



# OFFICE OF THE CONTROLLER

## CITY AND COUNTY OF SAN FRANCISCO

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Controller

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### Policy [issued September 14, 2023]:

### Guidance on the Fiscal Year 2023-2024 and Fiscal Year 2024-2025 Cost of Doing Business Allocation and Minimum Compensation Ordinance Increase within Nonprofit Agreements

#### Overview of Budget Allocations

##### Cost of Doing Business Allocations

The Annual Appropriations Ordinance (AAO) for Fiscal Year 2023-2024 (FY24) allocates funding for a Cost of Doing Business (CODB) adjustment for General Fund contracts and grants with nonprofit organizations.

- To support specific systems of care, the AAO allocates funding for a 4.75% CODB for General Fund contracts within the Department of Public Health, the Department of Homelessness and Supportive Housing, and certain Adult Probation Department programs related to behavioral health and homelessness.
- The AAO allocates funding for a 3.75% CODB for all other ongoing General Fund contracts with nonprofit organizations.

Additionally, the Board of Supervisors, through its addback spending plan process, allocated \$500,000 in FY24 to support a CODB for federally-funded Ryan White grants that provide services for people with HIV/AIDS administered by DPH. The Fiscal Year 2024-2025 (FY25) budget did not include any new CODB allocation, though the budget assumes any FY24 General Fund contract increases will be sustained in FY25 for multi-year contracts.

##### Minimum Compensation Ordinance

In FY23, the Minimum Compensation Ordinance (MCO) required a minimum wage threshold of \$17.94 per hour for applicable nonprofit workers on City contracts, and per the legislation, the MCO wage increases according to inflation each fiscal year when the budget funds such an increase. Typically, a CODB increase that is tied to inflation is assumed to fund an MCO increase at the same rate.

During the FY24 budget process, the Mayor and Board of Supervisors approved legislation to increase the wage threshold beyond the inflationary increase. In FY24, the required minimum compensation for workers paid through City contracts with nonprofit organizations will be \$18.93 per hour. The total assumed cost of this new wage threshold is \$3.3 million, and this amount has been allocated for MCO within the FY24 budget. The legislation further increases the MCO wage threshold to \$20.25 per hour in FY25. The total assumed cost of \$7.6 million has been included in the FY25 budget.

The MCO allocations require applicable nonprofit suppliers to comply with the new minimum compensation threshold of \$18.93 per hour for applicable employees as of July 1, 2023.

#### Implementation Guidance

## 2 | Guidance on FY24 and FY25 Cost of Doing Business Allocation and Minimum Compensation Ordinance Increase within Nonprofit Agreements (issued 9/14/23)

If not already initiated, Departments should immediately begin processing any contract or grant budget modifications necessary to implement the CODB and MCO allocations funded in the FY24 and FY25 AAO.

Departments should review contract and grant budgets to identify whether any include worker wages below the new \$18.93 per hour MCO threshold, and/or departments may request nonprofit suppliers identify which relevant contracts may require and adjustment to account for the new threshold.

The MCO funding allocation does not mandate wage levels or allocate any specific funding for nonprofit workers above \$18.93 per hour. Departments and nonprofit suppliers may address issues of wage compaction (i.e., for staff at or immediately above the new wage threshold) using the CODB allocation as applicable.

Information about MCO requirements can be found on the Office of Labor Standards Enforcement website: <https://sfgov.org/olse/minimum-compensation-ordinance-mco>.

The FY24 CODB and MCO costs are assumed to be primarily funded from savings associated with General Fund nonprofit contracts and grants, and as such, no new funding has been directly allocated to department budgets for these purposes. Central resources are available if existing department budgets are not sufficient to account for the actual costs of the CODB and MCO changes to contracts and grants as outlined here. The Controller's Office and Mayor's Office will consult with departments as needed about allocating central resources during standing 6-month and 9-month reporting processes.

### Questions?

Nonprofit suppliers should contact their assigned representative (e.g., contract analyst and/or program manager) at funding departments with questions about this guidance or other issues or concerns related to contracts and grants.

City department finance officers with questions about funding available for the CODB and MCO allocations should contact their assigned budget analyst at the Mayor's Office of Budget and Policy.

City department finance or contracting staff with other general questions about this policy may contact [laura.marshall@sfgov.org](mailto:laura.marshall@sfgov.org). Questions may be consolidated, and this guidance may be updated and republished accordingly.