

Agenda Report

TO: CITY COUNCIL

DATE: July 20, 1998

FROM: CYNTHIA J. KURTZ, ACTING CITY MANAGER

SUBJECT: APPROVE A SERVICE AGREEMENT WITH PUBLIC HEALTH FOUNDATION ENTERPRISES, INC. FOR MANAGEMENT SERVICES ASSOCIATED WITH GRANT-SUPPORTED ACTIVITIES IN THE PUBLIC HEALTH DEPARTMENT.

RECOMMENDATION

It is recommended that the City Council take the following action(s):

1. Authorize the City Manager to approve a service agreement with Public Health Foundation Enterprises, Inc. (PHFE), beginning in FY 1999, for business and management services associated with grant-supported positions in the Public Health Department at a rate of 8.1% of Total Modified Direct Cost (TMDC).
2. Approve an exemption from formal bidding pursuant to Charter Section 1002 (f), professional or unique services, and grant an exemption from competitive selection pursuant to P.M.C. 4.09.060(C)(1) Best Interest.

SUMMARY

The Pasadena Public Health Department (PPHD) is a grant and fee supported operating department of the City of Pasadena. As such, its operating costs are not paid out of the General Fund; instead, expenditures are financed by the Health Fund, a special revenue fund. PPHD is responsible for delivering public health services in the most effective way possible — ensuring that funds are utilized efficaciously. PPHD could improve its stewardship of public and private monies by maximizing the use of grant revenue. PPHD can also be a more responsible employer by establishing fixed employee terms with personnel who are supported by grants. Through a service agreement with the Public Health Foundation Enterprises, Inc. (PHFE), PPHD can (1) optimize the purchasing power of grant dollars; (2) streamline the employment process while maintaining the commitment to equal employment opportunity practices; (3) establish appropriate, time-limited contractual relationships with personnel hired to perform grant-supported functions; and (4) acquire other administrative and grant writing assistance to augment Public Health Department operations and funding.

BACKGROUND

Grants/contracts which support an agency's budget are traditionally called "soft money" because the funds are only guaranteed on a time-limited basis as core operational income. Terms of most grants are usually restricted in length, and the longevity and magnitude of the funding are subject to cuts and changes as determined by the funding source. Historically, several aspects of personnel hiring and financing practices have caused administrative disadvantages or inefficiencies in managing "soft money" awarded to PPHD for the performance of specific projects/programs. These include:

- (1) Delays in hiring due to technicalities of the City hiring process result in funds being unexpended at the end of the term of the grant;
- (2) Grants may not pay 100% of the benefit rate, so the work effort and costs of a funded program are not entirely supported by the grant;
- (3) The City system has no provision for an employment status for nonpermanent employees with terms greater than a year;
- (4) Once hired, employees are subject to the labor union contracts which govern their job class, and gain privileges and/or benefits which may not be supportable via grant funds and to which the organization cannot commit.

PHFE is a private, non-profit corporation dedicated to furthering the causes and objectives of public health service throughout California. PHFE's overall mission is to promote good health practices and standards, with emphasis on high risk and disadvantaged population groups, by encouraging the development and application of creative methods to advance the quality of health care. PHFE has established significant expertise in providing business support and organization for public health programs throughout California and other states and has a sound reputation for excellent performance on its contracts. In the past 28 years PHFE has provided management, administrative and fiscal services to over 120 public health and education programs. PHFE currently administers 86 programs in a wide range of public health fields with budgets totaling approximately \$61 million. All of PHFE's administrative services are provided in accordance with generally accepted accounting principles and federal, state and county mandates.

PHFE has a long history with emphasis on public health and good health practices and standards which uniquely positions it to support our operation in a way that advances the quality of health care and community health. PHFE is reputable and ethical in its business relations, and 61 other local health departments in Southern and Northern California are utilizing the services of PHFE

For an administrative fee of 8.1% of Total Modified Direct Cost (TMDC), PHFE will enter

into a service agreement with the City of Pasadena to provide business and management services related to managing grant-supported personnel and other administrative activities of the Public Health Department. PHFE will recruit, place, compensate and administer benefits of persons who will serve grant funded projects of the PPHD. Designation of projects where the services of PHFE will be used will be made by the PPHD and the performance of these services and the maintenance of associated records and files will be conducted under the auspices of PPHD.

Existing grants and renewing contracts at the core level will not be subject to PHFE management services. PPHD is primarily interested in obtaining more flexibility and control with new monies or fund enhancements. Funds are normally awarded to accomplish a specific scope of work or set of results in a designated period of time. It is challenging to create a cost effective budget covering personnel costs, to hire rapidly once a grant is approved, and to humanely manage the release of employees when funding is terminated or reduced. Under a service contract with PHFE, these challenges will be mitigated. For instance:

- Flexibility with benefit rates may reduce the cost of each budgeted FTE and permit PPHD to stretch limited grant dollars to cover more FTEs or other operational costs, thereby increasing the service capacity.
- A technically simpler recruitment and hiring process will reduce the time required to fill new positions or modify existing ones, thereby enabling speed and flexibility in bringing qualified personnel on board and spending grant money as designed.
- As employees of PHFE rather than PPHD, new hires will not be part of existing bargaining units and subject, therefore, to the MOUs which govern labor rights and benefits. Equal opportunity hiring practices will still be utilized and the employees will still have access to a generous benefit package. Employee contracts through PHFE will reflect terms and stipulations consistent with the grant award. When a grant is over, employees will be released from duty without refutation.

Financial Advantages

The cost of the service agreement with PHFE is an administrative fee of 8.1% of Total Modified Direct Cost (TMDC). TMDC is Direct Costs less Equipment. The maximum rate for PHFE employee benefits plus their administrative fee is 30.2% of salary. PHFE benefit packages range from basic benefits (mandatory benefits plus EAP) to full benefits (basic benefits plus extended benefits). The specific PHFE benefits and their calculations are attached as Exhibit A to this Agenda Report. PPHD will also have flexibility in establishing position titles unique to the business of public health, and salary ranges which are competitive and fair.

PHFE offers the ability to provide *basic* benefits (FICA, SUI, W/C, EAP) or *full* benefits (basic benefits plus medical, dental, vision, long term disability, life insurance, accidental death & dismemberment, annuity, vacation, sick) to part-time employees. Full-time employees receive the full benefits package. Part-time employees can receive either the basic or the full benefit package, depending on the funding level and other parameters of the grant.

Personnel Impact

Many grant-supported positions which develop in the future will be hired through PHFE under this service agreement. As PPHD seeks new sources of funding or supplements to existing funding, this service agreement gives PPHD more options on how to structure the human resources needed to perform grant-funded services and activities. Funders have been historically critical of the high benefit and burden rate charged by the City, and many funders cap the rate they will pay at a substantially lower level. Some funders are more generous in approving budget allocations for subcontract costs than direct personnel, because personnel are often considered part of an organization's normal operating costs rather than the supplemental costs associated with a new or enhanced service.

PPHD budgeted FTEs have grown 22% since 1990. Hiring more permanent employees when funding is so fragile is neither fully responsible to funders, nor to the individuals hired. Holding the line on direct personnel costs is frugal and wise, when such a flexible and manageable alternative exists for staffing grant-supported projects.

Letters of Agreement have been signed with the American Federation of State County, and Municipal Employees (AFSCME), and with the United Public Employees of California (PACTE) stipulating that there will be no adverse impact on represented employees during the term of the current MOUs as a result of the service agreement with PHFE. Bargaining negotiations on future MOUs will address potential future impacts. A signed agreement with the Pasadena Management Association (PMA) stipulates the right to meet and confer on any adverse impact on positions represented by PMA.

Other Advantages

Under this relationship with PHFE, PPHD will have access to other valuable services such as assistance with grant writing, short or long-term contract employee or consultant relationships, grants accounting and administration services, and others.

General Terms of Agreement

A service agreement with PHFE can begin with as few as one grant and can be expanded as

need demands. The term of the service agreement will commence at execution and continue through the end of FY 1999, thereafter renewable annually for a period of five years, based upon evaluation and satisfaction of PHFE and PPHD and funding appropriations.

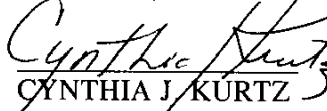
AFFIRMATIVE ACTION

An exemption from competitive bidding is requested pursuant to Charter Section 1002(f) since this service agreement with PHFE is for professional and unique services. Moreover, no other agencies are known to provide the breadth of experience, services, and qualifications of PHFE at a comparable price. For these reasons, this agreement is requested to also be exempted from competitive selection pursuant to P.M.C. 4.09.060(C)(2). The cost and time associated with developing a formal bid or request for proposal process is counter to the best interests of the City, which would be served by contracting with PHFE as soon as possible so the benefits of its services can be realized in FY 1998.


FISCAL IMPACT


This action by City Council will have no bottom line impact on estimated revenues and appropriations in the Health Fund, although it may affect how funds are expended.

Respectfully submitted,

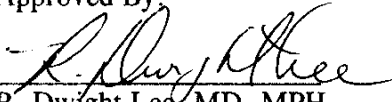

CYNTHIA J. KURTZ
Acting City Manager

Prepared By:


for Wilma J. Allen
Public Health Administrator

Concur: 
Gale E. Harrison
Director of Human Resources

Approved By:


R. Dwight Lee, MD, MPH
Health Officer and Director of Public Health