



London Breed, Mayor

Department of Human Services
 Department of Disability and Aging Services
 Office of Early Care and Education

Trent Rhorer, Executive Director

MEMORANDUM

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| TO: | HUMAN SERVICES COMMISSION |
| THROUGH: | TRENT RHORER, EXECUTIVE DIRECTOR |
| FROM: | DANIEL KAPLAN, DEPUTY DIRECTOR JOHN TSUTAKAWA, DIRECTOR OF CONTRACTS <i>Jk1</i> |
| DATE: | DECEMBER 13, 2019 |
| SUBJECT: | MINIMUM COMPENSATION ORDINANCE (MCO) INCREASE FOR NON-PROFIT SERVICE PROVIDERS |
| GRANT TERM: | 7/1/2019 – 6/30/2020 |
| GRANT AMOUNT: | \$252,800 |
| ANNUAL AMOUNT: | <u>FY 19/20</u> \$252,800 |
| Funding Source | <u>County</u> <u>State</u> <u>Federal</u> <u>Total</u> |
| FUNDING: | \$252,800 \$252,800 |
| PERCENTAGE: | 100% 100% |

The Department of Human Services (DHS) requests authorization to modify multiple grant agreements with non-profit service providers for the period of July 1, 2019 through June 30, 2020, in an aggregate amount not to exceed \$252,800. The purpose of the Minimum Compensation Ordinance (MCO) funding increase is to assist non-profit service providers in meeting the direct costs and compaction of wages due to the increase in the City’s minimum compensation wage rate paid by nonprofit organizations.

Background

On July 1, 2019, the City’s Minimum Compensation Ordinance (MCO) increased the minimum compensation paid by nonprofit organizations to workers on City contracts to \$16.50 per hour. This new wage rate is \$0.91 per hour higher than San Francisco’s minimum wage. As part of the City’s FY19/20 budget the City set aside \$5.8 million to help offset the cost of the MCO wage increase.

The Mayor and Board of Supervisors recognized that the increase would impact not only hourly wage rates below \$16.50, but also those immediately above it. This was referred to as a

compaction effect. The Controller's Office, in consultation with department finance and contracting staff, developed an application process designed to identify the number of FTEs and wage rates that may be affected within each City grant. The Controller's Office received 181 applications. Through this process, funding was provided that would improve wages for employees earning below \$22.50 per hour.

On November 5, 2019, the San Francisco Controller's Office issued a Memorandum regarding this additional funding to nonprofit service providers to help offset the cost of the Minimum Compensation Ordinance (MCO) wage increase. In this memo, the Controller's Office instructed departments to initiate contract modifications or contract amendments to process the associated MCO funding amounts into identified grant agreements.

Grant modification process

Contracts staff will be working with the identified providers to implement the MCO increase over the next several weeks. The MCO funding increase will be baselined into existing terms. The HSA will send a letter informing CBOs of the amounts determined for their specific grants. The service providers will allocate the MCO increase within their current budgets and submit the revised budget for approval by the Department.

Funding

The Minimum Compensation Ordinance (MCO) funding increase is funded by County General Funds.