completed their  
15 testimony.

16 For panelists, once your name is called, we will  
17 unmute you and the Sergeant at Arms will set the  
18 timer to give you the go ahead to begin. So, please  
19 wait for the Sergeant to announce that you may begin  
20 before you deliver your testimony.

21 I would now like to welcome Michelle Jackson to  
22 testify. After Michelle Jackson, she will be  
23 followed by Damyn Kelly and Janelle Farris. Michelle  
24 Jackson, you may begin once the Sergeants call time.

25 SERGEANT AT ARMS: Starting time.

1  
2 MICHELLE JACKSON: Good morning Chairperson  
3 Kallos and members of the New York City Council  
4 Committee on Contracts. My name is Michelle Jackson,  
5 and I am the Executive Director of the Human Services  
6 Council, a membership organization representing about  
7 170 human services providers in New York City.

8 I want to first thank you Chair Kallos for your  
9 leadership here and for pushing, especially in this  
10 hearing to get us the real essential answers that we  
11 need in order to serve New York and to the providers  
12 and budget and plan accordingly and I also want to  
13 thank Council Members Rosenthal and Lander for  
14 highlighting how this issue impacts our communities  
15 and the disparities in how we treat nonprofits versus  
16 other types of vendors.

17 HSC along with our members have spent the last  
18 few years or more than a few years if I think about  
19 it, working with the city through the Nonprofit  
20 Resiliency Committee on the Indirect Cost Manual. We  
21 appreciate the amount of time that the city,  
22 particularly MOCS and OMB put into this effort. We  
23 are overall happy with the implementation of this  
24 effort  
25



1  
2           which I know we spent a lot a of time in the  
3 initial testimony talking about and thank MOCS for  
4 that and the CAT or the CIT team. It is really the  
5 funding and the overall lack of transparency about  
6 this funding process that is the crucks of the issue  
7 that we are testifying about today.

8           Indirect is not front page news but it is the  
9 funding that is the essential infrastructure to make  
10 programs operate. To equate indirect terms that  
11 everyone will understand, program funding is the  
12 turkey and the sides, indirect is the plates, the  
13 table and the person that you assign to do the  
14 dishes. You don't have Thanksgiving without the  
15 plates and whoever the family member is designated  
16 for cleanup and you don't have programs then you  
17 don't have indirect funding.

18           For decades the City has underfunded human  
19 services contracts asking providers to do the  
20 critical work in our communities while not  
21 recognizing their true costs. The Indirect  
22 Initiative is one way to better identify those costs.  
23 It is not additive funding; it is actually paying for  
24 the real cost of this work. The Manual that was  
25 created is very helpful but it is not helpful if it

1  
2 doesn't come with funding. Because telling providers  
3 that they can claim their true indirect rates but  
4 can't get new money for it, nor can they reduce  
5 services is asking them to rearrange deck chairs on  
6 the Titanic. It is not helpful, the manual itself  
7 without funding to cover it just isn't helpful.

8       We were appreciative to the City Council and the  
9 Mayor for agreeing to put funding in for FY20 and  
10 FY21. When the initiative was cut in FY20 by \$20  
11 million, we were also told that it was a right sizing  
12 just for FY20. At the very last minute of the budget  
13 negotiations in the final FY21 budget, we were then  
14 told that there would also be a reduction for FY21.  
15 It took six weeks after that into the new year for  
16 the city to communicate with the sector that this was  
17 not a right sizing and that there would be a  
18 retroactive cut of up to 40 percent and that the  
19 initiative is still in limbo for FY21, we are almost  
20 half way through the year.

21       To be frank, the way providers are being treated  
22 is a disgrace. COVID-19 has revealed what many of us  
23 already knew. Human Services sector is on the  
24 frontline keeping communities safe and healthy.  
25 During the pandemic, providers stepped up switching

1  
2 services to meet the needs of communities which meant  
3 more home delivered meals, starting food distribution  
4 points, getting technology to isolated population and  
5 doing all of that without the necessary PPE or clear  
6 guidance from government.

7       The workforce is risking their lives and lives  
8 have been lost in the human services sector, keeping  
9 residential facilities open and caring for those  
10 stuck at home. They do this while not being fully  
11 funded for their work and now in the midst of a  
12 pandemic are being told they will not be reimbursed  
13 fully for the work they did already in FY20 and being  
14 told to wait and see in FY21.

15       What other critical sector right now is being  
16 treated like this? Hopefully, no others. As the  
17 Mayor makes agreements with unions to not lay off  
18 workers through FY21, the human services sector is  
19 still reeling from cuts in FY21, indirect included.  
20 The city created fiscal chaos for a sector providing  
21 critical safety nets supports for New Yorkers.

22       One thing must be clear, cuts to indirect mean  
23 cuts to services and layoffs for essential workers.  
24 Cuts to human services at the City and State level,  
25 including this cut to indirect funding, has resulted

1  
2 in the layoffs of over 40,000 human services workers  
3 in New York City since February 2020. Cutting  
4 indirect is also the worst kind of cut because  
5 indirect is attached to all levels of the agency.  
6 When there is a program cut like Summer Youths,  
7 providers can decide if they can prop up that program  
8 or if they need to close. But you can't close IT  
9 management, security, rents, etc. and so, with this  
10 cut, we are asking providers to do the impossible and  
11 cut out basic needs to their organizations while  
12 supporting communities.

13       Again, thank you for the opportunity to testify.  
14 We just want to say it is vital that the FY21 Adopted  
15 Budget is immediately modified, the November Mod came  
16 out with no cuts and we would like to see the  
17 restoration for both funding in FY20 and FY21.

18       I am happy to answer any questions and again,  
19 thank the Council for this opportunity.

20       CHAIRPERSON KALLOS: As a curtesy to everyone who  
21 is waiting, I am going to put myself on a five minute  
22 clock to for questions and answers and for anyone  
23 else. So, Michelle I want to thank you and your  
24 organization for your leadership on this and so much  
25 else and just continuing to fight on this. I am

1  
2 going to ask you six questions, five minutes to  
3 answer. Please Sergeant start the clock.

4 SERGEANT AT ARMS: Starting time.

5 CHAIRPERSON KALLOS: The Health and Human  
6 Services Cost Policies and Procedures Manual is  
7 created through the Nonprofit Resiliency Committee as  
8 the City continued to work in collaboration with the  
9 nonprofit sector throughout the rollout of this  
10 program and the manual?

11 MICHELLE JACKSON: Yes, we saw a number of  
12 different types of collaboration. I would say those  
13 did stop once COVID happened. We haven't had a  
14 Nonprofit Resiliency Committee meeting or the  
15 subgroup from the NRC on indirect since the pandemic  
16 started but the MOCS team and OMB did convene like  
17 biweekly calls of coalition partners throughout the  
18 pandemic to talk about critical issues.

19 CHAIRPERSON KALLOS: So, in a time that nonprofit  
20 resiliency is most at risk, over the past eight  
21 months there hasn't been a meeting of that Resiliency  
22 Committee?

23 MICHELLE JACKSON: There has not been.

24 CHAIRPERSON KALLOS: They should meet. Next  
25 question, has the Mayor's Office of Contracts done

1  
2 anything to attempt to minimize harm to the City's  
3 Human Services sector during last years budget or  
4 this years budget that is impacting the indirect  
5 funding?

6 MICHELLE JACKSON: So, we haven't seen anything  
7 from MOCS in terms of the budget. We have seen MOCS  
8 when the pandemic started did release very helpful  
9 guidance on ensuring providers could get paid on  
10 their contracts throughout the pandemic. I think  
11 that guidance came a little delayed but was helpful  
12 but we have not received I think the appropriate -  
13 our providers have not received the appropriate  
14 guidance on what to do around the Indirect Cost  
15 Manual in terms of their own budgets.

16 CHAIRPERSON KALLOS: You got to watch the  
17 beginning of this hearing where I spent a lot of time  
18 asking how much money is needed and they refused to  
19 answer. I asked them if the even told OMB this, they  
20 refused to answer. Do you happen to know how much  
21 money this should probably cost?

22 MICHELLE JACKSON: So, we don't either. I think  
23 we - do some guess-timates, what I call advocacy math  
24 at the beginning of this when we were advocating for  
25 funding, a 2 percent increase costs \$106 million and

1  
2 we assume that most providers need between a 2 and 5  
3 percent increase. So, we estimated this around \$200  
4 million. We would love the information from MOCS and  
5 that was you know, not with that information coming  
6 in. We had no idea what people's indirect rates  
7 would really be. So, we have also asked MOCS for  
8 that information and have not received it to find out  
9 kind of for FY20 what's the calculation of funding  
10 that's really needed because as advocates, that would  
11 also be helpful.

12 CHAIRPERSON KALLOS: Good news is I found \$200  
13 million in the budget in October.

14 MICHELLE JACKSON: I appreciate that, I wrote  
15 that down.

16 CHAIRPERSON KALLOS: It is on the record. They  
17 testified under oath and so, since they rolled out  
18 this indirect and created it back in November 2019,  
19 what is the impact on providers for it to get cut  
20 even before it gets fully rolled out and are the  
21 human service providers any worse now than they were  
22 before the program was created?

23 MICHELLE JACKSON: The providers are certainly  
24 worse off. Providers went through FY20 relying on  
25 their indirect rates and as you will hear from

1  
2 providers they can tell you what that number is but I  
3 have at least three providers that I can pick them  
4 off the top of my head that should have gotten \$1  
5 million in FY20 for indirect.

6       So, they are getting \$400,000 less. That's money  
7 that they spent because you can only reimburse for  
8 spent expenses. And now that we are six months into  
9 the new year with a big question mark about whether  
10 they are going to get 60 percent, 100 percent etc.,  
11 they can't claim their real indirect rate now because  
12 they don't know if they are going to get it. So,  
13 they are either reimbursing and using like the hope  
14 and prayer method that they will get reimbursed or  
15 they are not billing for things and then they won't  
16 be able to get paid.

17       I will also point out that the Cost Manual  
18 changes how providers calculate indirect. So, the  
19 idea whether they should be getting paid that rate  
20 and if they are going to get stuck at 10 percent or  
21 60 percent of something, it is better to actually not  
22 have the manual because then providers could go back  
23 to the way they were doing indirect before.

24       CHAIRPERSON KALLOS: So, I have two more  
25 questions and just under a minute for us to get



1  
2 through them. Can you share how much time and money  
3 it took the providers to get this indirect yanked out  
4 like Charlie Brown football? And then the last  
5 question is just like, we are currently living  
6 through the second wave of the pandemic, how has  
7 coronavirus affected the nonprofit service providers  
8 are spending on these indirect costs? [INAUDIBLE  
9 2:12:31] our indirect costs or not.

10 MICHELLE JACKSON: Absolutely, so yes to both.  
11 So, providers can tell you individually but most them  
12 gauge the CPA which can cost \$20,000 and they took  
13 between three and six months to you know, go through  
14 and figure out their new indirect rate and put in new  
15 systems in place.

16 So, it actually increases their indirect cost to  
17 figure out their indirect cost and they can give you  
18 individual examples. And then, nonprofits had not a  
19 time invested in new technology, to new outreach -

20 SERGEANT AT ARMS: Time expired.

21 MICHELLE JACKSON: All of that you know, the  
22 management team had to switch their focus and so, in  
23 order to do that they have to expend a significant  
24 amount of resources during the pandemic to get  
25 clients and a lot of those are indirect costs. And

1  
2 even if they are not, having a \$400,000 deficit now  
3 from FY20, certainly means that any money they spent  
4 on the pandemic creates even more – a bigger loss for  
5 those providers.

6 COMMITTEE COUNSEL: Thank you Ms. Jackson, thank  
7 you Chair Kallos. We will now turn to Council Member  
8 Rosenthal for questions.

9 SERGEANT AT ARMS: Starting time.

10 COUNCIL MEMBER ROSENTHAL: Thank you. Thank you  
11 so much for your testimony and all your work  
12 Michelle. Do you know of any provider that has gone  
13 throughout this whole system has then invoiced and  
14 then gotten reimbursed?

15 MICHELLE JACKSON: I do not and we just had a  
16 meeting with our Executive Directors at the beginning  
17 of this week and I think maybe one of them said that  
18 they had submitted an invoice for a very nominal  
19 amount, like maybe a couple of hundred dollars but  
20 they haven't been paid for it. So, I don't have a  
21 single one of my members who have told me actively  
22 that they have gotten paid.

23 COUNCIL MEMBER ROSENTHAL: So, we are talking  
24 about millions of dollars. We are quivering over  
25 what is in the budget, what's not in the budget. We

1  
2 are quivering over the indirect rate and a year, two  
3 years after, a year and a half after making this  
4 agreement to fund this thing called indirect rate and  
5 no one has gotten any money?

6 MICHELLE JACKSON: Not that I am aware of.

7 COUNCIL MEMBER ROSENTHAL: Okay, thank you very  
8 much. Thanks for all your hard work.

9 MICHELLE JACKSON: Thank you.

10 COMMITTEE COUNSEL: Thank you Ms. Jackson. We  
11 will now hear from Damyn Kelly followed by Janelle  
12 Farris and then Gregory Morris. Damyn Kelly, you may  
13 begin when the Sergeants call time.

14 SERGEANT AT ARMS: Starting time.

15 DAMYN KELLY: Thank you, good afternoon  
16 Chairperson Kallos and members of the Contracts  
17 Committee. I first want to thank you all for all the  
18 work that you have done on behalf of the nonprofit  
19 community. We truly appreciate the support. I want  
20 to directly answer some of the questions that Chair  
21 Kallos asked Michelle, just talking about the  
22 expenses.

23 So, as an example and I am sorry, I failed to  
24 introduce myself, Damyn Kelly President and CEO of  
25 Lutheran Social Services of New York. So, in putting

1  
2 together our indirect rate, we paid our accountant  
3 firm \$21,000 to prepare the information for the  
4 higher rate. Based on that, we were planning to  
5 receive an additional \$551,000 in funding. This  
6 funding would have been used for training, increased  
7 rent, technology purchases and so forth.

8       Once we budgeted this and started to spend, we  
9 were shocked to learn months later that due to the  
10 city's financial difficulties, this amount would be  
11 reduced by 40 percent representing a loss of  
12 \$204,000. That's \$204,000 that we had already spent  
13 and of course have no way of recovering it.

14       So, we were harmed that way. I think what's  
15 really troublesome about all of this is that it is  
16 only the nonprofit sector that is expected to run its  
17 business not knowing how much money it is going to  
18 get and I think part of the problem is the idea that  
19 as a nonprofit, we are not a business and as I  
20 constantly tell people and my colleagues will  
21 remember me saying this, the 501C3 is a tax status.  
22 It is not our business model and in no other sector  
23 that the City does business with would they make a  
24 promise, have that business spend money and then  
25

1  
2 decide you know, months later, well, we are not going  
3 to pay you for it after it has already been promised.

4 We are not asking for a handout in this sector.  
5 We are asking for transparency and a commitment to  
6 following through when promise is made. We seek  
7 fairness and equity at a time when we are meeting the  
8 needs of so many New Yorkers during this challenging  
9 time.

10 We are asking that we be respected as  
11 professionals and partners with government in meeting  
12 the challenges facing the city. We ask to be looked  
13 at as businesses whose tax status is not its business  
14 model. We ask that we be treated as the essential  
15 component of the city that we constantly are being  
16 told that we are. You would not treat somebody who  
17 is so essential in this poor manner.

18 Thank you for your time and the opportunity.

19 COMMITTEE COUNSEL: Thank you Mr. Kelly. It  
20 looks like Council Member Rosenthal has a question,  
21 so we will turn to her for the first round of  
22 questions.

23 COUNCIL MEMBER ROSENTHAL: Just real quickly Dr.  
24 Kelly. Thank you so much for all you do every single  
25 day. We, really of course the City owes you a great

1  
2 debt of gratitude. Have you invoiced for any of your  
3 agreed upon indirect rates?

4 DAMYN KELLY: So, we have invoiced based on the  
5 reduction because that's what we were told. So, we  
6 originally billed for the increased amount and was  
7 told because of the budget cut and because of the  
8 retroactive cut, we could only receive the lower  
9 amount.

10 COUNCIL MEMBER ROSENTHAL: And so, you were  
11 required to invoice again?

12 DAMYN KELLY: Yes, that is correct.

13 COUNCIL MEMBER ROSENTHAL: Have you been  
14 reimbursed?

15 DAMYN KELLY: No, we haven't, we are still short  
16 that \$204,000 that I had mentioned.

17 COUNCIL MEMBER ROSENTHAL: Okay, so you  
18 originally invoiced for like \$500,000.

19 DAMYN KELLY: Right because that's what we were  
20 promised and we were only able to get about \$300,000  
21 this way.

22 COUNCIL MEMBER ROSENTHAL: Thank you very much.

23 COMMITTEE COUNSEL: Seeing no additional hands  
24 raised from the members, we will move onto the next  
25 panelist. Thank you Mr. Kelly. The next panelist

1  
2 will be Janelle Farris followed by Gregory Morris and  
3 then Keith Little. Ms. Farris, you may begin when  
4 Sergeants call time.

5 SERGEANT AT ARMS: Starting time.

6 JANELLE FARRIS: Thank you Chairperson Kallos and  
7 members of the Committee on Contracts for this  
8 opportunity to present excerpts from my written  
9 testimony that I will hand in later.

10 My name is Janelle Farris and I am the Executive  
11 Director and the President of Brooklyn Community  
12 Services. With over 150 years of experience working  
13 in Brooklyn's underserved communities, our programs  
14 serve over 20,000 people annually. Throughout COVID-  
15 19 BCS crisis staff continued to reach clients,  
16 either in person or remotely, in an effort to  
17 continue positive growth and provide a life raft to  
18 those in need of it. We run shelters, provide  
19 housing, operate emergency food pantries, offer  
20 family support programs, day care, mental health  
21 care, youth and education programs.

22 Historically for years, nonprofits have been paid  
23 by City government at rates 10 to 20 percent less  
24 than the cost of doing business. And just then, two  
25 years ago, thanks to many people who are listening

1  
2 today, the City of New York took a progressive step  
3 into a new paradigm working with nonprofit providers.  
4 We partnered and the City made a commitment to all  
5 New Yorkers to preserve the nonprofit sector and  
6 recognize that it is a vital part of city service and  
7 now, the response that New York City gives to our  
8 shared effort. To the over 600,000 people that are  
9 employed in this sector and to the hundreds of  
10 thousands of people that we serve. The City responds  
11 by saying, tough luck.

12 For Brooklyn Community Services, this means a  
13 retroactive cut of over \$745,000 to our FY20 budget  
14 and five months into the fiscal year of 2021, we are  
15 forced to operate with uncertainty that is  
16 unconscionable.

17 While we accept with some frustration 60 percent  
18 of that which we were promised, we are on track to  
19 receive \$1.1 million that we have already spent.  
20 However, today as recently as last week, we have only  
21 received one budget modification to file for \$775.  
22 What does that mean in terms of operations? It means  
23 that multiple vacancies will remain unfilled  
24 permanently. It means that a large portion of staff  
25 who are already underpaid, given the cost of living



1  
2 are denied raises. It means infrastructure  
3 improvements are postponed and salaries that  
4 competition demands -

5 SERGEANT AT ARMS: Time is expired.

6 JANELLE FARRIS: It means that we are less able  
7 to run efficiently. Consider that 90 percent of the  
8 workforce at BCS are people of color and the majority  
9 are women earning an average salary in the \$40,000  
10 range. Consider that we cut Medicaid costs, we lower  
11 the number of people going to hospitals. We ensure  
12 that number of homeless people on the street is held  
13 low. We ensure that people have housing. We provide  
14 activities for young people. At the same time that  
15 cuts are being made to those services. We are being  
16 told that we will have more to do and less to do it  
17 with. These cuts dismiss the value of essential  
18 employees and the value and the efficiency of the  
19 nonprofit sector. These cuts suggest that people  
20 served by the nonprofit sector are not valuable  
21 citizens. This cuts undermine the effort of New York  
22 City to care for its citizen and bely the very nature  
23 of a city that is known for coming together in a  
24 crisis.

1  
2 In closing, I am simply asking that you please  
3 work to uphold the promise of full indirect funding  
4 today for a stronger city tomorrow. I appreciate the  
5 work of all who are leading this Committee and this  
6 hearing today and am grateful that you will continue  
7 to fight because what we are doing is ensuring that  
8 we will not recover well from this pandemic. Thank  
9 you.

10 CHAIRPERSON KALLOS: Quick question, I will take  
11 the clock but won't need it just for Janelle Farris.  
12 During this hearing, you heard MOCS repeatedly refuse  
13 to share how much this will cost because they have  
14 outstanding amendments. You just testified the  
15 amendment that they are talking about on your program  
16 is \$775. Do you think that there is any reason why  
17 they shouldn't tell us how much is currently in play?

18 JANELLE FARRIS: So, I think that it is a very  
19 complicated system and I do understand that MOCS is  
20 creating a process to which voucher for each contract  
21 that we have. ECS has multiple contracts with  
22 multiple different city agencies. So, each agency is  
23 required to submit a budget modification. We cannot  
24 submit that modification until we receive permission  
25 from the agency. And so, until last week, only one

1  
2 agency had made such an option available to us and  
3 that agency only owed us \$775.

4 The other agencies that would have given a  
5 substantial amount of indirect funding have been slow  
6 to supply budget amendments or modification requests  
7 that would allow us to recoup the \$1.1 million that  
8 we have already spent.

9 CHAIRPERSON KALLOS: Thank you.

10 JANELLE FARRIS: Thank you.

11 COMMITTEE COUNSEL: Thank you Chair Kallos, thank  
12 you Ms. Farris. We will now turn to testimony from  
13 Gregory Morris followed by Keith Little and then  
14 Catherine Trapani. Mr. Morris, you may begin when  
15 the Sergeants call time.

16 SERGEANT AT ARMS: Time begins now.

17 GREGORY MORRIS: Thank you very much Council  
18 Member Kallos for making this time for us. I am the  
19 Executive Director of the Stanley M. Isaacs  
20 Neighborhood Center. Council Member Kallos, you are  
21 a partner and a champion of our community and I thank  
22 you once again for supporting us.

23 I wanted to say a few things now and deviate from  
24 my prepared remarks because this is truly an example  
25 of preaching to the choir. I think this audience

1  
2 that's on this Zoom right now knows each other, knows  
3 our challenges and as has been pointed out during the  
4 course of this conversation, the individuals who  
5 really need to hear us are not participating. And  
6 that's a complication for us, for our sector and is  
7 reflective of an Administration that does not respect  
8 the human services sector. It does not appreciate  
9 respect or meet the needs and despite a communication  
10 from the City Administration to be able to support  
11 the stability of this sector in every case along the  
12 way, in particular during the pandemic. It has  
13 abandoned us, walked away from us, added more  
14 responsibilities without communicating with us.

15       And so, I want to start there and add a few notes  
16 specific to MOCS because MOCS has been supportive in  
17 a number of ways in helping think about the  
18 production of policies and processes that we could  
19 use. But just to highlight a few notes because I  
20 think it is important as a follow up. When MOCS  
21 talks about an open and active process and it taking  
22 time because of the number of amendments that need to  
23 be completed to be able to do the work that it takes  
24 to secure these dollars, I can only think to myself,

25

1  
2 all of us on this call did not have any window to  
3 prepare for the pandemic.

4       None of us in this moment had the opportunity to  
5 hit pause and say, let's get ready for what comes  
6 next. So, I can't accept that. That's an excuse and  
7 an unacceptable one. Also, one of the folks from  
8 MOCS indicated that we have access to state funding  
9 and we have access to private philanthropy, that's  
10 the beauty of being not-for-profits and the reality  
11 is, the states not paying its bills. We all know  
12 that as well and private philanthropy is in a panic  
13 because they are worried about their bottom lines.  
14 So, we are in a comprised position which is why the  
15 indirect rate, which cost us \$15,000 to be able to  
16 secure the audited report to be able to talk about  
17 was going to make an adjustment from a 10 percent to  
18 an 18 percent adjustment. Which for us, that  
19 difference in dollars is about \$145,000. Not having  
20 that \$145,000, as has been noted by others, result in  
21 me making choices about whether or not to keep  
22 maintenance staff on board, fiscal staff on board, to  
23 ensure the insurance plans are acceptable for our  
24 personnel.

1  
2           These are all significant factors. Adding the  
3 reality of this moment and time and the challenge  
4 that we exist; it only seems like we are a credit  
5 card quite frankly for this Administration and the  
6 payments are due and I don't know what the collection  
7 agency is except to say that there is going to be an  
8 election in 2021 and it is my hope that the non-for-  
9 profit sector -

10           SERGEANT AT ARMS: Time expired.

11           GREGORY MORRIS: Steps up and communicates and  
12 finds representatives that truly understand our  
13 value, our impact, know full well that's it our  
14 people that died during the course of this pandemic.  
15 It is our people that deserve every right to accel  
16 and particularly, it is the Black and Brown women who  
17 make this sector run who need to be elevated, not  
18 continually held behind. Thank you very much.

19           COMMITTEE COUNSEL: Thank you. Seeing no Council  
20 Member hand raised, we will move on to the next  
21 panelist.

22           SERGEANT AT ARMS: Council Member Rosenthal has  
23 her hand raised.

24           CHAIRPERSON KALLOS: Council Member Rosenthal. I  
25 clicked the wrong button.

1  
2 COMMITTEE COUNSEL: That's okay Chair. Council  
3 Member Rosenthal.

4 COUNCIL MEMBER ROSENTHAL: Great, thank you so  
5 much, appreciate it.

6 I am really just going to ask the same question  
7 to you Mr. Morris. Have you invoiced for – do you  
8 have a modified contract to invoice off of for your  
9 new indirect rate, including the cost of your  
10 accountant?

11 GREGORY MORRIS: It is such a great question.  
12 Unfortunately, I can't answer it directly at this  
13 moment. Part of the reason for that is because the  
14 city right now has us undergoing, while we undergo  
15 our organizational audit, has us undergoing three  
16 audits with separate city agencies from FY18 as part  
17 of their process for going through auditing, that  
18 they are going through this during the pandemic means  
19 my fiscal staff, which is already a staff, by virtue  
20 of the cuts and indirect. I can't necessarily keep  
21 on board, has to deal with that process as opposed to  
22 facilitating the accessibility to the amendments that  
23 would result in the invoicing.

24 So, it is true that the city is behind, we are  
25 also behind.

1  
2 COUNCIL MEMBER ROSENTHAL: And let me guess, have  
3 you seen any – have you been able to invoice or get  
4 reimbursement for anything that was modified for  
5 Fiscal Year '20 or '21, given that you are being  
6 audited for Fiscal Year '18?

7 Oh, wait, we have to unmute Mr. Morris.

8 GREGORY MORRIS: I am unmuted now, thank you so  
9 much. Sorry for that. No, we haven't seen any of  
10 these dollars. We haven't seen any dollars from the  
11 city, we haven't seen any dollars from the state. We  
12 aren't seeing as much money from private  
13 philanthropy. This sector as you know is in crisis.  
14 We were in crisis in 2016 when 20 percent of our  
15 agencies were worried about insolvency, then the  
16 pandemic hit.

17 So, let's assume that that's doubled. I think we  
18 are a year to 18 months away from many of us in the  
19 sector turning to you and saying, we need to close  
20 our doors because we can't continue to be present in  
21 the way that we have been because our bills are not  
22 being paid. At the same time, as you have noted and  
23 others have noted, that other union contracts are  
24 being fulfilled. Other entities are being respected  
25 and we are not.



1  
2 COUNCIL MEMBER ROSENTHAL: Thank you so much for  
3 all the work that you do on behalf of New Yorkers.  
4 Thank you.

5 CHAIRPERSON KALLOS: I can't actually raise my  
6 hand, I don't think. We can try to figure that one  
7 out. Just, Greg, thank you for coming. Your office  
8 is literally a block away from my district office and  
9 thank you for your testimony. It strikes me as odd  
10 that you are getting audited. Is it true that at one  
11 point you supported NYCHA tenants against a Mayor de  
12 Blasio pushed NYCHA Infill Project?

13 GREGORY MORRIS: Yeah, I am not going to  
14 extrapolate anything from that. I will just say  
15 this, we have done everything we possibly could to  
16 meet the needs of the residents of our community,  
17 whether it was an infill project that was unfair,  
18 whether it was the absence of air conditioning that  
19 the city said it would provide that it didn't provide  
20 and you supported us with. Whether it is the absence  
21 of food security issues, an effort to provide food to  
22 community members that was not meeting any of the  
23 targets and plans that it had set forth and by the  
24 way, happened without the insight and engagement of  
25 community based providers, which quite frankly is not

1  
2 only a strategic error but also probably a financial  
3 one.

4 I can only say that we and I think like others  
5 often times end up getting audited for things that  
6 happened years ago and to spend any hour of any day  
7 focused on FY18 in the middle of a pandemic is truly  
8 disturbing, troubling and overwhelming for any  
9 institution. We are an \$8 million shop, I can't  
10 imagine what it would be like to be a shop of \$2  
11 million, nor can I imagine it being \$200 million.  
12 It's a lot to ask for all of us.

13 CHAIRPERSON KALLOS: But surely you were audited  
14 before you stood up to the Mayor on three or four  
15 different issues.

16 GREGORY MORRIS: When I stood up to the Mayor on  
17 several issues, whether it was related to the air  
18 conditioning, food insecurity, particularly focused  
19 on older adult issues, public housing related issues,  
20 yes, we certainly have been audited. The fact that  
21 we are being audited now again in the middle of a  
22 pandemic when I am compromised in terms of the  
23 dollars that I have to pay for these services that  
24 our financial team provides, is unconscionable, is  
25 complicating and is quite frankly overwhelming.

1  
2 CHAIRPERSON KALLOS: Will they reimburse you for  
3 the indirect costs of having to pay the CPA's and  
4 everyone involved in this audit?

5 GREGORY MORRIS: Well, as has been noted during  
6 the course of this conversation, those fees sort of  
7 plug into your indirect sort of category. The  
8 reality is, I have lost \$145,000 essentially in  
9 dollars by virtue of this cut to the indirect rates  
10 that was approved after MOCS had made us go through  
11 multiple hurdles to do it. And by the way, I had to  
12 hire an independent auditor to go through those  
13 financial, which cost us \$15,000 which, how do I get  
14 reimbursed for that?

15 I mean, at the end of the day, like all of us on  
16 this call, we are in the business of trying to meet  
17 the needs of the people who are directly in front of  
18 us and so, we have to make choice because we are not  
19 just in the people business. We are in a business  
20 business and so, we have to make very hard choices  
21 about how to account for those costs.

22 CHAIRPERSON KALLOS: Thank you.

23 COMMITTEE COUNSEL: Thank you. We will now hear  
24 from Keith Little followed by Catherine Trapani and  
25

1  
2 then Alan Mucatel. Mr. Little, you may begin when  
3 the Sergeants call time.

4 SERGEANT AT ARMS: Time begins now.

5 KEITH LITTLE: Good morning Chairperson Kallos  
6 and members of the City Council Committee on  
7 Contracts. My name is Keith Little, I am President  
8 and CEO of SCO Family Services. We are one of the  
9 largest human services providers not only in New York  
10 City but in the state of New York.

11 SCO provides essential services in six core  
12 areas: Early Childhood Education, foster care, youth  
13 development, preventive services, homeless services  
14 and special needs. And obviously, you can see from  
15 that list a lot of them are New York City contracts.

16 Over 60 percent of our operating budget comes  
17 from New York City contracts. This funding allows us  
18 to serve approximately about 60,000 families each  
19 year throughout Queens, Brooklyn and the Bronx. The  
20 lack of financial support and equity is no more  
21 apparent than in the decreased rates of reimbursement  
22 for indirect costs associated with providing critical  
23 services to New York's most vulnerable population.

24 Unfortunately the pandemic has only exacerbated  
25 already limited reimbursements for direct costs,

1  
2 indirect costs I should say for services. We find  
3 ourselves in a situation like now with current year  
4 and our projected loss of about \$600,000 for Fiscal  
5 Year '20 and its equally deficit in Fiscal Year '21,  
6 which we are not sure of at this point.

7 As a result of it, a board of directors is  
8 questioning why we continue to operate programs  
9 without reciprocal commitment from New York City. I  
10 have had a number of conversations with my Board  
11 Chair about what are we doing in this business and  
12 why are we doing this and he is a business man. And  
13 so, he is questioning our continued commitment to New  
14 York City when there doesn't seem to be that  
15 commitment to us.

16 Obviously, the indirect costs go towards critical  
17 areas that Dr. Kelly mentioned as it relates to  
18 staffing, as it relates to training, as it relates to  
19 IP infrastructure and back office support, which we  
20 can't do. The need for essential services has and  
21 will continue to grow with the pandemic, with the  
22 greatest needs still on the horizon and things we  
23 don't know.

24 The change in direction for promised funding  
25 support is an upfront to thousands of staff, family

1  
2 and not-for-profit organizations that thrive on this  
3 livelihood. As a nonprofit provider, we also have a  
4 fiduciary duty to act with care and accountability in  
5 our spending while holding fast to our mission of  
6 helping and maintain mental, physical and emotional  
7 dignity for those that are in need.

8 Today, I stand with my nonprofit colleagues as  
9 well as SCO teachers, social workers, peer support  
10 specialists, mentors, counselors, medical support and  
11 moving forward and urging this Committee to really  
12 take a close look and a deep dive into New York  
13 City's commitment to us. We are committed to New  
14 York City and we are committed to the community and  
15 the individuals we serve, why can't the city be  
16 committed to us. Thank you for the time today.

17 COMMITTEE COUNSEL: Thank you. I see that  
18 Council Member Rosenthal has her hand raised, so we  
19 will call on her for questions.

20 COUNCIL MEMBER ROSENTHAL: Great, thank you so  
21 much. Really appreciate all the work that you do  
22 President Little. I love SCO and go out of my way at  
23 every turn to try to add funding. I just really  
24 admire the work that you do. Were you able to  
25

1  
2 successfully negotiate with the City a new indirect  
3 rate?

4 KEITH LITTLE: We had negotiated an indirect rate  
5 which was going to be retroactive for Fiscal Year '20  
6 and we fought for '21 and then the rug was pulled out  
7 from under us.

8 COUNCIL MEMBER ROSENTHAL: Yeah, yeah, yeah.  
9 Have you invoiced for any of that?

10 KEITH LITTLE: Invoiced and have not been paid.

11 COUNCIL MEMBER ROSENTHAL: Thank you very much,  
12 appreciate you.

13 KEITH LITTLE: Thank you.

14 COMMITTEE COUNSEL: Thank you Mr. Little. Seeing  
15 no other Council Member hands raised, we will move  
16 onto the next panelist. We will next hear from  
17 Catherine Trapani followed by Alan Mucatel and then  
18 Darren Bloch. Ms. Trapani, you may begin when the  
19 Sergeants call time.

20 SERGEANT AT ARMS: Time begins.

21 CATHERINE TRAPANI: Thank you very much. Thank  
22 you Chair Kallos and members of the Committee for  
23 scheduling this hearing today. My name is Catherine  
24 Trapani and I am the Executive Director of Homeless  
25 Services United. A coalition of mission driven

1  
2 nonprofit homeless services providers. HSU's members  
3 run a variety of programs that function as a critical  
4 part of the city's safety net. Member programs  
5 include everything from HRA homeless, homebased  
6 prevention programs, DHS street outreach, HRA  
7 domestic violence and DHS homeless shelters. DHSSRO  
8 homeless housing programs and more.

9       Together, this portfolio of contracts fulfills  
10 the city's legal obligation to provide shelter to all  
11 New Yorkers who need it and our collective commitment  
12 to serve those most at risk in struggling with  
13 housing instability. As the Council well knows, many  
14 of these programs have been underfunded for years.  
15 Nonprofits have always worked to privately fundraise  
16 to subsidize the city's efforts to combat  
17 homelessness crafting unique solutions to complex  
18 problems. But in recent years, we fundraised not  
19 just to innovate and add new interventions but to  
20 survive the city's business practices which can  
21 border on the abusive.

22       For years we have floated operations of shelter  
23 programs the city is legally obligated to provide  
24 without reimbursement, waiting for contracts to  
25 register, for invoices to be paid and for amendments



1  
2 and modifications to be approved. Right now, I can  
3 name several providers who are owed millions of  
4 dollars in receivables for services already rendered.  
5 Two are owed nearly \$30 million each, another \$20  
6 million.

7       Given the fiscal precarity of the sector, the  
8 city found an eager partner in me to collaborate on  
9 solutions to improve business practices. First, via  
10 the Nonprofit Resiliency Committee and later through  
11 provider and coalition work groups with OMB and MOCS.  
12 Through this collective work, several innovations  
13 were suggested and several more move forward,  
14 including finally investing in the infrastructure  
15 that makes nonprofits work and creating a rational  
16 system to set indirect cost rates swiftly from the  
17 mess we have been discussing today.

18       Lending the collective expertise of my membership  
19 and my time, I worked closely with the city's  
20 implementation team to implement the indirect cost  
21 policy and states my reputation on the promises made  
22 to convince my member organizations and colleagues to  
23 do the work and invest resources and making it  
24 happen.

1  
2           HSU member organizations as you just heard, hired  
3 accountants and auditors who work tirelessly on  
4 reallocating costs and painstakingly reviewing every  
5 single line and every contract of every budget to  
6 implement the policy on the promise that they would  
7 finally be made whole and fully funded to support  
8 their operations. Throughout the implementation  
9 process but particularly towards the end of Fiscal  
10 2020, members began to make decisions about what  
11 contracts to renew and which they can no longer  
12 afford to operate. Some programs had begun the year  
13 with indirect cost rates of zero and it was only due  
14 to the commitment to fully fund indirect for these  
15 contracts that the nonprofits decided to continue  
16 their work on those projects into Fiscal 2021.

17           You can imagine our disappointment when after  
18 budgeting for full funding and making business  
19 decisions based on that commitment, Fiscal Year 2020  
20 funding was slashed by 40 percent and Fiscal –

21           SERGEANT AT ARMS: Time is expired.

22           CATHERINE TRAPANI: I will wrap up shortly. And  
23 Fiscal 2021 funding remains uncertain. There is  
24 simply no way to recover retroactive losses for 2020  
25 in a good year let alone when a global pandemic makes

1  
2 it nearly impossible to fundraise for these types of  
3 expenses. The uncertainty for '21 makes matters  
4 worse and as Michelle stated before, many of our  
5 providers are actually materially worse off than  
6 before because they were forced to follow the  
7 guidance and move some of their administrative  
8 indirect expenses out of their direct cost base. And  
9 because we are waiting for agencies to give us  
10 permission to modify those costs back into the  
11 indirect and approve those amendments, people are  
12 actually worse off than they were before this whole  
13 thing started.

14 And I just want to close by saying in cases where  
15 nonprofits continue their operations, I just want to  
16 be clear that this funding is critical and necessary  
17 to successfully operate programs that people rely on  
18 to survive.

19 Shelter providers that were already struggling  
20 under the weight of broken promises and delayed  
21 payments can no longer take on the projects, just as  
22 need is spiking and I can guarantee you that many of  
23 the programs that are not currently in receipt of  
24 indirect funding like the HRA, SRO housing will close  
25 without intervention.

1  
2 Those programs, if the city doesn't fully fund  
3 them, literally no one else will. Foundations and  
4 private funders are not interested in supporting  
5 continued housing of formerly homeless men with  
6 barriers of economic success due to all the  
7 prejudices against that population.

8 So, in the event that this funding doesn't come  
9 through, the tenants in those buildings will be  
10 relegated to the streets or shelters and without the  
11 Council's intervention, we are going to lose the  
12 affordable units for ever.

13 So, we really implore you and members of this  
14 Committee to restore the funding that we need to  
15 survive and thank you for your advocacy to try to get  
16 this done. I really appreciate the opportunity to  
17 testify and apologize for going over.

18 COMMITTEE COUNSEL: Thank you Ms. Trapani. We  
19 will now turn to the Chair for questions.

20 CHAIRPERSON KALLOS: No need for apology, we  
21 should have given you five minutes to begin with.  
22 Thank you for all the work that you did particularly  
23 with your members and asking them to trust you and  
24 this Administration to go through the difficult work  
25 of indirect rates. I guess, first question, slightly

1  
2 off topic, I wrote and ABED with Fred Shack and so,  
3 this morning 18,000 children, more than 18,000  
4 children woke up in a shelter, 17,000 families  
5 members. Together they made up about 10,000  
6 families.

7 Right now, we have more vacant apartments our  
8 rentals, co-ops, condo's than we have homeless  
9 families and in fact could house all them tomorrow.  
10 Would you support an effort to have a housing first  
11 policy that just said, let's take all these vacant  
12 apartments and get our homeless into these homes?

13 CATHERINE TRAPANI: I mean of course. The devil  
14 is in the details on how you get it done. You can  
15 pass Intro. 146 to get the rental income. Yeah, I  
16 know you are a sponsor but rightly there is  
17 mechanisms that we can collaborate with you on to get  
18 that done but I read your ABED, I thought it was dead  
19 on and I am grateful to your advocacy, for your  
20 advocacy on this issue.

21 CHAIRPERSON KALLOS: We need your help to get it  
22 done. The next question is you mentioned two  
23 organizations \$20 million, \$30 million, if you could  
24 put me in touch with those organizations, I would  
25 like to get them. It is too late for me to get them

1  
2 paid by Thanksgiving but damned if won't get them  
3 paid by Christmas, Hanukkah or Kwanzaa or whatever  
4 they might be celebrating in December.

5 CATHERINE TRAPANI: Thank you.

6 CHAIRPERSON KALLOS: So, absolutely on that and  
7 just what is the impact of this going to be, so  
8 tomorrow is Thanksgiving and there are hungry – there  
9 are people who are hungry, there are people who will  
10 sleep on their streets and they will be on the street  
11 for Thanksgiving. There will be people who will be  
12 celebrating this Thanksgiving in a shelter. What has  
13 been the impact of these indirect cuts? What will it  
14 mean for our city's homeless?

15 CATHERINE TRAPANI: I mean, I think that you are  
16 already seeing some of the sort of infrastructure and  
17 fraying right. Like, indirect pays for things like  
18 internet, right for homeless students struggling to  
19 learn in temporary housing. It pays for the folks  
20 that kind of keep supply chains moving and PPE and  
21 all those other things. So, all those back office  
22 workers are hanging by a thread and you know, there  
23 is a couple folks that have called me in the past  
24 couple of weeks, worried about their next payroll.

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So, you know, it really can't get more precarious and if our member agencies can't continue to operate, all of those folks that you know, should be you know, getting the outreach programs, by our feeding programs, prevention, shelter and so on, I don't think and you can correct me if you think I am wrong but I don't think the City of New York is prepared to take over the direct operations of the system by itself.

So, if they don't have the capacity to do that in lieu of nonprofit, then they need to pay nonprofits to do it the right way. And so, that's kind of where we are. So, you know, I don't know exactly when it breaks but I can tell you that it is close and you know, some parts of the portfolio like the SRO housing, which is probably the most chronically underfunded of all. Like, those programs I will tell you will close. The rest of the system, it is precarious that I don't have a projection but we will lose SRO housing units and those folks will just be in the streets.

CHAIRPERSON KALLOS: It is sad that the day before Thanksgiving, Mayor de Blasio is taking to a budget that will force more people out onto the

1  
2 streets. So, thank you for that. On the issue of  
3 the children who are trying to learn, as schools have  
4 closed and are in shelters without internet, you know  
5 this is something that is near and dear to my heart  
6 and something we have got legislation on. With that  
7 being said, if you have specific shelters in mind, I  
8 am willing to work with Altice and Spectrum to bring  
9 them coverage and I will show up at the locations  
10 tomorrow or Friday with - I worked my way through  
11 college playing CAT 6 Fiber at SUNY Albany. So,  
12 like, I will literally show up with the Cat 6 on my  
13 back and wire them myself if they city wont and I am  
14 sure I can commit to my brothers and sisters at IBW  
15 and CWA to do the same. Thank you. Over to Council  
16 Member Rosenthal.

17 COUNCIL MEMBER ROSENTHAL: Thank you so much.  
18 Ms. Trapani, thank you for your great testimony.  
19 Hitting the nail on the head and also for the amazing  
20 work that your providers do. I am just wondering of  
21 all the providers that you are working with; do you  
22 know if any of them have gotten their newly modified  
23 reimbursement? Have gotten invoiced and actually  
24 received the money for their newly modified indirect  
25 rates.



1  
2 CATHERINE TRAPANI: I don't think so. And so,  
3 like even you are saying newly modified, like we are  
4 struggling to get the agencies to proactively advise  
5 providers on how to do those modifications.

6 So, I have been in contact with Erin Villari and  
7 Jen Geiling in a couple days and they are helping  
8 some of our folks but it really has been a confusing  
9 process and there is not a lot of guidance.

10 COUNCIL MEMBER ROSENTHAL: Unfortunately, I have  
11 to like run to the door but thank you for all of  
12 that. Yeah, they didn't - it sounds like they really  
13 want to try to help, so. But thank you for all your  
14 work.

15 CATHERINE TRAPANI: Thank you Council Member.

16 COMMITTEE COUNSEL: Thank you Ms. Trapani. We  
17 will now hear from Alan Mucatel followed by Darren  
18 Bloch and then Paul Feuerstein. Mr. Mucatel, you may  
19 begin when the Sergeants call time.

20 SERGEANT AT ARMS: Time begins.

21 ALAN MUCATEL: Good afternoon Chair Kallos and  
22 members of the Contracts Committee. My name is Alan  
23 Mucatel and I am CEO of Rising Ground, one of New  
24 York City's oldest human service organizations with  
25

1  
2 1,600 staff supporting 25,000 vulnerable children,  
3 adults and families across New York City.

4 Our staff are essential workers and are  
5 tremendously impactful. Prior to and now during the  
6 COVID-19 pandemic, we provide family stabilization  
7 and foster care services. Services for survivors of  
8 intimate partner violence, residential programs for  
9 adults with intellectual and developmental  
10 disabilities and residential programs for court  
11 involved youth and young people with significant  
12 emotional and behavioral challenges.

13 To deliver these services, we must have basic  
14 resources and these resources include the  
15 infrastructure to manage our operations. We must be  
16 able to cover the various and basic indirect costs  
17 such as maintaining finance, human resources, quality  
18 assurance and facilities functions. New York City  
19 has come to recognize that properly covering indirect  
20 cost is essential for it to have an effective  
21 nonprofit service partners.

22 To not deliver on that promise and to pay an  
23 arbitrarily set low rate is strangling us. In FY20  
24 alone, Rising Ground will be forced to make up  
25 \$860,000 to cover its indirect costs. Costs that New

1  
2 York City has determined to be valid and worthy of  
3 paying through an improved indirect rate. The money  
4 will come from the scarcest of resources if they are  
5 even available that any nonprofit has. That is  
6 discretionary funding. In other words, one must  
7 depend on fund raising, interest income if you have  
8 it or modernization of assets to cover costs our  
9 government partners should bare. This is money that  
10 instead should be used to actually enhance services.

11       And if we do not have those funds, which Rising  
12 Ground does not, that they will cover indirect costs  
13 results in increased debt that ultimately makes our  
14 organizations more fragile. Further, in our case,  
15 our federal and state contracts pay a much more  
16 realistic indirect rate than the city does and as a  
17 result, we risk losing that revenue if we cut  
18 expenses from those programs.

19       More importantly, we will be forced to operate  
20 without the appropriate infrastructure. The city is  
21 asking its nonprofit union service providers to  
22 continue a business model that is not tenable. Most  
23 nonprofits are barely holding on and donations are  
24 harder to find than ever. We would not expect any  
25 business to operate in this merit. When nonprofits

1  
2 promise to provide services, we keep that promise and  
3 when New York City promises to pay for them, it  
4 should do the same.

5 Thank you for giving me the opportunity to  
6 testify today. I will be happy to answer any  
7 questions.

8 COMMITTEE COUNSEL: Thank you Mr. Mucatel.  
9 Seeing no member hands raised, we will move onto the  
10 next panelist. Next up, we have Darren Bloch  
11 followed by Paul Feuerstein and then Michelle Yanche.  
12 Mr. Bloch, you may begin when the Sergeants call  
13 time.

14 SERGEANT AT ARMS: Time begins now.

15 DARREN BLOCH: Thanks so much and thank you  
16 Committee Chair Kallos and fellow committee members  
17 for the opportunity to join this discussion. My name  
18 is Darren Bloch, I am the Executive Director and CEO  
19 of Greenwich House, which is a community based  
20 nonprofit that has been serving New Yorkers in the  
21 West Village and beyond for 117 years now.

22 And before I jump into a couple prepared remarks,  
23 I want to highlight a few earlier statements made. I  
24 want to affirm something that Council Member  
25 Rosenthal made. I know Jen and Erin, I know their

1  
2 team at MOCS, I know they are deeply committed and  
3 deeply care about nonprofits. They have given a lot  
4 of energy and attention to our sector but they are  
5 working within a system that has been stubbornly  
6 untactful and to a point that Councilman Lander made,  
7 we are hear discussing a decision made by this  
8 Administration amidst a health and fiscal crisis.  
9 But I do want to be clear that the failures here are  
10 truly collective failures across government. Mayor's  
11 and City Council over decades have been focusing on  
12 the wrong fiscal approach and long social priorities.  
13 And so, with that said, my remarks are a little bit  
14 more towards, how do we begin to change our approach  
15 to these problems? Because I think it has been clear  
16 and I have been impressed with the level of depth  
17 that many of the Council Members have shown for this  
18 issue which is remarkable because here is what I  
19 would say and I think it is fair to say that the  
20 words – that there are few words in government speak  
21 that are less compelling than indirect rate.

22       Unfortunately, it is an understated policy with  
23 an outsized impact on communities and families and  
24 our efforts towards economic justice. Because we  
25 know that communities with healthy and vibrant

1  
2 community based organizations develop healthier and  
3 more vibrant people who make our city, our whole city  
4 and the civic fabric economically stronger and more  
5 socially resilient. And that isn't the stuff of  
6 pseudoscience and fairy tales, those are outcomes  
7 that are understood through the lens of hard  
8 economics and rigorous evaluations.

9       So, when we undercut our nonprofits with a  
10 dysfunctional approach to indirect rates, we are  
11 sabotaging our growth potential during good times and  
12 during times of crisis. We are literally cutting  
13 into some of our best tools to build that better.

14       Even more troubling is the fact that the work is  
15 largely being advanced by women and people of color  
16 serving marginalized communities and communities of  
17 color. So, when we undercut our nonprofits with a  
18 dysfunctional approach to indirect rates, we are also  
19 accepting and perpetuating a systematic  
20 underinvestment in our Black and Brown communities  
21 and our historically underinvested communities.

22       To be clear, this is happening at city and state  
23 levels. It is systematic and it is intentional. It  
24 is baked into every contract across every agency and  
25

1  
2 as they say, the system is working exactly as the  
3 system was designed to work.

4 So, I can give examples if they are needed but I  
5 would just highlight really quickly that the  
6 nonprofit -

7 SERGEANT AT ARMS: Time is expired.

8 DARREN BLOCH: Dilemma is something that no other  
9 business sector is faced to confront. We are  
10 professional problem solvers and so we find a way to  
11 make the math work. We fundraise, we learn how to  
12 run lean, we get creative but this is a model and  
13 approach supported by government which is  
14 unpredictable and unsustainable.

15 And so, while I have hope that we can change  
16 course, it really is going to take the liberative  
17 action and a thoughtful and attentional energy not  
18 just from this Administration but from  
19 Administrations to come and from our colleagues in  
20 the Council who have been very supportive that I  
21 think need to make some real stride and gestures  
22 towards a more functional system for our City. Thank  
23 you for the time.

24

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1  
2 COMMITTEE COUNSEL: Thank you Mr. Bloch. We will  
3 now turn to Chair Kallos followed by Council Member  
4 Rosenthal for questions.

5 SERGEANT AT ARMS: Starting time.

6 CHAIRPERSON KALLOS: Yeah, thank you. Darren,  
7 thank you for your testimony. Thank you for the City  
8 and State First Read, it is how I get my news. I  
9 think you got to see a lot of this hearing and you  
10 have been on different parts of the government. We  
11 literally had an agency refusing to answer questions  
12 about the financial need. Refusing to even help us  
13 measure the scope and depth of how much we need for  
14 the budget.

15 We had them pointing the finger at OMB, the OMB  
16 pointing in different directions. How do we get  
17 people to be honest and share the information that we  
18 need, so that we can make the actual budget process  
19 work?

20 DARREN BLOCH: Yeah, I mean, I think first and  
21 foremost, you need to have the will to ask tough  
22 questions and accept answers that are you know, I  
23 think probably scary for some folks. I mean, I  
24 appreciate Michelle Jackson offering a figure like  
25 \$200 million as an estimate to sort of address this



1  
2 issue. That's a huge number, that's an intimidating  
3 number but what I would say is, I think part of the  
4 problem is when folks look at fairly addressing and  
5 balancing cost in the system, I think sometimes it is  
6 looked as a nice have. It is looked as frivolous,  
7 its looked as a gift and again, that's an investment.  
8 That is a tangible investment. There is literally a  
9 triple bottom line return for investing in these  
10 nonprofits that are you know, employing people in  
11 communities in need, supporting those communities of  
12 need and literally given our city healthier and more  
13 vibrant outcomes for community. It is just such a -  
14 so anyway, I think it demands courage and leadership  
15 and people willing to envision a different way of  
16 going about these processes and prioritizing where we  
17 are funding and where we are prioritizing dollars and  
18 investments.

19 CHAIRPERSON KALLOS: So, I guess the big question  
20 for me is so you have worked in utilities, you worked  
21 with government officials, you have worked in the  
22 Mayor's Office dealing with strategic partnerships.  
23 You worked in for-profit publishing. Every time we  
24 have these conversations I ask - I asked City Hall  
25 the other day, like how come we can pay north

1  
2 Bruman[SP?] a billion dollar defense contractor that  
3 literally kills people, \$1 dollar on the dollar or  
4 even probably \$1.50 on the dollar for what they do  
5 and when they mess up and NICWN[SP?] goes down, like,  
6 we still pay them and yet for some reason when I am  
7 like why can't we pay nonprofits a dollar for dollar  
8 for what they do? People are like, oh, that's  
9 different, that's nonprofits. Is it any different  
10 for you running your nonprofit now than it was before  
11 and how to break through to people that if we are  
12 asking somebody to do something for us we have to pay  
13 for it?

14 DARREN BLOCH: Yeah, I love the point made  
15 earlier by one of my colleagues, on the point I think  
16 it was Damyn Kelly who made the point.

17 SERGEANT AT ARMS: Time expired.

18 DARREN BLOCH: Nonprofit is an approach to  
19 business. It does not mean we are not in business  
20 and so, I would say the fact that we are not looking  
21 at this as we should be trusted partners. That we  
22 are not seeking a profit. What we are seeking is to  
23 be made whole to do essential services that  
24 government has said, they don't want to do anymore.  
25 They are giving to this network.

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So, I think, I say that to say I think we really need to reshape the perspective that the public sees, that business leaders see, that other influencers see and quite frankly, I think a lot of elected officials in how they see this network of nonprofits and service providers and the model with which you do because I genuinely believe that part of this is this misunderstanding of oh, philanthropy will make you whole or someone else will make you whole.

Well, the problem is, if I have to spend my time filling a gap that no other business has to fill, that is taking energy and resources and creativity away from doing what philanthropy and others would want to do, which is how do we further invest and double down on investments that government is making and how do we use philanthropic and other resources to innovate and to create and expand the reach of government? And that model has been completely thrown off the last 30 or 40 years.

CHAIRPERSON KALLOS: Let's get it done, thank you. Council Member Rosenthal.

COUNCIL MEMBER ROSENTHAL: Thank you very much.

SERGEANT AT ARMS: Starting time.

1  
2 COUNCIL MEMBER ROSENTHAL: Thank you for your  
3 spot on testimony. Has your organization applied for  
4 and gotten approved for an indirect rate and have you  
5 seen any money come in the door from that?

6 DARREN BLOCH: In a tragic set of circumstances,  
7 I believe the day either before or the day that we  
8 got the notice about the 40 percent cut, we had also  
9 gotten notice of our approved new rate, which was  
10 just a little bit mind boggling. We have not applied  
11 for any reimbursements under the last rate. We have  
12 just to be clear also, we are doing some other  
13 contracts with the city in which they have been  
14 paying us quickly but those are nothing that's  
15 applied the revised rate to it. So, we have not had  
16 an experience with that yet.

17 But we are as others have said, trying to  
18 untangle exactly what this means in terms of some of  
19 our contracts because of this odd things like, you  
20 are going to 60 percent of the new rate, so it is a  
21 little bit more than you were making but as I have  
22 said, getting 60 percent, which might be an increase  
23 but it still falls short of what we are expecting.  
24 It is still not fully funding us and so, it separates  
25 this dilemma.

1  
2 COUNCIL MEMBER ROSENTHAL: Right and just making  
3 the point, you haven't seen a dime despite the fact  
4 this policy was changed a year and a half ago?

5 DARREN BLOCH: We have not. The point is made, I  
6 think that might also be on our part of just our  
7 troubling times.

8 COUNCIL MEMBER ROSENTHAL: Right and  
9 unfortunately I missed, I think it is Rising United.  
10 I don't know if they are still on but if the  
11 gentleman from Rising United could just email over to  
12 the City Council whether or not they have seen a  
13 dime, that would be very much appreciated. Thank you  
14 Chair Kallos.

15 COMMITTEE COUNSEL: Thank you Council Member  
16 Rosenthal. We will now move on to the next panelist.  
17 It is going to Paul Feuerstein followed by Michelle  
18 Yanche and then Katelyn Andrews. Mr. Feuerstein, you  
19 may begin when the Sergeants call time.

20 SERGEANT AT ARMS: Starting time.

21 PAUL FEUERSTEIN: Thank you. My name is Paul  
22 Feuerstein, I am the CEO of Barrier Free Living. We  
23 are about to celebrate our 40<sup>th</sup> Anniversary; I am the  
24 founder of the agency and have been CEO the entire  
25 time and I have seen the changes that have happened

1  
2 in New York City in the last 40 years, where the City  
3 saw the wisdom of working with nonprofits to address  
4 homeless issues, to address a variety of other issues  
5 rather than working with City employees to do the  
6 same kinds of things. We can do it more efficiently,  
7 we do it for less money and because of the balance  
8 that we have, there is a level of accountability that  
9 really wasn't there before.

10 I have to say I am the leader of a mission based  
11 business. I am not the leader of a charity. We are  
12 not in the business of going out of business of  
13 giving our money away of folding our tents and  
14 stealing away into the night. We are in the business  
15 of continuing to serve the people we serve. People  
16 with disabilities who are survivors of domestic  
17 violence and to make sure that those services  
18 continue whole. The biggest challenge we have had  
19 over the years has been with the indirect rate.

20 News Week at one point put out an article about  
21 this to say the average indirect rate not-for-profits  
22 nationwide at that point was 17 percent, and hardly  
23 anybody got that. It was expected. We are a  
24 charity; we are supposed to go out and raise that  
25 extra money to make up for that. We got a rate, we

1  
2 put in our paperwork. We were part of the Nonprofit  
3 Resiliency Committee; I am a member of that  
4 Committee. My CFO and I were part of the indirect  
5 rate project. We dotted the I's, we crossed the T's,  
6 we spent \$8,000 to get our accountant to give us the  
7 three year certification and we were certified for  
8 \$256,825 in Fiscal '20. We got the news of saying we  
9 are going to pay you \$0.60 on the dollar, which comes  
10 to \$154,095. So, we off the top lost \$102,730.

11 We have yet to receive a penny of that money. We  
12 have had conversations. My CFO's had conversations  
13 with the folks in our funding agency who have said,  
14 please be patient with us, the money is coming soon  
15 so that you can be whole for Fiscal '20 and oh, by  
16 the way, we can't tell you exactly what is going to  
17 happen in Fiscal '21 because we haven't figured it  
18 out yet.

19 The reality is as a multi-disability  
20 organization, we are hamstrung in terms of going to  
21 foundations. There are hundreds of foundations that  
22 support people with disabilities. If I only worked  
23 with blind individuals, I could a million dollars a  
24 year without breaking out a sweat. When I tell those  
25

1  
2 same foundations maybe 5 percent of our people are  
3 blind -

4 SERGEANT AT ARMS: Time expired.

5 PAUL FEUERSTEIN: They say thank you very much,  
6 we are not interested but people who donate money to  
7 us, do so to pay for emergency food, clothing,  
8 emergency needs for the people we serve.

9 I can't do a Go Fund Me Campaign to pay for a  
10 member of my accounting staff. That's not going to  
11 go anywhere. Foundations don't want to pay for  
12 indirect, individuals don't want to pay for indirect.  
13 They want to pay for services to the people in need.  
14 And so, for us to be able to work efficiently, we  
15 first of all have to have a stable platform where our  
16 basic core administration is covered and we are not  
17 having to bake sales to be able to pay the rent.

18 And I think that's a very important point to be  
19 made because it is important for us to focus our fund  
20 raising on the people we serve. That's what people  
21 are interested in funding and I can't take money  
22 that's been given to me to pay for food, to pay for  
23 clothing, to pay for other things which are donor  
24 designated gifts and say, oh, by the way I can make  
25



1  
2 up for the \$102,000 in indirect rate that the City  
3 failed to pay us from last year.

4 So, it is important to make that point. That we  
5 are a business like so many other business. We  
6 happen to not be a for-profit business where the city  
7 is not looking at what is our indirect rate or how  
8 much are you spending on toilet paper. All the kinds  
9 of things that we are being micromanaged about.

10 And we know that in general when a for-profit  
11 works with the City or the State, they give you a  
12 price for what it is and that's it and they are not  
13 being second guessed. We need to be in a place where  
14 you honor us enough as businesses to be able to  
15 support our core functions, so that we can focus on  
16 raising money for the people in need.

17 CHAIRPERSON KALLOS: Thank you. Quick question  
18 Paul, is it true you wanted to build 50 beds to serve  
19 the homeless in my district on Roosevelt Island at  
20 one point?

21 PAUL FEUERSTEIN: Yes, didn't happen.

22 CHAIRPERSON KALLOS: Is it also true you found a  
23 welcomed district with a Council Member and Senator  
24 and even a Roosevelt Island Residents Association  
25 passing a Resolution saying, bring the homeless to

1  
2 our district, so we can do our fair share and help  
3 these people as much as possible?

4 PAUL FEUERSTEIN: Yes to all the above. We  
5 appreciated your support in making that happen.

6 CHAIRPERSON KALLOS: Well, last question, we  
7 wanted to place it at Health & Hospitals at Kolar, an  
8 abandoned wing. Health & Hospitals is run by Mayor  
9 de Blasio. What stopped us from bringing your  
10 program to my district?

11 PAUL FEUERSTEIN: HHC said we couldn't use the  
12 space. Ultimately, they said it was because of what  
13 happened in Super Storm Sandy that we were in a  
14 potential flood plain and that was the story we got.

15 At the beginning of the process, we were told we  
16 could use it temporarily because Kolar had other  
17 things in mind five or six years down the way and we  
18 wonder and people at Roosevelt Island expressed the  
19 wonder as to whether Kolar was going to be closed to  
20 be able to put more luxury housing on Roosevelt  
21 Island.

22 CHAIRPERSON KALLOS: Not while I am Council  
23 Member. I want to thank - I just want to use this  
24 opportunity while we are both on the record and  
25 perhaps not necessarily under oath but just like, to

1  
2 talk about the fact that Mayor de Blasio despite my  
3 best efforts, despite your best efforts and everyone  
4 else's best efforts to build more services for  
5 homeless on the east side, on the upper east side has  
6 been our number one blocker.

7 So, I want to thank you and I just agree with  
8 every single thing you said in your testimony.  
9 Somebody pointed out and asked me to ask a person  
10 when we get a chance and you gave a lot of good  
11 testimony. I gave an example in the private sector  
12 to the Mayor's Office of Contract Services where we  
13 had ordered \$91 million worth of PPE and only gotten  
14 a certain amount and as a result we only paid  
15 \$500,000 on that \$91 million contract.

16 When the City cuts your funding retroactively,  
17 does that mean that you somehow get to do less, like  
18 any other for-profit business would do?

19 PAUL FEUERSTEIN: No, no we are expected to keep  
20 doing what we are doing no matter what.

21 CHAIRPERSON KALLOS: Thank you. I am out of time  
22 and Council Member Rosenthal, over to you.

23 COUNCIL MEMBER ROSENTHAL: Thank you so much and  
24 Paul, thank you for answering the question in your  
25 testimony about whether or not you have seen a dime

1  
2 of reimbursement for the indirect rate and the answer  
3 being no. For everyone else going forward, if you  
4 could please include that in your testimony, I would  
5 really appreciate it and I know that will speed  
6 things along. And of course, I want to share the  
7 Chair's admiration of all the amazing work you have  
8 done. I have been working with you recently on  
9 issues around domestic violence and sexual assault  
10 and you just - I want to kvell along with Chair  
11 Kallos. Thank you, have a good holiday.

12 PAUL FEUERSTEIN: Thank you, you too.

13 CHAIRPERSON KALLOS: Thank you. In the spirit of  
14 Thanksgiving and letting folks get home, we have to  
15 21 more people testifying. I am going to do my best  
16 to hold my questions if folks can make sure to answer  
17 Chair Rosenthal's questions, we are going to try to  
18 let folks go. If you have questions that you feel  
19 that need to asked or should be asked, if you feel  
20 free to pass those along to either  
21 [contracts@benkallos.com](mailto:contracts@benkallos.com) or mjokma[SP?] over at HSC  
22 and we will try to make sure we ask and otherwise, I  
23 will try to reserve for only the most burning  
24 questions.

25

1  
2 COMMITTEE COUNSEL: Thank you Chair. I will now  
3 move to the next panelist. Next up is Michelle  
4 Yanche followed by Katelyn Andrews and then Emily  
5 Levine. Ms. Yanche, you may begin when the Sergeants  
6 call time.

7 SERGEANT AT ARMS: Starting time.

8 MICHELLE YANCHE: Good afternoon. My name is  
9 Michelle Yanche, I am Executive Director of Good  
10 Shepherd Services. Thank you Chair Kallos and  
11 Rosenthal and other Council Members on the Committee  
12 for the opportunity to testify on this very important  
13 and sensitive topic.

14 Good Shepherd Services is a multi-service  
15 organization in New York City. We serve about 34,000  
16 children and families a year and since March, we have  
17 been fully deployed is as part of the city's response  
18 effort in the pandemic. So, just getting right to  
19 it, what does this mean for us? For Good Shepherd  
20 Services, our expectation based upon our calculation  
21 was that we would have received \$1.2 million starting  
22 retroactively in Fiscal Year '20 and instead, that  
23 was changed after the budget cut occurred to  
24 \$700,000.

1  
2           Meaning that we received news after the Fiscal  
3 Year had ended that we needed to absorb now a cut of  
4 a half a million dollars from the previous years  
5 budget that had already finished and adjust our FY21  
6 budget for another \$500,000 meaning, we had to in  
7 this fiscal year absorb essentially \$1 million cut.

8           Getting to Council Member Rosenthal's questions,  
9 for us, we have a federal micro-rate which is 15.1  
10 percent. So, compared to most of contracts at best  
11 being at 10 percent indirect rate, that's a Delta of  
12 5 percent. Which is what should represent that \$1.2  
13 million.

14           I texted our CFO, she said to her knowledge, we  
15 have not yet received a dime of the payments on that  
16 \$1.2 million that we were originally slated to get,  
17 now \$700,000. Although, she said she had seen some  
18 paperwork around amendments but just not payments.

19           So, what are we really talking about here? Terms  
20 like indirect cost, administrative rate, overhead are  
21 not appealing terms that garner priority attention in  
22 budget conversations. Whether they be with  
23 government funders or philanthropy. So, that's why  
24 it is important I think that we are really clear  
25 about what we are talking about. Indirect means

1  
2 having a strong infrastructural core. It means  
3 things like a strong finance team, a strong IT team,  
4 maintenance and facility staff. I highlight those  
5 three particular areas because those were exactly the  
6 members, the team members at Good Shepherd Service  
7 who were most pivotal to our ability to be responsive  
8 in this crisis. In particular, our technology team  
9 and maintenance and facility staff –

10 SERGEANT AT ARMS: Time expired.

11 MICHELLE YANCHE: Were our MVP's to be able to be  
12 part of the city response effort.

13 So, you know, yesterday I was part of the New  
14 York Nonprofit Conference and one of the panelists in  
15 my panel talked about the nonprofit network as boots  
16 on the ground. Like being part of New York City  
17 strategic advantage every day but especially in a  
18 crisis and really, what we just did is shoot  
19 ourselves in the foot.

20 I want to emphasize two points. First and  
21 foremost our contracts have always been underfunded,  
22 neither of the full costs of the direct services nor  
23 the indirect costs were ever being fully covered in  
24 the first place. This initiative was intended to  
25 right that wrong.

1  
2       Secondly, the cut to this initiative occurred  
3 retroactively which means that organizations like  
4 Good Shepherd were expecting a level of resource, had  
5 budgeted for that, had expended based upon that  
6 understanding and then had a hole blown in a budget  
7 in a year that had already ended.

8       So, make no mistake, this comes as it always does  
9 at the direct expense of the direct services and the  
10 participants that we serve. That there are direct  
11 services that we can now not provide direct  
12 assistance. That is always important but even more  
13 so in a crisis situation. Our partnership between  
14 nonprofits and government should be about sharing  
15 risks and costs. And instead once again, we feel  
16 like we are being left holding the bag.

17       So, rather than expanding services, which is what  
18 we really should be doing to take advantage of this  
19 strategic network that we have of organizations and  
20 nonprofit staff on the ground. Instead we are having  
21 to make cuts and do layoffs. It is unfortunate in  
22 good times and it is unconscionable in bad times.

23       The Indirect Rate Initiative is at its core about  
24 equity, fairness and justice. It is probably one of  
25 the single most impactful drivers of either



1  
2 efficiency or unfortunately in our reality  
3 inefficiency in human service provision in New York  
4 City.

5       Essentially it says that New York City is okay  
6 with providing poor services for poor individuals in  
7 poor communities. Thank you for the opportunity to  
8 testify. I am happy to answer any other questions.

9       COMMITTEE COUNSEL: Thank you Ms. Yanche. Seeing  
10 no questions from the Chair or other members of the  
11 Committee, we will move on to the next panelist.

12       Next up we have Katelyn Andrews followed by Emily  
13 Levine and then Johnathan Miller. Ms. Andrews, you  
14 may begin when the Sergeants call time.

15       SERGEANT AT ARMS: Starting time.

16       KATELYN ANDREWS: Thank you Chair Kallos, Council  
17 Member Rosenthal for the opportunity to testify  
18 today. My name is Katelyn Andrews, I am the Director  
19 of Public Policy at LiveOn New York. LiveOn New  
20 York's members include more than 100 community based  
21 nonprofits that provide core service to older New  
22 Yorkers to allow older New Yorkers to thrive in our  
23 communities.

24       As discussed, in November 2019, human services  
25 providers celebrated the significant and long overdue

1  
2 commitment by the city to fully fund nonprofits  
3 finally for their full indirect cost rate.

4 Fast forward to today in this process, has been  
5 partially for not. With the City cutting indirect  
6 cost rates by at least 40 percent in Fiscal Year '20  
7 and an unknown amount in the Fiscal Year that we are  
8 almost half way through. I state that this cut is at  
9 least 40 percent due to the fact that for aging  
10 services providers, they have learned that they will  
11 only be paid 60 percent of their indirect cost rate  
12 for just 7 months of their Fiscal Year '20 contract.  
13 They will not be paid for the other 5 months.

14 There is no other way to put it than that New  
15 York City's human service providers are tired. Tired  
16 of operating as a partner in good faith with the city  
17 only to receive funding that is below what is needed  
18 to execute each contract and what they truly deserve.

19 Further and more importantly, providers are tired  
20 of being promised funding that never comes to  
21 fruition. This is the third unfulfilled promise by  
22 this Administration. Senior Centers were promised  
23 \$10 million through the City's model budget process  
24 that was eventually reneged. They were promised \$5  
25 million for senior center kitchen staff that also

1  
2 went unfulfilled. This is the third time that senior  
3 centers and senior providers have been told one thing  
4 and only to receive funding that is less than what  
5 they were promised.

6 They must be addressed in full. This is not a  
7 question of availability of funding in a City like  
8 New York. It is a question of priorities. LiveON  
9 New York implores the City to make nonprofits a  
10 priority. To fully fund nonprofits as a priority.  
11 To fully fund the Indirect Cost Rate Initiative and  
12 all prior commitments that have been made to the  
13 nonprofits that make this city what it is.

14 I also want to talk about the fact that somebody  
15 mentioned boots on the ground previously. These are  
16 the boots on the ground. I have a weekly call with  
17 providers biweekly and there are people that are in  
18 tears from having lost participants over the past few  
19 months.

20 It is a really heart wrenching time for our city  
21 and for the aging services sector in specific and it  
22 is time to just not add stress to say, are we going  
23 to be in business next year. Candid has found that  
24 1,829 nonprofits might go out of business across New  
25 York due to the COVID crisis. We can't have the city

1  
2 be responsible for part of that by not funding  
3 nonprofits what they deserve. Thank you.

4 COMMITTEE COUNSEL: Thank you Ms. Andrews.  
5 Seeing no questions from the Chair or other members,  
6 I will move to the next panelist. Next up we have  
7 Emily Levine followed by Jonathan Miller and then  
8 J.T. Falcone. Ms. Levine, you may begin when the  
9 Sergeants call time.

10 SERGEANT AT ARMS: Starting time.

11 EMILY LEVINE: Thank you. Good afternoon  
12 Chairperson Kallos and members of the Committee on  
13 Contracts. My name is Emily Levine and I am here  
14 representing Supportive Housing Network of New York.  
15 Thank you for the opportunity to testify before you  
16 today regarding the Indirect Cost Rate Funding  
17 Initiative for Fiscal Year's '20 and '21.  
18 As nonprofit providers working with our city's most  
19 vulnerable residents, we appreciated the City's  
20 foresight in committing to pay providers their true  
21 indirect cost rate. Our agency spent considerable  
22 time and resources to adhere to the city's  
23 requirements only for the city to renege on these  
24 promised funds. To retract on this commitment is to  
25 demean trust in the city and damage nonprofit

1  
2 infrastructure. Undercutting our agencies  
3 reimbursements will only serve to strain the  
4 relationship between the city and the nonprofits it  
5 depends on.

6 Nonprofit service providers acted on the good  
7 faith assumption that they would be paid for services  
8 rendered. Now, the city threatens to shortchange  
9 them for money that has already been spent.

10 Reimbursements for the outlays that make it possible  
11 for organizations to provide crucial services,  
12 especially during a COVID-19 pandemic, should never  
13 be on the chopping block. Not-for-profit agencies  
14 deemed essential to the functioning of a healthy and  
15 safe city are rarely treated as such. We appreciate  
16 the difficult fiscal situation the city finds itself  
17 in but positive that it is unjust and unfair to  
18 balance the budget on the backs of mission driven  
19 nonprofit organizations that serve the city's most  
20 vulnerable.

21 While COVID-19 ravaged our city, workers at  
22 nonprofit agencies braved the pandemic to provide  
23 people with food, shelter and other essential  
24 services. Providing these services was not without  
25 cost and now the city's responsibility for

1  
2 reimbursing providers whose employees have their  
3 lives on the line to serve their fellow New Yorkers.

4       Because of cuts to human services including  
5 indirect funding, New York City's government  
6 contracted human services sector has laid off over  
7 40,000 workers and these cuts will only serve to  
8 compound the irreversible damage that our nonprofits  
9 face.

10       The events of 2020 serve to highlight just how  
11 essential the nonprofits are to New York City. It is  
12 time for the City to provide these agencies with the  
13 compensation that is essential to their operational  
14 longevity. Thank you for the opportunity to testify  
15 and I welcome any questions.

16       COMMITTEE COUNSEL: Thank you Ms. Levine. Seeing  
17 no questions from the Chair and other members, we  
18 will move onto the next panelist. Next up, we have  
19 Jonathan Miller followed by J.T. Falcone and then  
20 Annie Garneva. Mr. Miller, you may begin when the  
21 Sergeants call time.

22       SERGEANT AT ARMS: Starting time.

23       JONATHAN MILLER: Thank you. Thank you  
24 everybody. Thank you very much for taking the time  
25 to hear my testimony. My name is Jonathan Miller,

1  
2 Chief Financial Officer of Sunnyside Community  
3 Services. A community based nonprofit located in  
4 Sunnyside Queens, which is one of New York City's 47  
5 houses and it is part of the United Neighborhood  
6 House Network. Sunnyside Community Services serves  
7 as a diverse community of over 116,000 people with  
8 all ethnicities and income levels throughout Queens  
9 with programs that range from PreK to college and  
10 career readiness, home care and home health aid  
11 training, beacon and cornerstone community centers  
12 for children and families, a vibrant treen center and  
13 a full range of services for at risk older adults  
14 including social adult daycare for individuals with  
15 Alzheimer's and a citywide program of supportive  
16 services for those who care for them.

17 For years city contracts have failed to cover the  
18 full cost of the services settlement houses and human  
19 services organizations have provided to communities.  
20 The Indirect Rate Cost Initiative was supposed to be  
21 a recognition of this failure and the Mayor and  
22 Speaker promised that going forward, critical program  
23 needs like improvements to facilities, maintenance  
24 costs, additional staffing, technology and more would  
25 be covered in human services contracts going forward.

1  
2       Sadly, in the face of a global pandemic, when New  
3       Yorkers were relying on those services more than  
4       ever, the city is cutting critical funding for  
5       indirect rates undermining the work that providers  
6       put in over many months causing further instability  
7       in the human services sector at a time when the city  
8       is relying on us more and more to provide COVID-19  
9       related relief.

10       At Sunnyside Services, we retroactively cut  
11       \$40,000 in Fiscal Year '20 and we are planning on  
12       additional cuts of \$35,000 in Fiscal Year '21 and  
13       \$30,000 in Fiscal Year '22 for a total of over  
14       \$100,000 related to this initiative. And we have yet  
15       to see any money yet for this initiative going back  
16       to FY20.

17       For this cuts directly impact how we effectively  
18       run our organization. We will have to draw down from  
19       our reserves to cover the gap, which would less take  
20       away money from other well needed direct service  
21       work. We might have to reduce our IT staff due to  
22       this cut, which will make it harder for our staff and  
23       clients to connect with us remotely at a time when  
24       they need it the most.



1  
2           These are the people that are keeping our client  
3 data safe. To ensure that we have the technology in  
4 place to keep children, seniors and immigrants  
5 virtually connected at a time when disconnection has  
6 real consequences.

7           These supports are what helps make this critical  
8 mission happen. We relied on this indirect cost  
9 initiative when we were making staffing and hiring  
10 decisions. Therefore, I implore the Mayor and City  
11 Council to honor their commitment to human services  
12 worker by fully funding the Indirect Cost Rate  
13 Initiative for FY20 and '21 and beyond.

14           Thank you for taking the time to hear our  
15 testimony.

16           COMMITTEE COUNSEL: Thank you Mr. Miller. Seeing  
17 no hands raised from the Chair or the members of the  
18 Committee, we will move on to the next panelist.  
19 Next up is J.T. Falcone followed by Annie Garneva  
20 then Beatriz Diaz Taveras. Mr. Falcone, you may  
21 begin when the Sergeants call time.

22           SERGEANT AT ARMS: Time begins now.

23           J.T. FALCONE: Hey there. Thank you Chair Kallos  
24 and members of the Committee on Contracts for the  
25 opportunity to testify today. My name is J.T.

1  
2 Falcone, I am Policy Analyst at United Neighborhood  
3 Houses.

4 UNH is a policy and social change organization  
5 representing 44 neighborhood settlement houses, 40 in  
6 New York City and our network reaches 765,000 New  
7 Yorkers from all walks of life. I am going to skip  
8 the part of my testimony that's submitted that goes  
9 into background just in the interest and respect for  
10 everyone's time. We have gone through that pretty  
11 extensively here.

12 You have heard from some of our members today  
13 already and you will hear from more later about the  
14 unique impacts to each settlement house. Just  
15 speaking from the 30,000 citywide view that we have.  
16 Because each organization has a different indirect  
17 rate and because the city has not shared information  
18 about the overall cost of the ICR Initiative,  
19 including after repeated attempts to secure that cost  
20 today. Calculating the consequence of this budget  
21 cut is uniquely challenging. We know these cuts are  
22 destabilizing. We have heard it time and again  
23 today. Especially in a time of unpredictable cost  
24 and escalating needs.

1  
2           After working with the Administration in good  
3 faith, another term that's been used a lot.  
4 Providers have been forced to layoff key  
5 Administrative staff including HR and IT team members  
6 and as our member at Sunnyside just mentioned, this  
7 comes during a time when staff moral is severely  
8 impacted by COVID-19 and remote technologies are more  
9 important than ever. So, these cuts are really  
10 challenging and the times make them even more so.

11           I just want to note, very few organizations have  
12 reserves to utilize when the city makes last minute  
13 budget cuts like these and it adds to the financial  
14 instability that these organizations are already  
15 dealing with during financially stable times.

16           I also want to dive in, in addition to the  
17 financial impacts, there is an impossible consequence  
18 or an impossible to calculate consequence when the  
19 city breaks promises to its contractors and that's  
20 the loss of trust. During a global pandemic with New  
21 Yorkers in greater need of emergency services, trust  
22 between the city and the nonprofit community is  
23 critical and that trust has been severed.

24           There is a tremendous opportunity cost when  
25 providers cannot trust city contracting agencies at a

1  
2 time when close coordination and cooperation is  
3 needed to ensure that all New Yorkers have the  
4 services and supports that they need.

5 In light of all of the above and in light of all  
6 that my colleagues and fellow advocates have raised  
7 today, we urge the City Council and the  
8 Administration to follow through on their promises.  
9 It is that simple. Support the human service sector.  
10 Specifically, I know that I am preaching to the  
11 choir, MOCS and OMB must share their calculations for  
12 the total cost of ICR for FY20, FY21 and beyond.  
13 While we may not be able to rectify the consequences  
14 of the retroactive FY20 budget cut, it will be  
15 important to understand how such a disastrous  
16 oversight was made in a year when every dollar in the  
17 budget was so carefully considered. And without the  
18 full information to negotiate a clear budget that  
19 actually funds this initiative -

20 SERGEANT AT ARMS: Time is expired.

21 J.T. FALCONE: For that to be done. I have got  
22 two more recommendations then I will wrap. Fully  
23 fund the approved rates submitted to MOCS for FY21  
24 and beyond. With five months into the fiscal year,  
25 it is essential that the city ensure that funding

1  
2 levels are sufficient to cover the approved rates of  
3 human service organizations and communicate  
4 immediately.

5       And the final one, I don't think I have heard it  
6 yet. Ensure that RFP's issued by city agencies  
7 accepts approved ICR indirect rates rather than  
8 requiring providers respond using placeholder rates.  
9 I submitted to a couple of folks in advance of the  
10 hearing but the recent ACS family enrichment center  
11 RFP is an example where in Q&A, they responded saying  
12 that providers should sort of ignore their approved  
13 rates for right now and just submit budgets that have  
14 a 10 percent rate and for all of the reasons that we  
15 highlighted, all the complexities that especially  
16 Council Member Rosenthal went into during her  
17 thorough questioning, that doesn't cut it. It  
18 doesn't work and it is setting us up for future  
19 failures. Thank you.

20       COMMITTEE COUNSEL: Thank you Mr. Falcone. Next  
21 up, we will hear from Annie Garneva followed by  
22 Beatriz Diaz Taveras and then Paula Magnus. Ms.  
23 Garneva, you will begin when Sergeants call time.

24       SERGEANT AT ARMS: Time begins now.  
25

1  
2 ANNIE GARNEVA: Good morning or good afternoon  
3 and thank you. My name is Annie Garneva and I  
4 represent the New York City Employment and Training  
5 Coalition, which supports the workforce development  
6 community and our over 180 member organizations.

7 To demonstrate the predicament that the city and  
8 state are placing workforce providers in, I will  
9 quote one of our members. The City and State will  
10 be looking toward agencies like ours to provide the  
11 employment services necessary to bring our community  
12 back in a service environment that could change at  
13 any moment. To do this requires that we reimagine  
14 and reinvent our approach to service delivery with  
15 reduced resources requiring they we make investments  
16 in technology, staff and physical location but may  
17 have not been contemplated nine months ago. There is  
18 a large stream in our resources.

19 Due to reductions in funding, we have needed to  
20 reduce staff and employment and retention services.  
21 These reductions not only challenge us to maintain  
22 the same level of service delivery but also restrict  
23 our ability to aggressively pursue strategies to  
24 bring into new industries and develop new employer  
25 relationships.

1  
2       So, throughout the last eight months, workforce  
3 organizations have been facing financial hardships  
4 that hamper their ability to serve New Yorkers during  
5 the biggest unemployment crisis in decades. There is  
6 real concern that the short term consequences of the  
7 FY21 city and state budget cuts and cuts to indirect  
8 funding compounded by years of unpaid and underpaid  
9 government contracts and overall decrease in revenue  
10 raising capacity will lead to permanent damage that  
11 many organizations will not survive.

12       Cuts not only put these organizations at risk but  
13 also deeply harm our communities and businesses  
14 during a time when we are trying to get business back  
15 up and running with quality talent, further putting  
16 tax revenue at risk. To demonstrate the deep need,  
17 increasing challenges and real consequences of budget  
18 cuts, I will present raw data from our soon to be  
19 released report on the city's workforce development  
20 sector during COVID since March.

21       38 percent of organizations have laid off staff  
22 and 20 percent have furloughed staff. 36 percent  
23 anticipating laying off more staff and 27 percent  
24 anticipate furloughing more staff. 71 percent had  
25 city contracts in FY21 and 65 percent of these saw a

1  
2 decrease in funding and 36 percent saw a staff  
3 decrease due to this budget.

4 In comparison to this drastic reduction in  
5 resources and an overall strain on service providers  
6 capacity, we found an overall increasing need and  
7 demand for services as more New Yorkers find  
8 themselves unemployed or under extreme financial  
9 duress.

10 For employment services, 44 percent of responding  
11 organizations saw an increase in demand while 38  
12 percent anticipate being unable to meet overall  
13 demand. 45 percent have reduced employment service  
14 offerings while 25 percent anticipate new or further  
15 reductions and 11 percent have outright closed  
16 employment programs.

17 Similar percentages are seen in training programs  
18 which kind of create a longer term ability for New  
19 Yorkers to spring back.

20 SERGEANT AT ARMS: Time is expired.

21 ANNIE GARNEVA: Outright closing training  
22 programs. Of course, we will submit a lot more  
23 details to the Council as well as our report once we  
24 publish next month. We thank you for your time and  
25



1  
2 consideration and look forward to working with you on  
3 these issues.

4 COMMITTEE COUNSEL: Thank you Ms. Garneva. We  
5 will now turn to Council Member Rosenthal for  
6 questions.

7 COUNCIL MEMBER ROSENTHAL: Great, thank you so  
8 much. I appreciate your report. You say you  
9 represent 180 workforce training programs, right and  
10 different organizations. Did any of them apply for  
11 the indirect rate?

12 ANNIE GARNEVA: Yes.

13 COUNCIL MEMBER ROSENTHAL: Did any of them get  
14 any money?

15 ANNIE GARNEVA: I am sorry?

16 COUNCIL MEMBER ROSENTHAL: Did any of them  
17 invoice and get any funding?

18 ANNIE GARNEVA: Yes and no in both directions but  
19 I don't have particular statistics on them.

20 COUNCIL MEMBER ROSENTHAL: Okay, I would be  
21 interested in hearing as follow up whether or not any  
22 of your members actually got money in the door.

23 ANNIE GARNEVA: We will definitely survey our  
24 members in that regard and work with you to get those  
25 numbers to you.

1  
2 COUNCIL MEMBER ROSENTHAL: Great, thank you. If  
3 Mr. Falcone is still available from United  
4 Neighborhood Houses and if he is not, I will reach  
5 out another time but I am also curious if any of the  
6 settlement houses that United Neighborhood Houses  
7 represents, if any of them have received a dime. I  
8 know that the one in my district have applied and has  
9 not seen any money. It sounds like Sunnyside hasn't  
10 seen any money but I am wondering about the other  
11 settlements houses and just moving forward, if anyone  
12 testifying today could just include that information  
13 in your testimony as to whether or not you have  
14 actual - we are not talking about budget, we are not  
15 talking about contract, we are not talking about big  
16 one, little one, doesn't matter just whether or not  
17 you have received - if you have invoiced and received  
18 anything having to do with the indirect rate. Okay,  
19 thank you so much.

20 COMMITTEE COUNSEL: Council Member Rosenthal, it  
21 looks like Mr. Falcone stepped away but I will move  
22 on to the next panelist unless the Chair has a  
23 question.

24 CHAIRPERSON KALLOS: I will just apologize; I  
25 know folks would love questions. A lot of folks have

1  
2 now started messaging that we are going to lose them  
3 by three o'clock, so I would love to ask everyone  
4 question and I am inspired and agree with so much of  
5 everything you are saying. I am trying to be  
6 responsive to the folks who have now been waiting  
7 almost four hours to testify.

8 So, we are going to do our best to hold questions  
9 and just try to move the hearing along so everyone  
10 can have their voices heard. And again, apologies  
11 and we will do our best to get folks out, so they can  
12 start preparing for Thanksgiving. So, we have about  
13 15 folks left, so without questions, that will get us  
14 on track for 2:30. With questions we will go past  
15 three o'clock and hit five.

16 COMMITTEE COUNSEL: Thank you Chair. We will try  
17 and pick up the pace. Next up, we have Beatriz Diaz  
18 Taveras followed by Paula Magnus and then Carlyn  
19 Cowen. Ms. Diaz Taveras, you may begin when the  
20 Sergeants call time.

21 SERGEANT AT ARMS: Time begins.

22 BEATRIZ DIAZ TAVERAS: Good afternoon Chairman  
23 Kallos and the members of the New York City Council  
24 Committee on Contracts. I am Beatriz Diaz Taveras;  
25 the Executive Director for Catholic Charities

1  
2 Community Services and I thank you for this  
3 opportunity to testify today.

4 To the grave disappointment of Catholic Charities  
5 Community Services and the sector at large, the  
6 progress that was made through the Nonprofit  
7 Resiliency Committee was swiftly eliminated without  
8 consent from or collaboration with the nonprofit  
9 center when the city announced a resending of the  
10 commitment to fund the Indirect Rate Initiative.

11 Citing COVID-19 budgetary constraints is a  
12 determining factor. The city reversed all of the  
13 progress and the years of work that we had invested  
14 in to the initiative overnight. And I would just  
15 like to say, we had applied for the initiative, we  
16 are approved at a rate and we have not – we have  
17 invoiced but have not received a penny because all  
18 our contracts are still part of that 2000 amendment  
19 that was mentioned by Jennifer at the beginning.

20 For this current Fiscal Year, for Fiscal Year  
21 '20, our budget shortfall is over \$270,000 and for  
22 Fiscal Year '21, our budget shortfall is projected to  
23 be over \$200,000. And as many of my colleagues have  
24 mentioned, during the pandemic we stepped up to the  
25 plate. We were there in the neighborhoods, we ran

1  
2 the emergency food pantries. We were helping our  
3 clients. We were on the front lines.

4 In fact, all of our essential workers should be  
5 considered first responders because our workers were  
6 there and they are the Black and the Brown men and  
7 women of the neighborhoods. But it is whenever we  
8 have increased services, we also have increased  
9 operational expenses where the indirect rate in our  
10 operations need the funding.

11 So, I do urge the Council and I know I am  
12 speaking to the converted, to please continue. On  
13 another note, we also have to talk about  
14 discretionary contracts because we are not allowed to  
15 apply the indirect rate to our discretionary  
16 contracts and that is something that we do need to  
17 look into further and we urge the Council to  
18 consider.

19 So, I don't want to belabor the point because I  
20 think most of my colleagues are on the same page and  
21 I thank you for this opportunity and I wish everybody  
22 a blessed and safe Thanksgiving this year.

23 COMMITTEE COUNSEL: Thank you. Next, we will  
24 hear from Paula Magnus followed by Carlyn Cowen and  
25

1  
2 then Nicole McVinua. Ms. Magnus, you may begin when  
3 the Sergeants call time.

4 SERGEANT AT ARMS: Time begins.

5 COMMITTEE COUNSEL: Ms. Magnus, your microphone  
6 is still on mute. Will the muter please – there we  
7 go, it looks like you are good now Ms. Magnus.

8 PAULA MAGNUS: Okay, so I am by phone, do you  
9 hear me? I want to make sure you hear me.

10 COMMITTEE COUNSEL: Loud and clear.

11 SERGEANT AT ARMS: We hear you.

12 PAULA MAGNUS: Oh, okay, great, great. To the  
13 City Council, thank you for this opportunity and to  
14 my fellow providers. I too believe this feels like  
15 preaching to the choir based on what I have heard  
16 this morning and now this afternoon. Who should be  
17 listening to this testimony right now to be the  
18 individuals that came up with the initial amount of  
19 \$34 million and for whoever had the amount to right  
20 size it. That is who we should be talking to right  
21 now.

22 Also, not sure why MOCS could not give the dollar  
23 amount so the Council had to import information to  
24 make decisions going forward. All of us agencies  
25 know what dollar amounts we didn't get. I am not

1  
2 understanding why they don't know what amount they  
3 didn't give. But we applied for \$510,000, we only  
4 got 60 percent, so 40 percent we didn't get, so we  
5 short with a shortfall for 2020 for us \$250,000. So,  
6 I am personally interested as to why they weren't  
7 able to give that basic information. By the way, my  
8 staff followed up a few weeks ago about our contract  
9 being amended and we were told they are behind  
10 schedule, so our amounts have not been registered and  
11 for sure not invoiced. There is a lot of works for  
12 MOCS and it is a lot of administrative work for us  
13 agencies, all the paperwork, all the costs to come up  
14 with the indirect cost and me, as a financial staff  
15 member, current the Deputy Director and Financial  
16 Officer, close to 25 years at Northside Center for  
17 Child Development. I remember when the indirect  
18 allowance was 25 percent. Now we are being told the  
19 basic indirect amount is 10 percent. It doesn't  
20 explain especially all these additional paperwork  
21 required. We have facilities in Harlem, Bronx,  
22 Brooklyn and I respectfully testified to the  
23 importance of the funding needed to assist of an  
24 indirect cost. It must remain. The most vulnerable  
25 as you have heard citizens are at stake.

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Some agencies have already closed during this COVID crisis. These are challenging times and as we know every penny matters. So, for years administrative indirect requirements have been added to city contracts, unfunded mandates as they are known. Thankfully the city has acknowledged that. They have done the research, they have added the money or talked about adding the monies to the contract. So, to certify the financial strain, we would have to go through CPA's to make that happen.

So, we must be given those dollars. Now more than ever it is the time for the city to stay committed and provide all the dollars needed to agencies to survive. We have heard about the computer needs, the virtual world, the data. We now have funds that are needed for services for our suffering New Yorkers such as mental health, education, childcare before they are devastated.

The indirect funds have been promised for years. Struggling organizations have already included -

SERGEANT AT ARMS: Time is expired.

PAULA MAGNUS: In their authorization budget and again we plead that the full amount for an indirect



1  
2 cost from 2020 as well as 2021 is added back to our  
3 contract.

4 I thank you so much. Again, I am Paula Magnus  
5 the Deputy Director and CFO of Northside Center for  
6 Child Development.

7 COMMITTEE COUNSEL: Thank you Ms. Magnus. Next,  
8 we will hear from Carlyn Cowen followed by Nicole  
9 McVinua and then David Collins. Ms. Cowen, you may  
10 begin when the Sergeants call time.

11 SERGEANT AT ARMS: Time begins now.

12 CARLYN COWEN: Good afternoon everyone. My name  
13 is Carlyn Cowen, pronouns they, them and I am the  
14 Chief Policy and Public Affairs Officer at the  
15 Chinese American Planning Council. Thank you so much  
16 Council Member Kallos, Council Member Rosenthal and  
17 the rest of the Council for your commitment to this  
18 issue. I apologize, I am actually in the car right  
19 now doing a food distribution while I give this  
20 testimony. And while I know it is not ideal, it is  
21 actually very fitting because the point that this  
22 actually makes is that for nonprofit organizations  
23 that are trying to meet our community member's needs.  
24 When our community members are going hungry, it does  
25 not matter whether an employee is an indirect

1  
2 employee or an employee under a program. We are all  
3 working together and filling the needs where  
4 necessary to meet our community members needs.

5       When our community members are facing eviction,  
6 are trying to connect to remote learning, are  
7 struggling with unemployment and lack of support  
8 during this pandemic, it really doesn't matter  
9 whether they are still calculating the money on an  
10 initiative or not. What we need is the fund in order  
11 to meet our community members needs.

12       CBC has been at the frontlines of this pandemic  
13 since the day that it started and in fact, even  
14 before because Asian Americans felt the effects of  
15 the economic crisis before any other community. Yet,  
16 while the city promised to keep us whole so that we  
17 could meet the needs of those hit hardest by this  
18 pandemic, what we have actually seen is that they  
19 have cut a \$1 million from our funding. We had to  
20 layoff 150 staff and indirect funding, which is  
21 actually the critical glue to our organizations  
22 funding was called back after the fact. After we had  
23 already approved our budget and closed our budget for  
24 FY20 leaving us with a quarter million gap and we now

1  
2 see another gap with 600,000 in the upcoming fiscal  
3 year.

4 We urge the City to honor its commitments to keep  
5 our organizations whole so that we can meet our  
6 community members most urgent needs instead of  
7 scrambling to find the funding from one place or  
8 another. And what we see is that in the November  
9 plan when there has been money added to the budget,  
10 the City has found money to bring in new cadets to  
11 NYPD. There has not been money added for indirect  
12 and so, once again, we are prioritizing over policing  
13 our communities rather than feeding people, housing  
14 people and meeting their basic needs.

15 We urge the Council to hold the Administration  
16 accountable for ensuring that indirect is included in  
17 this years budget and is funded back for 2020 Fiscal  
18 Year and we also urge the city to ensure that our  
19 organizations are fully funded so that we don't have  
20 to keep coming back to the City for our basic needs  
21 and we can just focus on supporting our communities  
22 throughout this crisis. Thank you.

23 COMMITTEE COUNSEL: Thank you Ms. Cowen. Next,  
24 we will hear from Nicole McVinua followed by David

1  
2 Collins and then Veronica Wong. Nicole McVinua, you  
3 may begin when the Sergeants call time.

4 SERGEANT AT ARMS: Time begins now.

5 NICOLE MCVINUA: Good afternoon Chair Kallos and  
6 Council Member Rosenthal. My name is Nicole McVinua  
7 and I am the Director of Policy at Urban Pathways.  
8 Urban Pathways is a nonprofit homeless services and  
9 supportive housing provider. We assist single adults  
10 through a unique combination of street outreach,  
11 drop-in services, safe havens, extended stay  
12 residences and permanent supportive housing.

13 Last year, Urban Pathways served over 3,900 New  
14 Yorkers. As you know and everyone on this call  
15 knows, nonprofit human service providers have been  
16 underfunded for many years. City contracted  
17 organizations have typically received between \$0.85  
18 to \$0.87 for every dollar of the actual cost to run  
19 our program.

20 The area of the budget that has been historically  
21 neglected is the indirect cost. For us, that  
22 includes our human resources, our IT, our accounting,  
23 our rents and other infrastructure costs. The result  
24 of that nonprofit human service providers typically  
25 operate out of deficit and are forced to make up the

1  
2 difference through private fund raising. And that's  
3 the case for our organization. We were beyond  
4 thrilled when the announcement came out for the  
5 Indirect Cost Rate Initiative. It would have made  
6 the difference for us of operating on a break even  
7 budget, instead of starting at a deficit. This was  
8 the groundbreaking decision.

9       And so, we you know, would have been able to use  
10 our fund raised dollars to expand our existing  
11 services, grow our programs, benefit current clients,  
12 future clients and we were really excited to see that  
13 happen. Unfortunately, we never saw it come fully to  
14 fruition following the release of the FY21 budget.  
15 We were informed that 40 percent of our increased  
16 rate would not be funded for FY20. The result for  
17 our organization is a retroactive cut of \$387,553.

18       Having planned on how that money would be used,  
19 the retroactive cut is particularly harmful, as many  
20 folks have pointed out today. That is money cut for  
21 services already rendered, that we cannot go back and  
22 un-spend and further to answer Council Member  
23 Rosenthal's question, we have still not received the  
24 reimbursement for the FY20 funds that we have been  
25 promised. We have also been told that the city does

1  
2 not know how much of the ICR will be funded in FY21.  
3 Five months into the fiscal year, this is making it  
4 impossible to plan our budget.

5 Compounding lists as many have also mentioned is  
6 the increase cost related to the COVID-19 pandemic.  
7 We have increased our spending significantly on PPE  
8 for staff and clients to expand deep cleaning of our  
9 facilities, to expand Wi-Fi access which is now  
10 critical for our clients to receive medicine and  
11 virtual therapeutic services. You know, we also were  
12 able to pay up until mid-October -

13 SERGEANT AT ARMS: Time expired.

14 NICOLE MCVINUA: An increased rate for our direct  
15 service employees who are working on site at our 24/7  
16 residences and we can no longer pay that because we  
17 were planning to pay it out of the Indirect Cost Rate  
18 increase and now we cannot pay that hazard pay to our  
19 employees that are working onsite any longer.

20 I know I am over time. I just want to also point  
21 out the damage that would be done if the city reverts  
22 our contracts back to the 10 percent de minimis rate  
23 because of the cost manual you know, formalizing  
24 where costs fall. Rents for our program sites now  
25 fall under our indirect cost rate, which is a

1  
2 significant cost. You know, we rent properties to  
3 have a drop-in center, near Port Authority and have  
4 you know, safe havens in Manhattan. So, these are  
5 really high costs and if we went back to the 10  
6 percent de minimis rate, we would actually take a  
7 significant cut to our overall budget because we  
8 wouldn't be able to go back and claim those rates in  
9 our program budgets, which is what we had been doing  
10 previous to the ICR manual.

11 So, I just think that's important to point out  
12 and I know it was asked how much folks were paying  
13 for their CPA certified rate. We invested \$5,000 to  
14 get our rates certified.

15 So, thank you so much for the opportunity to  
16 testify and I apologize for going over time.

17 COMMITTEE COUNSEL: Thank you Ms. McVinua. Next,  
18 we will hear from David Collins, then Veronica Wong  
19 and then D. Alexandra Dyer. Mr. Collins, you may  
20 begin when the Sergeants call time.

21 SERGEANT AT ARMS: Time begins now.

22 DAVID COLLINS: Thank you, thank you Chair  
23 Kallos, members of the Committee and everybody else  
24 for hanging in there with us. I am David Collins; I  
25 am a Chief Program Officer at Children's Village in

1  
2 Harlem Dowling. Two organizations founded in New  
3 York City in the early 1800's. Today, I am  
4 testifying on behalf of our President and CEO Dr.  
5 Jeremy Kohomban who is also the Board Chair of the  
6 Human Services Council.

7 At the Children's Village in Harlem Dowling where  
8 a team almost 2,000 strong and we are privileged to  
9 serve over 20,000 resilient New Yorkers. While our  
10 mission is expansive, it can be summarized best with  
11 this phrase. What children need most is the love and  
12 belonging of family.

13 Needless separation is destructive. We do  
14 everything we can to support, preserve and create  
15 family for children.

16 When the pandemic reached New York City and the  
17 economy shut down, schools closed and those with safe  
18 homes retreated, we stayed. Our programs remained  
19 open in our multiple locations around New York  
20 including in Bronx, Harlem, Flushing, Bayside, the  
21 Rockaways and Jamaica worked on overdrive. Many of  
22 the children and families were privileged to know we  
23 were among the hardest hit facing unemployment,  
24 crowded living conditions and often forced into duty  
25 as caregivers for children and the elderly. Many



1  
2 struggle to access crucial prescriptions or put food  
3 on the table. Foster and birth families alike were  
4 forced to become educators overnight, though many  
5 lacked access to broadband internet, laptops or  
6 tablets leaving students helpless. They need our  
7 help and we refused to leave them behind.

8       By the end of March 2020, Amazon actually banned  
9 Children's Village from purchasing Amazon Fire  
10 Tablets because we were ordering them in bulk. I  
11 think their algorithm thought that we were reselling  
12 them to make a profit. What we were actually doing  
13 was delivering tablets in hot spots to students who  
14 needed them for school and to families who were  
15 separated from their kids and forced to visit over  
16 video.

17       Our physicians were helping with medical  
18 prescriptions and our centers at Harlem and  
19 Highbridge were distributing PPE and food with  
20 hundreds of people standing in line for hours. In  
21 those early days, some people who stood in line  
22 unfortunately still got nothing.

23       Like most nonprofits we stayed. We did not shut  
24 down and retreat to remote and we did not leave our  
25 people behind or let them down but New York City let

1  
2 all of us down. I think it has been well articulated  
3 by the other folks who have testified, so I wont  
4 belabor the point but I will just say, we did work  
5 for years to help the city and the Council understand  
6 the impact that the reduced indirect rate was having.  
7 We worked with the city in good faith to correct this  
8 inequality but when we needed the funds the most  
9 during the painful haze of the pandemic, with no  
10 discussion, we were hit with a retroactive cut.

11 Council Member Rosenthal, in answer to your  
12 question, for us the retroactive cut in FY20 was  
13 about \$400,000. Our contract amendments are still  
14 pending and so we have neither invoiced nor been  
15 reimbursed. I hope the Contracts Committee can help  
16 reverse this betrayal. We are part of the city's  
17 crucial infrastructure and we do deserve better.  
18 Thank you for your time.

19 COMMITTEE COUNSEL: Thank you Mr. Collins. Next,  
20 we will hear from Veronica Wong followed by D.  
21 Alexandra Dyer and then Yolanda McBride. Ms. Wong,  
22 you may begin when the Sergeants call time.

23 SERGEANT AT ARMS: Time begins now.

24 VERONICA WONG: Chair Kallos, Council Member  
25 Rosenthal and members of the Committee. Thank you

1  
2 for the chance to speak. My name is Veronica Wong  
3 and I am the Advocacy Director for University  
4 Settlement.

5 For 134 years, University Settlement has been one  
6 of New York City's most dynamic social justice  
7 institutions. In the fall, we resumed our in-person  
8 early childhood programming and the city approached  
9 us to run five in-person learning labs to support the  
10 children of essential workers in Brooklyn and  
11 Manhattan, which we were honored to do.

12 In this context, we must express our dismay at  
13 the city's decision to withdraw from its funding  
14 commitment. To cover more of the true operational  
15 cost of nonprofits. By only receiving 60 percent of  
16 the funding we are promised for Fiscal Year '20, we  
17 experienced a loss of \$338,000. And even if we can  
18 accommodate an unknown likely significant budget gap  
19 for Fiscal Year '21, no organization should  
20 experience this amount of budgetary instability due  
21 to the city's lack of transparency.

22 And to answer Council Member Rosenthal's  
23 question, I believe we have been paid for some of our  
24 indirect costs but at our old rate which is 10 or 12  
25 percent depending on the contract but we haven't been

1  
2 paid for all of our indirect costs for all of our  
3 Fiscal Year '20 contracts yet.

4       So, like all nonprofits, we know well how  
5 administrative and operational costs take a back seat  
6 to programmatic needs but the truth is, no  
7 organization can provide high quality programming  
8 without a robust and reliable operational  
9 infrastructure.

10       So, I am going to use our learning labs which the  
11 City approached us to offer as examples for two ways  
12 reduced operational capacity hurts our programming.  
13 Indirect cost as many have noted, fund our backend  
14 staff which includes our HR and IT departments. For  
15 early childhood youth programming, we have to run  
16 extensive background clearance on all of our staff.

17       So, we need a knowledgeable HR team to shepherd  
18 and complete this lengthy hiring process in a timely  
19 way because we can't offer programming without staff  
20 in place. And to note, when the City approached us  
21 to run these learning labs, we were ready to do so  
22 within weeks but obviously we need at IT department  
23 to provide all of this virtual programming or virtual  
24 support.

1  
2       So, by fully funding our indirect rate, the City  
3 ignores the very technology infrastructure we need to  
4 run these labs. But additionally, starving our  
5 operations has ramifications beyond our programming  
6 as well. For example, every year we use hundreds of  
7 local vendors for our programs and without full  
8 indirect funding, we may not be able to maintain  
9 these same level of contracts with local small  
10 businesses.

11       Also, access to clean and well maintained  
12 facilities should not be restricted to the wealthy or  
13 the privileged reserved for profit institutions and  
14 to maintain our facilities require staff and  
15 resources, which are indirect costs.

16       And finally, nonprofits are anchors in their  
17 communities through programming but also through  
18 offering opportunity in paid work. And we contract  
19 with many individual consultants who depend on us for  
20 work. Artists for early childhood classes, learning  
21 specialists for youth, exercise teachers for our  
22 seniors.

23       SERGEANT AT ARMS: Time expired.

24       VERONICA WONG: The budgetary [INAUDIBLE 4:02:32]  
25 renders it difficult for us to budget for hiring or

1  
2 have the HR team to process this hiring. So, with  
3 this public health crisis accelerating in the quality  
4 across New York, we cannot think of a more  
5 inopportune time to implement the model that we know  
6 does not work for our communities. In the months  
7 ahead, New York City will rely on nonprofits like  
8 University Settlement and the networks we are part of  
9 to provide programming for our children, so they are  
10 healthy, socially engaged and supported in their  
11 learning. To provide material aid through food and  
12 housing support for those facing economic stress. To  
13 be a trusted source of public health information and  
14 distributor of resources and to strengthen a city  
15 through caring for our communities.

16 University Settlement is always proud to do our  
17 part to support our city, we just hope our city can  
18 support us as well. Thank you.

19 COMMITTEE COUNSEL: Thank you Ms. Wong. Next, we  
20 will hear from D. Alexandra Dyer followed by Yolanda  
21 McBride and then Anthony Edwards. Ms. Dyer, you may  
22 begin when the Sergeants call time.

23 SERGEANT AT ARMS: Starting time.

24 D. ALEXANDRA DYER: Good afternoon. Thank you  
25 Chairman Kallos and Council Member Rosenthal and

1  
2 members of the Committee for this opportunity to  
3 speak on such an important matter. I am the Chief  
4 Financial Officer for the Rise Borough Community  
5 Partnership headquartered in Brooklyn.

6 For the past 47 years, it has delivered services  
7 to seniors for home care, assisted living programs,  
8 education, the building of affordable housing and an  
9 array of empowerment services. We employ  
10 approximately 1,800 individuals. I have spent 43  
11 years within the non-for-profit sector and I will  
12 tell you that in that time, the most difficult issue  
13 that we have faced is on the backend of it, the  
14 constraint with not having enough funding for  
15 indirect costs.

16 And so, it was with great joy that we embarked on  
17 the city's initiative to now bring the indirect cost  
18 rate to where it should be. The de minimis rate of  
19 10 percent, we have always known was not sufficient.  
20 We spent over 15,000 to have the cost rate certified  
21 at 20.07 percent. That Delta would in fact have  
22 added \$907,000 to the budget and the 60 percent  
23 reduction will now eliminate \$363,000. So, insult to  
24 injury to finally be looking at the restoration of  
25 adequate indirect cost funding. Which other speakers

1  
2 have referenced for human resources, particularly now  
3 during this pandemic with remote connectivity for  
4 services, IT services, maintenance which has now gone  
5 through the roof in terms of the cost for sanitizing  
6 etc., will not be able to be met.

7 And so, we have not received and have not had any  
8 amended contracts registered, nor have we received  
9 any funding associated with that and certainly, we  
10 cannot continue to function. It is a prescription  
11 for financial catastrophe to have nonprofits function  
12 to support the safety net for all New Yorkers and to  
13 not be adequately funded to perform those services.  
14 I thank you for your time. We look forward to  
15 working with any and all partners to see these funds  
16 restored. And again, we thank you so much for your  
17 efforts on our behalf.

18 COMMITTEE COUNSEL: Thank you Ms. Dyer. Next, we  
19 will hear from Yolanda McBride followed by Anthony  
20 Edwards and then Michelle A. DeMott. Yolanda McBride  
21 you may begin when the Sergeants call time.

22 SERGEANT AT ARMS: Starting time.

23 YOLANDA MCBRIDE: Good afternoon, my name is  
24 Yolanda McBride, Director of Public Policy at  
25 Children's Aid. I would like to thank Chair Ben



1  
2 Kallos and the Committee on Contracts for the  
3 opportunity to testify today. Children's Aid is  
4 committed to ensuring there are no boundaries for the  
5 aspirations of young people and the limits to their  
6 potential.

7 Our nearly 2,000 full and part-time staff members  
8 empower about 50,000 children. Youth and their  
9 families through our network of 40 locations in four  
10 New York City neighborhoods, Harlem, Washington  
11 Heights, the South Bronx or Shore Staten Island.  
12 Children's Aid has incurred considerable costs  
13 resulting from the pandemic and had also spent the  
14 indirect rate money that we were promised.

15 To illustrate a clear picture of our current  
16 financial situation, our Fiscal Year '21 annual  
17 budget is \$148.3 million of which 63 percent is  
18 funded by government contracts and grants. City  
19 contracts total \$79.1 million or nearly one half of  
20 our total budget. And to answer the questions by  
21 Council Member Rosenthal, yes we have an improved new  
22 rate. We have been paid for indirect at our old rate  
23 but have not received funding for the approved new  
24 rate. We only have 3 of the 72 amendments registered  
25 so far and we were supposed to receive \$2.9 million

1  
2 in additional indirect funding to address our true  
3 cost in Fiscal Year '20. That amount was reduced to  
4 \$1.7 million, so we lost about \$1.2 million in  
5 funding for Fiscal Year '20 that we have to figure  
6 out. And we haven't received any funding again on  
7 the approved new rate.

8 We also paid \$9,000 to a firm to help us  
9 calculate our rates and get them certified. So, I  
10 just wanted to make sure those questions were  
11 answered. I also wanted to just share some examples  
12 of the kind of cost. Like, nonprofits like  
13 Children's Aid are incurring, making the need for  
14 restoring the indirect cuts even more critical. Like  
15 other organizations, we had to lay off or furlough  
16 our staff and what I want to also make clear is that  
17 we had to absorb extended unemployment benefit  
18 obligations as a result of that. So, between March  
19 and September we had \$1.5 million in unbudgeted costs  
20 for unemployment benefit and we are currently  
21 averaging about \$400,000 a month in unemployment  
22 insurance of benefits currently.

23 Like everyone else, we are relying on IT, remote  
24 services in our IT team is a small team, small and  
25 mighty team but they are responsible for managing the

1  
2 upkeep of 4,000 devices and for nearly 2,000 staff,  
3 we are talking about a ratio of 1 to about 666 staff  
4 members. And without the indirect rate, we are  
5 unable to ramp critical behind the scenes supports.

6 If we lease a new facility, if we lease a  
7 facility for a program, we can charge the contract  
8 for rent, however, if we use space we own, most city  
9 contracts won't cover or allow us to add facilities  
10 appreciation cost to the budget.

11 SERGEANT AT ARMS: Time expired.

12 YOLANDA MCBRIDE: And so we currently own six  
13 facilities and we are only able to cover 12 percent  
14 or 306,000 of our 3.8 million facilities depreciation  
15 cost in Fiscal Year '20.

16 So, with every contract we take from the city we  
17 lose money because we have to fill the gaps. Like  
18 other organizations, we kept working and we did not  
19 stop supporting our families and our communities and  
20 these cuts do not impact all New Yorkers equally but  
21 rather disproportionately impact communities that  
22 have already been hardest hit by COVID-19 due to  
23 structural racism and income inequality.

24 And so, with that, we just, we love our city and  
25 we stand ready to work with the City Council and

1  
2 Administration to support the recovery and the  
3 revitalization of the City. Thank you.

4 COMMITTEE COUNSEL: Thank you Ms. McBride. Next,  
5 we will hear from Anthony Edwards followed by  
6 Michelle A. DeMott followed by Lew Bader. Mr.  
7 Edwards, you may begin when the Sergeants call time.

8 SERGEANT AT ARMS: Starting time.

9 ANTHONY EDWARDS: Good afternoon. My name is  
10 Anthony Edwards, I am the Chief Financial Officer at  
11 Sheltering Arms. Thank you Chair for the opportunity  
12 to testify today.

13 Sheltering Arms is one of the city's largest  
14 providers of education, youth development and  
15 community and family wellbeing programs for the  
16 Bronx, Manhattan, Brooklyn and Queens. In Fiscal  
17 Year '20, Sheltering Arms was approved on 11 percent  
18 indirect rate which would have meant an increase of  
19 \$1.3 million across our Fiscal Year '20 contract.

20 However, the cut in the indirect rate meant that  
21 we were not reimbursed for expenses that was budgeted  
22 and spent in Fiscal Year '20 on core infrastructure,  
23 such as payroll systems, processing of payroll and  
24 technology for our 1,200 staff. Some of which are  
25 working remotely and for remote therapy, remote

1  
2 learning, client meetings, etc. Including improving  
3 Wi-Fi, maintaining computers and laptops, grading our  
4 license for log me in and VP and access.

5 In Fiscal Year '20, also PPE and cleaning by the  
6 Administrative staff offices for staff whose work  
7 could not be completed remotely. Those expenses are  
8 not covered because again the indirect rate was  
9 reduced. In Fiscal Year '20, we spent more than \$1.2  
10 million on PPE for cleaning and emergency supplies,  
11 which much of that was reimbursed but approximately  
12 \$70,000 of that is not eligible for reimbursement.

13 In Fiscal Year '21, we are projecting a budgeted  
14 deficit for the first time in more than ten years.  
15 This is all because of the major cuts to indirect  
16 rate. The deficit of \$618,000 is largely driven by  
17 unreimbursed indirect cost due to cuts in the  
18 indirect rate.

19 Now, as the City is making these cuts, in July,  
20 the City added new requirements for monthly invoice  
21 submission for reimbursement based contract. These  
22 new processes, tedious and time consuming and means  
23 that while the city is actively cutting how much we  
24 are paid for indirect, they are also actively  
25 increasing our indirect expenses by increasing the

1  
2 Administrative burden required in order for us to get  
3 paid for the services provided.

4       The City is starving its essential businesses and  
5 I ask the City must fully fund the ICR in order to  
6 stabilize the human service sector and ensure we will  
7 be here to serve our communities throughout the  
8 recovery and for years to come. Thank you.

9       COMMITTEE COUNSEL: Thank you Mr. Edwards. Next,  
10 we will hear from Michelle A. DeMott followed by Lew  
11 Bader and then Michael Winter. Ms. DeMott, you may  
12 begin when the Sergeants call time.

13       SERGEANT AT ARMS: Starting time.

14       MICHELLE A. DEMOTT: Good afternoon Chair Kallos  
15 and distinguished members of the City Council. I am  
16 Michelle DeMott and I am the Chief of Staff to  
17 Mitchell Netburn, President and CEO of Samaritan  
18 Daytop Village.

19       I first want to thank you for your continued  
20 support during these challenging times. Samaritan  
21 Daytop Village is a nationally recognized human  
22 services organization that provider comprehensive  
23 services to more than 33,000 people each year through  
24 a network of over 60 facilities primarily located in  
25 the five boroughs of New York City and depends on

1  
2 funding from the City Council to continue to safely  
3 provide those services.

4 We offer a rich array of programs including  
5 treatment for mental health issues and substance use  
6 disorder, transitional and supportive permanent  
7 housing and innovative services for veterans,  
8 homeless individuals, women, children, youth, seniors  
9 and families.

10 Long before this crisis hit, City government has  
11 asked us to do more with less. Leading into the  
12 pandemic, we questioned legislatures that without  
13 systemic change, our city's COVID-19 response and  
14 recovery would be at risk. But instead of listening  
15 to expertise and investing in the most vulnerable New  
16 Yorkers and in the communities most impacted, the  
17 City responded by reducing some contracts as well as  
18 indirect funding. The clients that we serve are  
19 among the most vulnerable New Yorkers, including  
20 those who are low to no income with complex medical  
21 and behavioral health needs. These cuts do not  
22 impact all New Yorkers equally. In fact, they  
23 disproportionately impact communities that have  
24 already been hardest hit by COVID-19 due to  
25 structural racism, ableism and income inequality.

1  
2 Our programs were already operating on razor thin  
3 margins before the pandemic. We actually had to  
4 spend \$3,939,000,705 unbudgeted for COVID related  
5 expenses, for technology for staff and clients, to  
6 enable telehealth and education for our children in  
7 the shelters and our schools, PPE and adding  
8 additional cleanings.

9 Because of cuts to human services, including  
10 indirect funding, New York City's government  
11 contracted human services sectors have laid off over  
12 40,000 workers. In order to ensure that we remain  
13 fiscally sound, we have been forced to make prudent  
14 but painful financial decisions, including  
15 eliminating positions and furloughing staff. We  
16 quickly adapted our services to continue reaching our  
17 clients safely amid the pandemic.

18 To mitigate the spread of COVID-19 and to comply  
19 with governmental mandates, we immediately adjusted  
20 our program operations to include telehealth  
21 platforms. In order to continue to deliver these  
22 critical services, we had to purchase devices for  
23 both clients and staff incurring a huge expense.  
24 Additionally, we had to provide both staff and  
25 clients with PPE -



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SERGEANT AT ARMS: Time expired.

MICHELLE A. DEMOTT: Enhancing our cleaning and disinfecting protocols including hiring outsourced vendors, adjusting policies and workforce and took guidance from city, state and federal partners. We know that our services are essential and lifesaving, which is why our programs continue to operate without interruption. We have stood ready to help our city and our communities recover from COVID-19. We know that the long term success of New York requires the full range of services that human services sectors provide. With the financial support of the City Council, we can ensure that New Yorkers regain their health and wellbeing and then our city fulfills its commitment to take care of those in need. I thank you on behalf of Samaritan Daytop Village and we look forward to continuing to be on the frontline in partnership with you and your communities to serve the most vulnerable New Yorkers. Thank you.

COMMITTEE COUNSEL: Thank you Ms. DeMott. Next, we will hear from Lew Bader followed by Michael Winter and if there is anybody who still wishes to testify and their name has not been called, please use the Zoom raise hand function now.

1  
2 Mr. Bader, you may begin when the Sergeants call  
3 time.

4 SERGEANT AT ARMS: Starting time.

5 LEW BADER: Good afternoon. My name is Lew  
6 Bader, I am the Finance Director for Counseling in  
7 Schools. I would first like to take this opportunity  
8 to thank you for the opportunity to testify before  
9 the Committee today.

10 Counseling in schools is a community based  
11 organization. We have been working in schools,  
12 community centers and shelters across the City of New  
13 York since 1986 providing mental health services. In  
14 any given year we embed social workers and youth  
15 workers in locations to directly work with between  
16 7,000 and 10,000 students every year. We help them  
17 with their social and emotional growth. Which I  
18 think you will agree is as important as intellectual  
19 growth.

20 I came to Counseling in Schools five years ago,  
21 after spending 40 years in Fortune 500 companies.  
22 There the goal is to maximize profit and shareholder  
23 value. Counseling in Schools and the other  
24 organizations that are testifying here today have a  
25 different mission. Ours is one that is founded on

1  
2 the principle that our communities are strong, our  
3 schools are strong, families are strong and the  
4 children we serve are strong and that together we can  
5 ensure that every student realizes their full  
6 potential.

7 The city, state and federal governments have  
8 always asked us to do more with less, frankly, we  
9 have always been glad to do that. But when the  
10 COVID-19 pandemic hit, the City's response was not to  
11 invest in the communities most impacted, rather the  
12 response was to cut our contracts and retroactively  
13 reduce our funding.

14 In our case, Counseling in Schools, chose to take  
15 the 10 de minimis rate, so that we could focus our  
16 efforts on meeting the immediate needs of the  
17 pandemic and not of what seemed like an endless  
18 stream of back and forth modifications to excel  
19 spreadsheets.

20 Therefore, Councilwoman Rosenthal, there are no  
21 dollars missed for 2020. But 2021 is going to be a  
22 different story because we are taking a double hit.  
23 Besides the indirect rate cut, when the new budget  
24 for 2021 was first announced, the Department of  
25 Educations Office of Community Schools was hit with a

1  
2 \$9 million cut. Which was ultimately reduced to \$6  
3 million. But what that meant was it was a 4.7  
4 percent decrease to all community school budgets  
5 including ours. We will lose \$180,000. That  
6 includes a 4.7 direct decrease to our indirect  
7 funding for those programs and then they are going to  
8 take more. We don't know how much because we have  
9 not been told how much of our indirect funding will  
10 be cut in 2021.

11 This has forced us to reduce spending on supplies  
12 for students, furlough some of our employees and cut  
13 back on services we provide. All while increasing  
14 spending on technology and communications, training  
15 our staff to do their work remotely and equipping  
16 them with the tools to do so.

17 Indirect funding does much more than just pay the  
18 rent.

19 SERGEANT AT ARMS: Time expired.

20 LEW BADER: During the pandemic, it provided us  
21 with funding to provide food to families suffering  
22 from food insecurity, gave students computers who  
23 would not otherwise have the ability to learn  
24 remotely and communications platforms like Zoom that  
25 enable our staff to communicate with students,

1  
2 parents, school staff and each other to provide the  
3 services during these unprecedented times.

4       Counseling in Schools and every organization  
5 testifying before you today have always worked with  
6 the City in good faith. Nonprofits help the city  
7 develop the Cost Manual. We advocated for you. We  
8 followed the City's Implementation Plan. We invested  
9 resources to get our rates certified. In our case,  
10 it cost us \$11,000. We were not reimbursed for our  
11 time or the money we spent, we didn't ask for it and  
12 we have yet to receive any funds related to the  
13 revised indirect rate.

14       Let me be clear, because of the lack of  
15 transparency and the city's decision to not honor  
16 their commitment, we are now worse off than we were  
17 when the process started. The retroactive cuts to  
18 the indirect cost rate in Fiscal 2020 and the  
19 repeated underfunding of the program in Fiscal '21  
20 are devastating because they impact us across our  
21 entire budget. Trying to replace that budget for  
22 mental services, especially for children in the  
23 middle of a pandemic is not about our bottom-line.  
24 It is about preventing the undermining of the scope  
25 and effectiveness of essential services during a time

1  
2 of growing need and doing the foundational work for  
3 our city's recovery. Let me say that again. The  
4 foundational work for our city's recovery.

5 I know I am over time, so I will stop here. I  
6 will just say, don't make our children pay for the  
7 city's inability to be fiscally responsible. Thank  
8 you and I apologize for going long.

9 COMMITTEE COUNSEL: Thank you Mr. Bader. Our  
10 last panelist for today will be Michael Winter. As a  
11 reminder to anybody who remains on the Zoom hearing  
12 but has not yet registered to testify, please use the  
13 Zoom raise hand function now. Mr. Winter, you may  
14 begin when the Sergeants call time.

15 SERGEANT AT ARMS: Starting time.

16 MICHAEL WINTER: I would like to thank the Chair  
17 and the Committee for allowing me to testify today.  
18 It has been a nice experience hearing all the other  
19 problems that every one else is sharing. Very  
20 similar to what Lantern Community Services is going  
21 through. Just really brief, I submitted testimony in  
22 advance, so I won't go into like you know, everything  
23 Lantern does but we basically work with New Yorkers  
24 that are threatened with homelessness. We are funded  
25 by the Department of Homeless Services. We are

1  
2 funded HRA, we are funded by HMH, we get some state  
3 money and as someone that's - I am the Chief  
4 Financial Officer for the organization and actually  
5 when the initiative came out, it was kind of exciting  
6 to look at it and see how they are actually going to  
7 go about and right sizing contracts. Particularly  
8 our organization and I don't know how many of the  
9 other 261 organizations are kind of in the same  
10 situation. We had a lot of our indirect costs  
11 embedded in our contracts as direct costs. Which  
12 made the analysis on who this would all work out.

13       Just a little bit more complicated when we need  
14 to do our template. And I think a really good  
15 example, is you can take my position. I should be by  
16 every set of standards 100 admin. 88 percent of my  
17 salary is listed as direct in contracts. So, part of  
18 this whole right sizing besides paying us correctly,  
19 all of us correctly for indirect money was to fix the  
20 contracts. And you know, rebalance what was embedded  
21 and then reconciling you indirectly. Very  
22 challenging endeavor. I basically myself and one of  
23 my Comptroller, we did it ourselves. We did have to  
24 pay in \$5,000 to have the rate certified by our CPA.  
25 Our rate got accepted. I can say that we have not

1  
2 seen any money for it. We did get notification of an  
3 amendment yesterday. Two out of our 20 plus  
4 contracts now have an amendment that's in the works  
5 but then that's going to entail us going back and  
6 doing modifications for all of our contracts for FY20  
7 in order to see that money. To see the indirect  
8 money, we will have to remodify all of our contracts  
9 for FY21 and hopefully moving forward as we do new  
10 contracts, although I have a - we did a new shelter  
11 contract and as part of the contract, you know, this  
12 program admin that are like staff that run the  
13 program. And as we have done in other contracts,  
14 when we put that individual on the contract, we were  
15 told that OMB has said, that's an indirect cost.

16 SERGEANT AT ARMS: Time has expired.

17 MICHAEL WINTER: And when we go back, we have an  
18 approved indirect rate, the agency is like sorry, all  
19 you get is 10 percent and you know, one of the last  
20 things I will say is that there is a disconnect from  
21 MOCS to the contract funding agencies and then to the  
22 providers on how all this is going to work. Because  
23 you know, you have to modify all your contracts and  
24 it is just, I don't think the city has rolled it out  
25 well to the program sites. I mean, the funding



1  
2 agencies so it's just, it is somewhat frustrating. I  
3 am hoping it will get better in this testimony and  
4 everyone chiming in today will make a difference.

5 Right now, it looks like we are \$300,000 in the  
6 hole from '20 and '21. I am not certain as we get  
7 amendments, we really have to look at them and kind  
8 of determine the financial value of it. It is not  
9 even an amendment that goes back to FY20. They will  
10 now give us an amendment that's for three years and  
11 it is just a lot of work for not-for-profits to do  
12 that already work on a razor thin edge, particularly  
13 from the administrative support functionary.

14 I thank every one here today and whatever we can  
15 continue to move to force the city to commit to what  
16 they have committed to in funding us correctly for  
17 indirect rate would be really appreciated and I thank  
18 everyone for their efforts and if I am the last one  
19 talking, I hope everyone has a happy Thanksgiving.

20 CHAIRPERSON KALLOS: Thank you Michael. Thank  
21 you everybody. Thank you for putting in a four and a  
22 half hour hearing the day before Thanksgiving when I  
23 know a lot of us want to let people go home early for  
24 the Thanksgiving holiday and I hope folks as soon as  
25 we are done with this can do so, my staff included.

1  
2 I do want to wish all of you a happy Thanksgiving  
3 in spite of the fact that everyone is struggling and  
4 the City isn't doing right by you. We are going to  
5 keep fighting. I asked for five things in this  
6 hearing and we will continue to push for them.

7 If you haven't already submitted your testimony,  
8 if you gave testimony verbally, on this Zoom, please  
9 submit it to [testimony@council.nyc.gov](mailto:testimony@council.nyc.gov) within 72  
10 hours. Please also copy [contracts@benkallos.com](mailto:contracts@benkallos.com). We  
11 want to make sure we are able to share your stories  
12 and that your testimony becomes part of the permanent  
13 record. And I want to thank the Committee Staff,  
14 Council Member Rosenthal for sticking with us  
15 throughout the entire hearing and just 30 of you who  
16 came out, gave strong testimony and I am hoping that  
17 if anything the Mayor heard that he can't do this  
18 anymore and that we found several hundred million  
19 dollars in savings and we should be spending here in  
20 the nonprofit communities and paying you for the  
21 money that we promised you, keeping our word and  
22 paying it forward.

23 So, thank you. Have a happy Thanksgiving and  
24 this isn't over yet because it can't be over yet  
25 because we have to support you.

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With that, this hearing is hereby adjourned.

[GAVEL]

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 December 11, 2020