

MEMO

TO: Katherine Gilmore Richardson, Majority Leader, City Council, City of Philadelphia

FROM: Matt Rader, Cynthia Figueroa, Arun Prabhakaran, Regan Kelly

CC: Eliza Alford

DATE: September 23, 2024

SUBJECT: Non-Profit Taskforce, Workgroup on Nonprofit Categories, Context, and Recommendations

On behalf of the workgroup assigned by the taskforce, this workgroup offers this memo to provide the following:

- A brief background on the Non-profit Exemption ("Exemption")
- Summary of Budget Data on the Use of the Exemption by Department Categories
- Key issues and opportunities for the Non-profit Provider Task Force ("NPTF") to consider and address.

Background

Following an investigation by the Philadelphia Office of the Inspector General into spending at the Office of Homeless Services, City Council Majority Leader Katherine Gilmore Richardson championed Bill #240379 during the Spring 2024 City Council Session, ending the Non-profit Exemption ("Exemption"). This special Exemption allowed 12 city departments and offices ("Exempted" departments or offices) to avoid competitive bidding when procuring services from non-profit entities. The Exempted departments and offices include:

1. Division of Housing and Community Development (DCHD)
2. Department of Human Services (DHS)
3. Philadelphia Department of Public Health (PDPH)
4. Department of Parks and Recreation (PPR)
5. Office of Homeless Services (OHS)
6. Department of Behavioral Health and Intellectual disAbility Services (DBHIDS)
7. Office of Adult Services
8. Community Empowerment & Opportunity (CEO)
9. Prisons
10. Commission on Disabilities
11. Commission on Aging
12. Office of the District Attorney (DAO)

[Bill #240379](#) passed in a 15 -2 vote and will become law, effective July 1, 2025, to allow time to plan and implement the law.

Concurrently, Majority Leader Gilmore Richardson [established a Non-profit Provider Task Force](#) to "make much needed reforms in how the City of Philadelphia does business with our

non-profit providers to put the needs of all Philadelphians first." As such, the NPTF's charge includes:

- Conducting a thorough review of existing procurement, contract, and payment processes to identify inefficiencies and areas for improvement;
- Soliciting information and feedback from non-profit and community stakeholders to understand concerns and challenges;
- Conducting research on contract and procurement reforms in other municipalities; and
- Formulating recommendations to streamline business processes, ensuring efficiency, transparency, and support for non-profit service providers.

Which City Agencies Used the Exemption

An analysis of budget data provided by the Mayor's Office shows 436 contracts awarded to 170 vendors under the Non-profit Exemption by ten (10) City agencies (as reflected in **Table 1: Non-Profit Service Categories by Contacting Areas per Budget Data**). Of the ten agencies using the Exemption, three agencies, the Philadelphia Department of Public Health ("Health" or "PDPH"), the Department of Human Services ("DHS"), and the Office of Homeless Services ("OHS"), represented 332 of 436 issued under the Exemption, or 76%. These three agencies fell under the Managing Director of Health and Human Services during the Kenney Administration.

Table 1: Non-Profit Service Categories by Contacting Areas per Budget Data

| Contracting Agency | # of Contracts |
|-------------------------------|---------------------|
| HEALTH | 114 |
| HUMAN SERVICES | 111 |
| OFFICE OF HOMELESS SERVICES | 107 |
| PLANNING & DEVELOPMENT | 41 |
| MAYORS OFFICE COMMUNITY SRV. | 22 |
| OFFICE OF BH-MR SERVICES | 22 |
| DISTRICT ATTORNEY | 7 |
| PARKS & RECREATION | 6 |
| PRISONS | 6 |
| 10 Total Contracting Agencies | 436 Total Contracts |

Source: City of Philadelphia, Budget Data, 2024

The majority of vendors, 87 of 170 (51%), contracted under the Exemption have only one (1) contract. On the other hand, vendors with ten or more contracts represent 6% of vendors and 26% of the total number of contracts. (See **Table 2: Contracts per Vendor under the Exemption**)

Table 2: Contracts per Vendor under the Exemption

| Contracts Per Vendor | Vendors | % of Total Vendors |
|----------------------|---------|--------------------|
| 10 or more | 6 | 4% |

| | | |
|--------|-----|------|
| 3 to 9 | 42 | 25% |
| 2 | 35 | 21% |
| 1 | 87 | 51% |
| Total | 170 | 100% |

Source: City of Philadelphia, Budget Data, 2024

Key issues and opportunities that the NPTF can address

1. **Consistency in the procurement process across all city departments**
2. **Development of efficiencies**
3. **Timeline Requirements for Procurement and Renewals**
4. **Streamline Contract Renewals**
5. **Accountability**

Key Issues:

1. **Consistency:** Procurement practices appear to differ from department to department, giving the appearance that there is no unified system governing the process city-wide and that existing and long-standing department-level practices define the procurement process functions. Contracting timelines, expectations, and timing vary significantly among departments. In addition, some larger departments are equipped with infrastructure to support their contracting requirements and can operate more efficiently. Lastly, there are inconsistencies regarding allowable budgetary items and managing administrative and indirect costs. Federal guidance from the Office of Management and Budget (OMB) will require the City to allow 15% of the agency's Negotiated Indirect Cost Rate Agreement (NICRA) indirect rates to city-based contracts. The City is currently looking into the implementation of this federal requirement.
2. **Efficiencies:** As it stands, there are multiple providers with contracts with numerous departments. These providers are required to provide the same information for each department. Technology and improved communication across the range of actors would aid immensely.
3. **Timelines:** The City sets no required timelines to hold departments accountable and ensure completion of contracting by a specific date. Delays in the contract conformance via procurement or renewals grossly delay payments. The City should establish, adhere to, and enforce public timelines; both providers and departments are accountable for meeting them to ensure the timeliness of contracting.
4. **Renewals:** Renewal contracts are not expedited or managed as renewals; they are handled as if these are new contracts. Renewals must undergo the same process as a newly procured contract, which grossly delays the conformance of a renewal contract and subsequent payment. Renewals should only require confirmation of continuance with a budget approval process. Once the City budget is approved, the department should move swiftly to complete renewals, and there should be no lapse in contracting or payments to providers for renewals.

5. **Accountability:** There is zero accountability for contract and gross payment delays by departments to providers. There is no centralized review by the City to follow up on delays at a department level. There is no public knowledge of the delays. There should be a rating system for departments to demonstrate their timeliness of contracting. The CAO should regularly review delays and work with the department heads to move delayed processes. Currently, providers are left managing on an individual basis, including having to request support from City Council or the Mayor's office to see movement.