

**Response to: How are non-profits preparing for July 1 implementation of RFP and what they are waiting from on the Administration/City?**

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- How non-profits are preparing for July 1 implementation?
  - Non-profits are anxious and without sufficient information to prepare for the new realities created on July 1 due to the new legislation. Why?
    - Lack of clarity on whether they can expect to receive funding and continue services after June 30, 2025 undermines planning, hiring, and investment. It also makes it difficult to pursue state, federal, and foundation grants that require matches. All of this is harming the efficiency and effectiveness of the non-profit sector.
    - Based on anecdotal information, non-profits feel that there may not be sufficient time or capacity available to execute a procurement process to be prepared to issue new contracts for July 1, 2025 without disruption of funding. In addition, contract analysts and managers at the City have expressed that they are already overextended.
    - Non-profits in some cases read this change as a signal that the city does not value their work and views them as exchangeable with other non- and for-profit providers. This elicits an emotional reaction from non-profit leaders who work hard to deliver needed services to Philadelphians using support from the city and other funders. Different than most for-profit providers, non-profits often seek funding beyond city funds to make up the total cost of delivering public services. Facing an even more challenging landscape feels daunting.
- What are non-profits waiting on from on the Administration/City?
  - For contracts with existing renewal options, non-profits seek clarity on whether contracts with existing renewal options will be allowed to exercise those renewal options as in the past – or if the contracts will need to go through a new procurement process.
  - For contracts without existing renewal options, non-profits seek clarity on whether procurement processes can be done now to allow for new contracts to take effect July 1, 2025 and/or renewal options can be added now to manage through this change.
  - For all contracts, non-profits seek clarity on how the future process will work and how the City plans to navigate the complexity created by the budget-procurement hurdle outlined below.
    - Here's how today's process works:
      - From March-June, non-profits advocate during the city budget process for the scope of work and funds they need in the next fiscal year. This usually ends with a budget decision in the third week of June. At that point, non-profits view the budget allocation as the amount of funds they will have to work in the next fiscal year. (Most (all?) non-profit contracts are one year and end on June 30.)

- As of July 1, non-profits borrow money to undertake operations in line with the budget allocation in the final budget. The city does not reimburse these borrowing costs.
  - From July-November and often much longer, non-profits work with their contracting agency to conform a contract for the current fiscal year. The scope of work called for in that contract is already happening financed by borrowing by the non-profit.
- The new legislation changes the rules in big ways:
  - A budget allocation no longer means that a non-profit will have funding. Instead, it only means the city may issue an RFP for a given service and the non-profit will need to compete in a procurement process. During the procurement process, the funding and work could be routed to any non-profit.
  - This means that non-profits will not be able to begin work until a final contract is signed and in-hand. In pragmatic terms, this means that the city will need to pass a budget, then run a procurement process, and then finalize a contract before a non-profit can begin work. This means that there will always be at least a six month lag from July 1-December 31 where non-profits cannot do work unless the procurement process is brought in front of the city budget approval. Allowing renewal options on all contracts and moving procurement processes in front of the budget process would help mitigate this.
- Additional points
  - Non-profits often rely on city funding as a match to secure state, federal, and foundation funding that helps them bring needed public services to Philadelphia. Without assurance of long-term city funding, their ability to pursue matching grants will be reduced.
  - City contracts are inconsistent in their coverage of overhead costs for non-profits and in most (all?) cases, the city does not reimburse for borrowing costs needed due to city grants being reimbursable. For equity and to build a strong non-profit sector, the city should adopt a consistent approach to indirect costs – 20% would be a healthy benchmark.
  - In some cases, there are unique non-profits critical to the delivery of public services in Philadelphia. Just like a business with a unique vendor, the health of these non-profits needs to be considered a priority unless there is indifference to having the service available in the future.
  - How is the city preparing the new procurement process to ensure adequate capability to assess non-profit performance against for-profit performance and ability to assess a provider's expertise of ability to deliver a given service?