

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

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TO: Budget and Finance Committee
FROM: Budget and Legislative Analyst 
SUBJECT: April 8, 2026 Budget and Finance Committee Meeting

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Item 1 File 26-0213	Department: Airport
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EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve the first modification to the contract between the San Francisco International Airport (Airport) and Covenant Aviation Security (Covenant), increasing the not-to-exceed amount by \$10.5 million, for a total not to exceed \$20.3 million and exercising the first two-year option to extend the contract through June 30, 2028, with one two-year option to extend remaining.

Key Points

- In December 2023, the Airport issued a Request for Proposals (RFP) to award a contract for General Airport Security Services. The Airport received three proposals, and Covenant was deemed the highest scoring proposer. In May 2024, the Airport Commission approved a contract with Covenant for a two-year term, from July 1, 2024 through June 30, 2026, for an amount not to exceed \$9,800,000, and two 2-year options to extend through June 2030.
- Under the proposed amendment, Covenant will continue to provide trained security guards at designated pre- and post-security locations throughout the Airport and support security operations through activities such verifying Airport ID badges, inspecting employees and their belongings, screening deliveries and vehicles entering restricted areas, and conducting random aviation worker screening. The proposed modification updates service locations and adjusts daily staffing hours at certain posts.
- Contractor performance is governed by applicable Transportation Security Administration (TSA) requirements, including implementation of randomized screening measures in accordance with federal security directives and regulations. The Airport states the contractor demonstrated reliable performance and compliance with the operational and reporting requirements outlined in the contract and TSA directives.

Fiscal Impact

- The proposed total not to exceed amount of \$20.3 million includes a three percent contingency and is funded by Airport operating revenues.
- Projected Year 3 and 4 expenditures are \$5.7 million and \$5.9 million respectively and are based on projected increases in hourly rates and fringe benefits, staffing levels, and other direct costs.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

City Charter Section 9.118(b) states that any contract entered into by a department, board, or commission that (1) has a term of more than ten years, (2) requires expenditures of \$10 million or more, or (3) requires a modification of more than \$500,000 is subject to Board of Supervisors approval.

BACKGROUND

The Federal Transportation Security Administration (TSA) requires all commercial service airports to maintain a TSA-approved Airport Security Program providing trained security guard and inspection services throughout terminals and exit points. Under this program, airports must inspect all deliveries, merchandise, consumables, and employees accessing the Sterile Area, which is situated past the screening checkpoints.

In December 2023, the San Francisco International Airport (Airport) issued a Request for Proposals (RFP) to award a contract for General Airport Security Services. The Airport received three proposals and a three-member evaluation panel scored them, as shown in Exhibit 1 below.¹

Exhibit 1: Proposals and Scores from RFP

Proposer	Written Proposal Score (out of 300)	Oral Interview Score (out of 90)	Total Score (out of 390)
Covenant Aviation Security, LLC	290.0	84	374.0
Allied Universal Security Services	287.8	79	366.8
HSS California, Inc.	174.3	0	174.3

Source: Airport

Covenant Aviation Security (Covenant) was deemed the highest scoring proposer. In May 2024, the Airport Commission approved a contract with Covenant for a two-year term, from July 1, 2024 through June 30, 2026, for an amount not to exceed \$9,800,000, and two 2-year options to extend through June 2030. The contract did not require Board of Supervisors approval because it did not exceed 10 years or \$10 million. In February 2026, the Airport Commission approved the first modification to the contract, which is the subject of the proposed resolution.

Controller’s Certification

Historically, the services have been certified by the Controller's Office and approved by the Board of Supervisors as work that can be contracted out at a lower cost than similar work performed by City employees (per requirements under City Charter Section 10.104.15). In April 2024, the Controller’s Office determined these services met Charter requirements. In June 2024, the Board of Supervisors approved a resolution concurring with the Controller's certification allowing the Airport to contract with private companies for airport security services (File 24-0460).

¹ The evaluation panel consisted of a Deputy Chief Security Officer at San Francisco Municipal Transportation Agency, a 911 Dispatch Manager at San Francisco International Airport, and an Aviation Security Manager at Oakland International Airport.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the first modification to the contract between the Airport and Covenant, exercising the first two-year option to extend the contract through June 30, 2028, and increasing the not-to-exceed amount by \$10.5 million, for a total not to exceed \$20.3 million.

Services

Covenant will continue to provide trained security guards at designated pre- and post-security locations throughout the Airport, including boarding areas, select exit lanes, a bypass door, two administrative office buildings and the public-accessible rooftop viewing deck in Terminal 2. Guards will support security operations by verifying Airport identification badges, inspecting employees and their belongings, screening vendor deliveries and merchandise, and monitoring vehicles entering restricted areas. As needed, guards may also conduct employee screening during construction activities and assist with employee checkpoint screening and exit lane monitoring when TSA screening is not active. These activities apply only to Airport employees and do not include passenger screening. Guards will also conduct random Aviation Worker Screening² in accordance with TSA requirements and document daily activities in compliance with TSA and Airport security regulations.

The proposed modification updates service locations and adjusts daily staffing hours at certain posts to reflect current operational needs at the Airport.

Staffing and Other Direct Costs

The contract establishes direct labor costs per employee and staffing levels for front line (guards and lead guards) and supervisory staff, all of whom are Quality Standard Program (QSP) workers.³ The proposed modification does not modify the hourly rates and/or the number of FTE positions. However, over the two-year extension, the Airport projects an increase in total FTE from 51 to 57 (which includes the addition of three guard and three supervisor positions) and hourly rate increases of ten percent for guards and four percent for supervisors from Year 2 to 3 and four percent from Year 3 to 4 for all positions (as shown in Exhibit 2 below). According to the Airport, the increase in guard staffing is needed to accommodate the addition of a Vendor Screening Checkpoint at Terminal 1, an additional bypass door post, and meet the TSA Aviation Worker Screening directive, which requires extended screening hours for compliance. The increase in supervisor staffing reflects expanded Aviation Worker Screening responsibilities, enhanced operational oversight, and the need for coverage during supervisor leave.

² Per the TSA directive, aviation workers are subject to increased screening for unauthorized weapons, explosives, and incendiaries.

³ The QSP was established by the Airport Commission and sets requirements for Safety; Health; Hiring Practices; Training; Equipment Standards; and Compensation and Benefits. The QSP applies to any firm, including airlines and service providers, which employs staff that perform services which directly impact safety and/or security at the Airport.

The Airport states that increases in hourly rate and fringe benefits reflect projected adjustments from upcoming QSP collective bargaining agreements and potential cost-of-living increases, as well as Kaiser healthcare cost projections. The rates for all staff are currently above the projected QSP minimum rate of \$22.54 per hour (effective July 1, 2026).⁴ The contractor must also comply with the City's prevailing wage requirements for security guards.

In addition, the proposed modification increases other direct costs by \$172,000 over the two-year extension period because of the addition of consumable cards (test strips)⁵, which are required by the TSA to be used during Aviation Worker Screenings.

The management fee remains fixed at \$816,864 annually, or \$68,072 per month.

Local Business Enterprise Requirements

Covenant is required to utilize at least 5.5 percent Local Business Enterprise (LBE) subcontracting participation. As of March 2026, Covenant reports a 2.94 percent LBE achievement. The City's Contracts Monitoring Division is responsible for monitoring LBE subcontracting participation.

Performance Monitoring

According to the Airport, contractor performance is governed by applicable TSA requirements including implementation of randomized screening measures pursuant to TSA security directives and regulatory requirements under federal law. The Airport does not impose additional performance criteria or conduct independent monitoring beyond these federal standards.

Under the contract, the contractor must submit any written reports if requested by the Airport, and in accordance with TSA directives, Covenant submits weekly Total Random Inspection (TRI) hours reports to both TSA and the Airport. If the contractor's required TRI hours submitted to TSA and the Airport are not met, TSA may issue a Letter of Investigation (LOI) to the Airport, which could result in formal findings.

The Airport has not received any LOIs or findings related to noncompliance, indicating that the required inspection hours have been consistently met and reported. According to the Airport, the contractor has demonstrated reliable performance and compliance with the operational and reporting requirements outlined in the contract and TSA directives.

FISCAL IMPACT

The proposed first modification would increase the not-to-exceed amount of the contract by \$10.5 million, for a total not to exceed \$20,300,000. Actual and projected contract expenditures from July 2024 through June 2026 are \$8,733,368, as shown in Exhibit 2 below. The not to exceed amount of \$20,300,000 reflects the proposed budget below rounded to the nearest \$100,000.

⁴ The QSP rate changes every year, such that the minimum hourly wage is at all times \$0.50 an hour above the current San Francisco Minimum Wage. According to the Airport, the Office of Labor and Standards Enforcement has not published the updated minimum compensation rate for FY 2026-27. The new rate is anticipated to be confirmed in March 2026.

⁵ These are disposable, single-use strips used to detect traces of explosives.

Exhibit 2: Total Contract Expenditures from July 1, 2024 through June 30, 2028⁶

	Year 1 (FY 2024-2025)	Year 2 (FY 2025-2026)	Year 3 (FY 2026-2027)	Year 4 (FY 2027-2028)	Total
Guard Hourly Rate	\$23.21	\$24.14	\$26.50	\$27.56	
Guard FTE	45	45	48	48	
Guard Wages	\$2,172,456	\$2,259,354	\$2,645,760	\$2,751,590	\$9,829,161
Lead Guard Hourly Rate	\$26.51	\$27.57	\$27.99	\$29.11	
Lead Guard FTE	1	1	1	1	
Lead Guard Wages	\$55,141	\$57,346	\$58,219	\$60,548	\$231,254
Supervisor Hourly Rate	\$27.31	\$28.40	\$29.52	\$30.70	
Supervisor FTE	5	5	8	8	
Supervisor Wages	\$284,024	\$295,385	\$491,213	\$510,861	\$1,581,483
Pay Differentials (Overtime, Premium Pay, Holiday Pay, Other Pay Differential) ⁷			\$357,912	\$348,248	\$706,160
<i>Wages Subtotal</i>	<i>\$2,511,621</i>	<i>\$2,612,086</i>	<i>\$3,553,104</i>	<i>\$3,671,248</i>	<i>\$12,348,058</i>
Management Fee (\$68,072/month)	\$816,864	\$816,864	\$816,864	\$816,864	\$3,267,456
Phone (\$750/month)	9,000	9,000	9,000	9,000	36,000
Consumable Card Strip			77,000	95,000	172,000
Health Insurance/Benefits	978,967	978,967	1,024,005	1,111,045	4,092,984
<i>Non-Wage Subtotal</i>	<i>\$1,804,831</i>	<i>\$1,804,831</i>	<i>\$1,926,869</i>	<i>\$2,031,909</i>	<i>\$7,568,440</i>
Contingency (3%)			175,000	175,000	350,000
Total	\$4,316,452	\$4,416,917	\$5,654,973	\$5,878,157	\$20,266,498

Source: Airport

As shown above, proposed Year 3 and 4 expenditures are budgeted at \$11,533,130, which is an increase of 32 percent from Year 1 and 2 expenditures of \$8,733,368. The Airport states that projected Year 3 and 4 expenditures are based on projected increases in hourly rates and fringe benefits, as well as staffing levels (as previously mentioned), and other direct costs.

Actual and projected spending from Year 1 to 2 is \$1,066,632 less than the existing not to exceed amount (\$9,800,000). According to Airport staff, this is due to lower operational needs, as the TSA Aviation Worker Screening program had not yet been implemented and explosive detection devices requiring consumable test strips were not yet in use. As a result, operational and screening costs were lower during this period.

The proposed modification also includes an approximately three-percent contingency to accommodate unexpected costs in areas such as training, random inspections, and responses to unplanned TSA security directives.

⁶ Wages for all positions are calculated using 2,080 hours per year as the baseline

⁷ The Airport states that these costs were included under "Wages" for Years 1 and 2.

According to Appendix B of the contract, the Airport will reimburse the contractor for actual costs, supported by documentation, except for the management fee which is a fixed monthly payment.

The contract is funded by Airport operating revenues.

RECOMMENDATION

Approve the proposed resolution.

<p>Item 2 File 26-0212</p>	<p>Department: Public Utilities Commission (PUC)</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would authorize the San Francisco Public Utilities’ Commission (SFPUC) to participate in California Community Power’s (CC Power) procurement of the Willow Rock Long Duration Storage (LDS) Project by (1) entering into the Buyer Liability Pass Through Agreement and (2) entering into the Willow Rock Long Duration Storage Project Participation Share Agreement, for a contract duration of 20 years, from approximately July 2030 through June 2050, for a total amount not to exceed \$75,900,000. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • CleanPowerSF is a member of the CC Power Joint Powers Authority. CC Power selected the Willow Rock LDS Project to provide long duration energy storage to participating members following a Request for Offers and to comply with a California Public Utilities Commission (CPUC) order to procure such energy storage capacity by 2026 to support grid reliability. LDS would allow CleanPowerSF to store energy when it is abundant (such as the middle of the day when solar is available) and discharge it when demand for electricity is high and generation from resources like solar has tapered off. • The Board of Supervisors previously approved CleanPowerSF’s participation in two other LDS projects. Although the Tumbleweed project is on track to begin commercial operations by June 2026, the Goal Line project was terminated in July 2025 due to vendor default. • CleanPowerSF’s share of the Willow Rock LDS Project’s capacity (11.5 megawatts) together with CleanPowerSF’s share of the Tumbleweed LDS Project (12.045 megawatts) more than covers CPUC’s requirement of 15.5 megawatts of qualifying capacity. • The Project Participation Share Agreement authorizes CC power to purchase storage capacity from the Willow Rock LDS Project on behalf of the participating members, and the Buyer Liability Pass Through Agreement defines CleanPowerSF’s obligation to make its share of the monthly payment owed to the Willow Rock LDS Project. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • CleanPowerSF would make monthly payments for the Willow Rock LDS Project over 20 years. CleanPowerSF would have a total cost not to exceed \$75,900,000, or \$3,795,000 per year, which includes a potential step-up payment in case other participating members default. The monthly costs may be offset with project revenues. CleanPowerSF’s payments for the LDS Willow Rock Project are funded by ratepayer revenues <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolution. 	

MANDATE STATEMENT

City Charter Section 9.118(b) states that any contract by a department, board or commission that (1) has a term of more than ten years, (2) requires expenditures of \$10 million or more, or (3) requires a modification of more than \$500,000 is subject to Board of Supervisors approval.

Administrative Code Section 21.43(c) delegates authority to the General Manager of the SFPUC to enter into purchase of power and related products using contracts with terms over 10 years or requiring expenditures of \$10 million or more as long as the contract term does not exceed 25 years and annual expenditures for all agreements entered into under the delegated authority does not exceed \$300 million per year.

BACKGROUND

CleanPowerSF, operated by the San Francisco Public Utilities Commission (SFPUC) Power Enterprise, provides electricity generated from renewable sources to approximately 385,000 San Francisco customers. CleanPowerSF began serving customers in 2016 following enactment of California Public Utilities Code Sections 331.1(c) and 366.2 in 2002 authorizing local governments to create community choice aggregators to provide electricity to participating customers using the existing investor-owned utility's billing, transmission, and distribution infrastructure. In 2021, the Board of Supervisors authorized CleanPowerSF to join a 10-member Joint Powers Agency (JPA) with other community choice aggregators in Northern and Central California (File 20-1344). The JPA, called California Community Power, or "CC Power," was formed in April 2021.¹

In June 2021, the California Public Utilities Commission (CPUC) issued a new procurement order to increase electricity system reliability by requiring electricity retailers to bring online an additional 11,500 megawatts of energy storage and renewable generation resources between 2023 and 2026 to meet grid reliability needs, including 1,000 megawatts of long duration energy storage (LDS). LDS is a technology that can store energy and then discharge it for at least eight hours at its maximum rated capacity. LDS would allow CleanPowerSF to store energy when it is abundant (such as the middle of the day when solar is available) and discharge it when demand for electricity is high and generation from resources like solar has tapered off. Under the order, CleanPowerSF was required to procure 15.5 megawatts of Net Qualifying Capacity (NQC) of LDS resources by 2026.

In March 2026, the CPUC issued another procurement order, requiring CleanPowerSF and other power suppliers under its jurisdiction to procure additional LDS and other resources. CleanPowerSF's share of the new order includes an additional 27 megawatts of Net Qualifying Capacity of LDS and/or Firm Clean Resources by 2032.

¹ The JPA members include CleanPowerSF; Ava Community Energy (Alameda County, formerly known as East Bay Community Energy); Central Coast Community Power (Monterey, San Benito, Santa Cruz, San Luis Obispo, and Santa Barbara Counties); Redwood Coast Energy Authority (Humboldt County); Peninsula Clean Energy (San Mateo County); San Jose Clean Energy (City of San Jose); Silicon Valley Clean Energy (Santa Clara County); Sonoma Clean Power (Sonoma and Mendocino Counties); and Valley Clean Energy (Yolo County). Marin Clean Energy Authority (Contra Costa, Marin, Napa, and Solano Counties) was previously a member of CC Power.

In 2022, following a Request for Offers (RFO) issued in 2020, CC Power approved LDS contracts with the Tumbleweed LDS Project and Goal Line Battery Energy Storage System 1, LLC (Goal Line). The Board of Supervisors approved CleanPowerSF's participation in these projects (Files 22-0145, 22-0331). Although the Tumbleweed project is on track to begin commercial operations by June 2026, the Goal Line project was terminated in July 2025 due to vendor default.

In anticipation of additional procurement needs, CC Power issued a new RFO in 2024 and received offers from 30 LDS projects. After initial discussions with the highest scoring proposers, CC Power decided to negotiate with Hydrostor for the Willow Rock LDS Project because of its portfolio technology diversity benefits and higher project viability. The Willow Rock LDS Project uses a compressed air energy-storage battery (as discussed below), unlike the other proposed projects which use lithium-ion batteries. In January 2026, the CC Power Board approved the Willow Rock Energy Storage Agreement.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize CleanPowerSF to participate in CC Power's Willow Rock LDS Project. This authorization covers two agreements, including (1) the Buyer Liability Pass Through Agreement, and (2) the Willow Rock LDS Project Participation Share Agreement, for a term of 20 years from approximately July 2030 through June 2050, for a total not to exceed \$75,900,000.

Although the SFPUC General Manager has delegated authority to approve contracts related to the purchase of power under Administrative Code Section 21.43, the SFPUC has committed to bringing contracts to the Board of Supervisors for approval if time allows according to SFPUC staff. Therefore, the SFPUC is seeking Board of Supervisors' approval for the proposed agreements.

LDS Project Agreements

Participation in the project is voluntary for CC Power members. Participating members include CleanPowerSF, Peninsula Clean Energy, Redwood Coast Clean Energy, San Jose Clean Energy, Silicon Valley Clean Energy, and Valley Clean Energy. CleanPowerSF's share of the Willow Rock LDS Project's capacity of 11.5 megawatts exceeds CleanPowerSF's share of the terminated Goal Line energy storage facility, which was 10.75 megawatts. CleanPowerSF's share of the Willow Rock LDS Project's capacity (11.5 megawatts) together with CleanPowerSF's share of the Tumbleweed LDS Project (12.045 megawatts) more than covers CPUC's requirement of 15.5 megawatts qualifying capacity.² Any excess capacity CleanPowerSF receives from the Willow Rock LDS Project can be used towards future compliance obligations for this resource type, including the incremental LDS capacity ordered by the CPUC in March 2026.

The Willow Rock LDS Project, located in Rosamond, California (Kern County), consists of a 500-megawatt to-be-constructed compressed air energy storage battery with eight hours of

² CleanPowerSF's share of the two facilities covers 128 percent of CPUC's requirement of 15.5 megawatts NQC after being adjusted by the resource's Effective Load Carrying Capability, which is a measure of a resource's reliability contributions and varies by technology type and the year a resource reaches commercial operation.

discharge capacity (4,000 megawatt-hours of energy storage).³ CC Power’s share of the project is 50 megawatts. The Project is expected to be operational by July 2030.

Energy Storage Agreement

The Energy Storage Agreement is between CC Power and the Willow Rock LDS Project and is for 20 years from the date of commercial operation of the project in approximately July 2030. The agreement provides for a guaranteed 50 megawatts of capacity at eight hours of continuous discharge. CC Power would pay a fixed price each month with no escalation. CC Power would be entitled to the Resource Adequacy capacity and Top-Bottom 4 (TB4) CAISO market settlement revenues.⁴

The Energy Storage Agreement sets performance standards, progress reporting requirements, and requirements for project completion and electricity availability.

Project Participation Share Agreement

The Project Participation Share Agreement is between CC Power and the six participating members for the term of the Energy Storage Agreement. This agreement authorizes CC Power to purchase energy storage capacity from the Willow Rock LDS Project and specifies the costs and benefits for each member. Each participating member is entitled to the following share of project capacity:

Exhibit 1: Entitlement Share of Total Project Capacity

Participating Agency	Project Allocation (MW)	Project Allocation (%)
CleanPowerSF	11.5	23%
Peninsula Clean Energy	15.0	30%
Redwood Coast Energy Authority	3.1	6.2%
San Jose Clean Energy	12.0	24%
Silicon Valley Clean Energy	5.7	11.4%
Valley Clean Energy	2.7	5.4%
Total	50.0	100%

Source: SFPUC

Under the agreement, CC Power prepares the annual budget for the Willow Rock LDS Project, maintains financial records, and issues quarterly reports. The agreement defines the terms by which each participating member makes their monthly share of payments to the project. The agreement specifically states that the San Francisco payment obligations are limited to CleanPowerSF and are not obligations of SFPUC or the City.

The agreement also requires each member to increase its commitment if another member defaults and is removed from the agreement. The step-up payment is capped at 25 percent of

³ According to SFPUC, the project uses energy from the grid to create compressed air that is stored underground and covered with water. When energy is needed, the water is released, and air returns to the surface and is pushed through a turbine to generate electricity.

⁴ TB4 revenues occur when a battery storage operator charges during the four cheapest hours of the day for power and then discharges during the four most expensive hours, allowing for arbitrage opportunities.

the participating member's share, so therefore CleanPowerSF's step-up payment would not exceed 125 percent of CleanPowerSF's total share of the Willow Rock Project monthly payment.

Buyer Liability Pass Through Agreement

The Buyer Liability Pass-Through Agreement is between the Willow Rock LDS Project as the energy seller, CC Power as the energy buyer, and CleanPowerSF as the project participant. Each participant in the Willow Rock LDS Project is required to enter into a Buyer Liability Pass-Through Agreement, which is an appendix to the Energy Storage Agreement. The agreement defines CleanPowerSF's obligation to make its share of the monthly payment to CCPower for its Willow Rock LDS Project share and incorporates the City's Administrative Code contracting requirements.

FISCAL IMPACT

CleanPowerSF would make monthly payments for the Willow Rock LDS Project over 20 years, starting with commercial operation of the project in approximately July 2030. Over the 20-year term of the agreement, CleanPowerSF would have a total cost not to exceed \$75,900,000, or \$3,795,000 per year, inclusive of the 25 percent step up amount should another participating member default. As noted above, CleanPowerSF's annual costs could increase by up to 25 percent if another participating member defaults. The monthly costs may be offset with project revenues.

CleanPowerSF's payments for the LDS Willow Rock Project are funded by ratepayer revenues.

RECOMMENDATION

Approve the proposed resolution.

Item 3 File 26-0237	Department: Department of Technology (DT)
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would approve the third amendment between the Department of Technology (DT) and Mythics LLC (Mythics) for the purchase of Oracle products, increasing the agreement by \$34,587,831 for an amount not to exceed \$94,587,831, and extending the term for 31 months for a total term of May 1, 2021 through November 30, 2028. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • In April 2021, the Board of Supervisors approved a contract between DT and Mythics for the purchase of Oracle products, for a five-year term from May 2021 through April 2026 and an amount not to exceed \$60 million, with one five-year option to extend through April 2031. • Under the proposed amendment, the contract allows City departments to continue purchasing Oracle products through Mythics at discounted rates, including software licenses, cloud-based services, hardware, and related maintenance and support. The proposed amendment establishes annual price escalation caps of up to four percent for on-premise maintenance and support and up to five percent for cloud subscriptions, subject to manufacturer price increases. • The contract includes service level requirements for availability and responsiveness, including monthly service targets and defined response times for priority incidents, with service credits available if monthly availability falls below 99.7 percent. According to DT, Oracle has consistently met or exceeded the 99.7 percent availability threshold. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The proposed amendment increases the not-to-exceed contract amount by \$34,587,831 from \$60,000,000 to \$94,587,831. • Projected expenditures for the proposed extension are based on FY 2024–25 spending of \$13.3 million, with annual increases of four percent consistent with negotiated pricing, and a 10 percent contingency. The contract is funded by the annual operating budgets of various City departments purchasing Oracle products. Historically, 71 percent of spending is from the General Fund. • DT estimates that the negotiated discounts under the proposed amendment would avoid at least \$2.9 million in additional costs over the 31-month extension period compared to Oracle’s initial proposed pricing. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolution. 	

MANDATE STATEMENT

City Charter Section 9.118(b) states that any contract entered into by a department, board or commission that (1) has a term of more than ten years, (2) requires expenditures of \$10 million or more, or (3) requires a modification of more than \$500,000 is subject to Board of Supervisors approval.

BACKGROUND

Mythics LLC (Mythics) is an Oracle-authorized reseller and systems integrator¹ that helps organizations buy, implement and manage Oracle products. In April 2021, the Board of Supervisors approved a contract between the Department of Technology (DT) and Mythics for the purchase of Oracle products, for a five-year term from May 2021 through April 2026 and an amount not to exceed \$60 million, with one five-year option to extend through April 2031 (File 21-0282). DT selected Mythics for the purchase of Oracle products based on the results of a competitive procurement process conducted by Maricopa County, Arizona on behalf of all government agencies in the United States as allowable under the City's Administrative Code Section 21.16(b). The contract was designed to streamline procurement and reduce costs by consolidating City Departments' purchases under a single enterprise agreement, providing for greater discounts than individual procurements.

In April 2023 and September 2024, DT approved the first and second amendments to the contract to document the contractor's change of name from Mythics, Inc. to Mythics, LLC and to terminate certain licenses to reduce support services costs. The first and second amendments did not increase the amount or term of the contract. DT now proposes extending the agreement by 31 months through November 30, 2028.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the third amendment between DT and Mythics for the purchase of Oracle products, increasing the agreement by \$34,587,831 for an amount not to exceed \$94,587,831 and extending the term for 31 months for a total term of May 1, 2021 through November 30, 2028.

DT is extending the term for 31 months instead of exercising the five-year option to align the City's contract with the expiration of the Maricopa County cooperative contract in November 2028. City requirements prohibit a piggybacked agreement from exceeding the term of the originating solicitation.

Products and Services

Under the proposed amendment, the contract will allow City departments to continue purchasing Oracle products through Mythics at a discounted rate. The products and services covered by the contract include software licenses (e.g., database and enterprise applications),

¹ A systems integrator is a vendor that procures, configures, and integrates hardware, software, and cloud services into a unified system, and may provide ongoing implementation and support services.

cloud-based services (SaaS, PaaS, and IaaS)², hardware (e.g., servers, storage and networking equipment) and related support, and ongoing maintenance and support services. The contract also provides for license management services, such as renewal tracking and support for adding or removing products based on the City's needs. Major systems provided by Oracle include PeopleSoft (human resources), Primavera (capital project controls), and SFPUC customer billing.

The proposed amendment includes a clause requiring the vendor to identify any Oracle cloud services that include artificial intelligence functionality prior to purchase. The City is prohibited from procuring cloud services that include such functionality because Oracle's terms governing generative AI functionality are not acceptable to the City.³

Discount Structure and Pricing Provisions

Appendix D-1 of the contract establishes minimum and maximum discount ranges off Oracle list prices by product category, including hardware, software, and cloud services. The proposed amendment does not change the overall discount structure. The contract provides for software and SaaS services discounts ranging from 35 percent to 80 percent, while hardware discounts vary by product type and range from 10 percent to 45 percent. Discounts for infrastructure cloud services (IaaS/PaaS) are up to 15 percent. The contract includes a Most Favored Customer clause requiring notice of and access to comparable pricing offered to similar public customers.

Under the existing contract, the City received a price freeze on software and hardware support for existing licenses through May 30, 2025. The proposed amendment establishes annual price escalation caps of up to four percent for on-premise maintenance⁴ and support and up to five percent for cloud subscriptions, contingent on manufacturer price increases. According to DT, these caps reflect negotiated reductions from Oracle's initial proposed increases of eight percent for on-premise maintenance and support and ten percent for cloud subscriptions, which are consistent with market benchmarks.

Spending by Department

Since FY 2020-21, the Controller's Office has spent the most of any department (\$17.6 million), followed by the Department of Technology (\$13.1 million) and the Public Utilities Commission (\$7 million). These three departments account for approximately 77 percent of encumbrances over the period. Exhibit 1 below shows department encumbrances to date from FY 2020-21 to FY 2025-26 (as of October 30, 2025).

² SaaS (Software as a Service), PaaS (Platform as a Service), and IaaS (Infrastructure as a Service) are cloud-based service models that provide software applications, development platforms, and computing infrastructure, over the internet.

³ Per DT, Oracle's AI terms permit the use of third-party AI tools that are not subject to the City's standard contractual protections, including nondisclosure, data security, privacy, and indemnification requirements. Use of these tools would subject the City to separate third-party terms, and Oracle and Mythics declined to identify which products included AI functionality. Consequently, the City excluded Oracle AI products and related terms from the agreement.

⁴ This refers to ongoing support and updates for software or hardware that is installed and operated on the City's own servers (not in the cloud).

Exhibit 1: Departmental Encumbrances from FY 2020-21 to FY 2025-26 (as of October 30, 2025)

Department	FY 2020-21 (2 months)	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26 (4 months)
City Administrator		\$67,840	\$32,625			
Airport		779,986	787,766	1,147,093	1,219,748	1,208,934
Controller's Office	1,241,323	4,077,108	4,226,721	2,591,186	3,705,635	1,780,261
Building Inspection	40,077	106,415	77,934	70,015	70,015	72,816
Emergency Management					94,084	
Public Works	4,361	2,423	2,423	2,423	3,241	
Human Services			266,223	113,353	600,001	
Police		620,437	620,437	620,437	565,274	433,294
Port	189,978	189,978	200,569	213,106	203,463	
Public Utilities Commission	376,530	1,002,879	1,021,705	626,349	2,480,534	1,455,126
Retirement						663,882
Department of Technology	779,129	1,504,242	2,205,754	2,176,283	4,323,817	2,122,508
Total	\$2,631,398	\$8,351,309	\$9,442,159	\$7,560,246	\$13,265,812	\$7,736,821

Source: Department of Technology

City departments purchasing licenses under the contract would seek approval from DT to ensure the purchase can meet the City’s cybersecurity and other technical requirements. Once approved by DT, the requesting department would send a requisition to the Office of Contract Administration (OCA), which would process the purchase order on behalf of the requesting department. The requesting department would then pay Mythics directly after receiving the product(s) and invoice(s). DT manages the contract and ensures the City does not exceed the contract’s not-to-exceed amount.

Performance Monitoring

The contract includes terms and conditions to hold the vendor accountable for service availability and responsiveness, including monthly availability service level targets and defined response times for priority-level incidents. The City is eligible for service credits if monthly availability falls below 99.7 percent. According to DT, Oracle has consistently maintained availability at or above 99.7 percent.

FISCAL IMPACT

The proposed amendment increases the not-to-exceed contract amount by \$34,587,831 from \$60 million to \$94,587,831. As of June 30, 2025, \$41,250,924 had been spent on the contract with projected expenditures of \$11,497,037 through the end of the existing term in April 2026 (88 percent of current total amount). The projected remaining contract authority of \$7.3 million together with the proposed increase of approximately \$34.6 million provides funding for the

proposed extension through November 2028. The basis for the spending is outlined below in Exhibit 2.

Exhibit 2: Estimated Contract Costs

Year	Software Support for Existing On-Premise Licenses and Hardware and Software Licenses⁵	Cloud Services (including SaaS, IaaS and PaaS)	Total
FY 2020-21 – May and June 2021 (Actual)	\$1,617,121	\$1,014,277	\$2,631,398
FY 2021-22 (Actual)	7,330,867	1,020,442	8,351,309
FY 2022-23 (Actual)	8,319,814	1,122,345	9,442,159
FY 2023-24 (Actual)	5,491,927	2,068,319	7,560,246
FY 2024-25 (Actual)	7,433,182	5,832,630	13,265,812 ⁶
FY 2025-26 (Projected)	10,071,404	3,725,040	13,796,444
FY 2026-27 (Projected)	10,474,261	3,874,042	14,348,302
FY 2027-28 (Projected)	10,893,231	4,029,003	14,922,234
FY 2028-29 (Projected) – July to November 2029	4,720,400	1,745,902	6,466,302
Contingency (10%) ⁷			3,803,625
Total	\$66,352,207	\$24,431,999	\$94,587,831

Source: Department of Technology

DT calculated projected expenditures for the proposed extension based on FY 2024-25 spending of \$13,265,812 as the baseline with annual increases of four percent, and a 10 percent contingency to account for variability in departmental needs. As previously mentioned, the annual increases were based on pricing negotiations with the vendor. Projected expenditures also reflect an assumed allocation of 73 percent to software and hardware support and licenses

⁵ According to DT, this includes software and hardware support services and new software applications licenses (such as Java)

⁶ According to DT, the increase in FY2024–25 is primarily attributable to enterprise application modernization, including cloud migrations and system expansions across departments. This includes SFPUC’s migration of systems to the cloud, DT’s platform enhancements and centralized cloud infrastructure management, the Controller Office’s transition of PeopleSoft infrastructure to Oracle Cloud, and product expansion at the Human Services Agency.

⁷ The contingency reflects 10 percent of projected expenditures during the extension period (May 2026 to November 2028)

and 27 percent to cloud services, consistent with the average distribution of historical spending from FY 2020–21 through FY 2024–25.

DT anticipates continued expansion of Oracle products through migration to Oracle Cloud Infrastructure.⁸ The Controller’s Office, Fire Department, and Retirement System plan to expand cloud services, which may result in increasing cloud-related costs and declining on-premise costs over time.

Cost Avoidance

DT estimates that the discounts negotiated under the proposed amendment (as previously mentioned) would avoid at least \$2.9 million in additional costs over the 31-month extension period compared to Oracle’s initial proposed increases.

Funding Source

The contract is funded by the annual operating budgets of various City departments purchasing Oracle products. Historical spending by department (as shown in Exhibit 1) indicates that approximately 71 percent of contract spending is funded by the General Fund and 29 percent is funded by enterprise and other special revenues.

RECOMMENDATION

Approve the proposed resolution.

⁸ According to DT, City departments utilize a range of cloud infrastructure providers, including Amazon Web Services (AWS) and Microsoft Azure, based on operational and technical needs. Departments not represented in Exhibit 1 may procure cloud services independently or use non-Oracle platforms.

<p>Item 4 File 26-0241</p>	<p>Department: Public Health</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> The proposed resolution retroactively authorizes DPH to accept and expend a \$7,958,078 California Board of State and Community Corrections (BSCC) Cohort 5 Proposition 47 grant agreement to fund the Supporting Treatment & Reducing Recidivism (STARR) program for the period of October 1, 2025, through June 30, 2029. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> Proposition 47 reduced penalties for certain crimes and redirected savings to funds mental health services, substance use disorder treatment, and/or diversion programs for criminal justice involved individuals. DPH has been a grant recipient in three previous cohorts of these grants in 2017, 2019, and 2022. (A Cohort 4 grant was awarded to the Department of Homelessness and Supportive Housing in 2025 for a different program.) This Cohort 5 grant agreement continues funding the Supporting Treatment & Reducing Recidivism (STARR) program, initially funded by the 2019 grant. Cohort 5 of the STARR program continues to provide 10 detox beds and 18 residential substance use disorder treatment beds through Salvation Army; and adds 15 residential step-down beds through HealthRIGHT360—with these two community-based providers offering case management for clients. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> The total grant award is nearly \$8 million, and \$6.4 million of the award will be passed through to the community-based service providers. The remaining funds support 2.0 FTE DPH staff, including a Prop. 47 Program Manager (Health Worker IV) and a Criminal Justice Specialist (Health Program Coordinator III). The total amount of matching funds, sourced from the General Fund, is \$1,970,791, which funds 11.17 FTE of existing DPH staff supporting the STARR program. <p style="text-align: center;">Policy Consideration</p> <ul style="list-style-type: none"> By identifying specific community-based organizations within the State Proposition 47 grant application, DPH can effectively pre-select vendors. Once the BSCC approves the grant, the Department may successfully petition the Office of Contract Administration for a sole-source waiver, arguing that the state-approved grant plan mandates these specific providers. However, in this case, the Board of Supervisors has already provided a waiver from competitive procurement requirements for residential beds through March 2029. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> Approve the proposed resolution. 	

MANDATE STATEMENT

City Administrative Code Section 10.170-1 states that accepting Federal, State, or third-party grant funds in the amount of \$100,000 or more, including any City matching funds required by the grant, is subject to Board of Supervisors approval.

City Charter Section 9.118(a) states that contracts entered into by a department, board, or commission that (i) have anticipated revenues of \$1 million or more, or (ii) have anticipated revenues of \$1 million or more and require modifications, are subject to Board of Supervisors approval.

BACKGROUND

Proposition 47 Framework

In November 2014, California voters approved Proposition 47, an initiative reducing specific low-level drug and property crimes from felonies to misdemeanors. Sixty-five percent of the state savings generated by Proposition 47 are set aside annually for the California Board of State and Community Corrections (BSCC) to administer a competitive grant program. Proposition 47 funds are awarded to public agencies providing mental health services, substance use disorder treatment, and/or diversion programs for criminal justice-involved individuals. These funds may serve both adults and juveniles through housing-related assistance and other community-based supportive services.

There have been four previous cohorts of Proposition 47 grant recipients, and the San Francisco Department of Public Health (DPH) has been awarded a grant in the first three cohorts: 2017, 2019, and 2022. The Department of Homelessness and Supportive Housing (HSH) was awarded a grant for Cohort 4 in 2025.¹ For the Cohort 1, 2, and 3 grants awarded to DPH, the Department serves as the lead agency responsible for project coordination, grant administration, and facilitating connections among the DPH system of care. Additionally, each grant has a minimum cost-sharing requirement, which is mainly provided by existing DPH staff that are supporting the program. Prior grants have required that at least 50 percent of the award must be passed through to community-based service providers. Out of the total \$18 million awarded from all three cohorts, DPH has allocated \$14.7 million, or approximately 82 percent to community-based providers. The remaining funds have supported DPH positions, data collection and analysis, financial auditing, and supplies.

¹ The San Francisco Department of Homelessness and Supportive Housing was awarded a grant for Cohort 4 in 2025 in the amount of \$7,999,999 to fund the “Housing, Expungement and Recovery through Treatment and Support Services” (HEARTTS). For Cohort 4, treatment beds continued to be funded, alongside new funding for transitional housing and legal expungement for, but not limited to, Latine and Spanish-monolingual justice-involved adults.

Procurement

For Proposition 47 grant cycles, DPH has specified the community-based organizations with which it intends to contract and has utilized sole-source agreements with those organizations.

Cohorts

The 2017 cohort funded the Promoting Recovery & Services for the Prevention of Recidivism (PRSPR) program, and the 2019 cohort funded the Supporting Treatment & Reducing Recidivism (STARR) program. These two Proposition 47 grants funded detox beds,² residential substance use disorder (SUD) treatment beds,³ and various supportive services. According to DPH staff, programming focuses on jail diversion, recovery, and community reentry for individuals with high-risk co-occurring disorders and criminal justice involvement. DPH continued to fund the STARR program with a third cohort of awarded Proposition 47 grant funding.

Cohort 3 Evaluation

On July 26, 2022, DPH received an award notice from the BSCC for Proposition 47 grant funds in the amount of \$6,000,000 to fund Cohort 3 of the STARR program from September 1, 2022, through June 1, 2026. The Cohort 3 program is currently ongoing and its final results are expected to be available after the grant period ends in June 2026. According to DPH, Cohort 3 has exceeded its annual performance targets for Fiscal Year 2024-25, with 317 individuals referred to the program (surpassing the goal of 150) and 231 individuals enrolled (surpassing the goal of 100). DPH also reports exceeding its goals related to withdrawal management, case management, and an Individualized Interagency Plan:

- 73 percent of clients enrolled in withdrawal management successfully completed their treatment goals (surpassing the goal of 50 percent);
- 96 percent of clients engaged in case management met with a case manager at least once (surpassing the goal of 60 percent); and
- 93 percent of clients met three times with a grant-funded case manager to receive an Individualized Interagency Plan (surpassing the goal of 50 percent).

However, as of June 2025, our report for the Cohort 4 grant (File No. 25-0490) reported that DPH was unable to provide results from a two-year program evaluation (expected by September 2024) or any quarterly reports—both of which were part of the stated evaluation plan. Those evaluation reports were also not made available for the preparation of this report.

Cohort 4

Services associated with the Cohort 4 grant awarded to HSH have been delayed, according to HSH. The program was originally intended to begin in October 2024. HSH reports that it is in the

² This is otherwise known as withdrawal management. This is a detox service with an average stay of 4-10 days and includes 21 hours of treatment/week. According to DPH, the average stay has recently increased to up to two weeks

³ This is a residential substance use disorder (SUD) service with an average stay of 3-6 months, and includes individual and group counseling, case management, SUD and mental health classes, and physical wellness. According to DPH, the average stay has recently increased to 6-9 months.

process of completing remaining prerequisites to begin work, including but not limited to executing Memoranda of Understanding with other project partners and City departments, and plans to launch services in June 2026.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution retroactively authorizes DPH to accept and expend a \$7,958,078 California Board of State and Community Corrections (BSCC) Cohort 5 Proposition 47 grant agreement to fund the STARR program for the period of October 1, 2025, through June 30, 2029. The proposed resolution would also approve the grant agreement between DPH and BSCC and allow DPH to amend the grant agreement, so long as the amendments do not materially increase the obligations or liabilities of the City. The final grant agreement was received from the State on January 21, 2026, and the program has begun providing services, which can be paid for via grant funds retroactively, according to DPH.

The local match of \$1,970,791 General Fund will support existing Department of Public Health (DPH) positions supporting the STARR program. The grant does not require an Annual Salary Ordinance amendment.

Grant Agreement

The proposed grant agreement has a maximum value of \$7,958,078 and a term October 1, 2025 to June 30, 2029. The City will be reimbursed for eligible expenses in arrears on a quarterly basis. Further, the grant requires quarterly reporting of start-up activities, service delivery, and overall progress to the BSCC; a final evaluation report to the BSCC; annual recidivism tracking; and a final financial audit.

Continuation of STARR Program

As noted above, the Supporting Treatment & Reducing Recidivism program provides residential treatment beds, case management, and wraparound support services for criminal justice involved adults with co-occurring substance use disorder and mental health issues. Of the \$7,958,078, a total of \$6,438,600 will be passed through to community-based service providers to fund 10 detox beds and 18 residential SUD treatment beds at Salvation Army Harbor Light Center, 15 Residential Step-Down Beds at HealthRIGHT360, and wraparound support services from the broader DPH support system.

DPH has proposed modifications for Cohort 5 from Cohort 3. Cohort 5 will specifically target justice-involved adults who are experiencing homelessness. While DPH will continue to fund 10 withdrawal management beds and 18 residential treatment beds, the Department will expand its continuum of care by funding 15 new residential step-down beds in a supportive housing environment for stays of up to two years—delivered by the newly added community-based provider HealthRIGHT360. While Cohort 3 utilized the Felton Institute as a standalone community-based provider of low-threshold case management, Cohort 5 integrates case management directly into the residential programs at the Salvation Army and HealthRIGHT360. Additionally, Cohort 5 programming will continue to build on the decentralized approach for intake and assessment by leveraging the Department's new Office of Coordinated Care (OCC) and

introducing immediate drop-off options at the withdrawal management center to facilitate low-barrier entry. Further, DPH will fund a new Criminal Justice Specialist to serve as a liaison with the Adult Probation Department to coordinate eligibility assessments, system-wide referrals, and linkages through the Community Assessment and Services Center (CASC).

Exhibit 1 below demonstrates the similarities and differences between Cohorts 1, 2, 3, and 5.

Exhibit 1: DPH Cohort Services and Budgets

	Cohort 1	Cohort 2	Cohort 3	Cohort 5
Grant Program Dates	06/16/17-08/15/21 ⁴	10/1/19-05/15/23 ⁵	09/01/22-06/01/26	10/1/25-06/30/29
Program	PRSPR	STARR	STARR	STARR
Award Amount	\$6 Million	\$6 Million	\$6 Million	\$8.0 Million
Amount Passed to CBOs	\$4.9 Million	\$4.3 Million	\$5.5 Million	\$6.4 Million
	<u>Services Provided</u>			
Salvation Army	5 Detox Beds, 32 Residential SUD Treatment Beds	10 Detox Beds ⁶ , 40 Residential SUD Treatment Beds ⁷	10 Detox Beds, 18 Residential SUD Treatment Beds	10 Detox Beds, 18 Residential SUD Treatment Beds (with case management)
Richmond Area Multi-Services	Peer counselors to support participants 60 days after discharge from Salvation Army	-	-	-
Felton Institute	TAY-Specific Clinical Support and Curriculum Development ⁸	Low Threshold Case Management	Low Threshold Case Management	-
HealthRIGHT 360				15 Residential Step-Down Beds (with case management)
Amount of Matching Funds	\$6 Million	\$2.9 Million	\$3.1 Million	\$2.0 Million
Use of Matching Funds	18 DPH FTE 5 Probation FTE CASC Rent	3.4 DPH FTE for years 1-2 and 12.9 DPH FTE in year 3. CASC Rent 5 Probation FTE	7.19 DPH FTE	11.17 DPH FTE

Source: DPH

⁴ Includes a no-cost extension approving the program for an additional year (August 15, 2020-August 15, 2021)

⁵ PRSPR and STARR program dates overlap from 10/1/19-08/15/21

⁶ Increase in Detox Beds from 5 to 10.

⁷ According to DPH, a budget modification in early 2022 reallocated cost savings to increase the Residential SUD Beds from 32 to 40. The 40 beds will remain until Cohort 3.

⁸ the TAY-specific services did not continue after Cohort 1 funding, because, according to DPH, those services were underutilized by the target population.

For the Cohort 3 grant period, there was a six-month implementation phase, three years for service delivery (from March 2, 2023 through March 1, 2026), followed by a three-month data evaluation period. Similarly, for Cohort 5, there is a three-month start-up and implementation phase, three years of service delivery (January 1, 2026 through December 31, 2028), followed by a six-month evaluation and close-out period.

Third Party Evaluation

Each cohort is evaluated by Hatchuel Tabernik & Associates (HTA), an external firm retained for all five Proposition 47 grant cycles. For Cohort 5, HTA will develop a Local Evaluation Plan and provide quarterly progress reports throughout implementation, along with a two-year preliminary report and a final evaluation report. Process monitoring will oversee startup activities, service utilization data drawn from the Department's Avatar system, meeting minutes, and interviews or focus groups with staff and partners, specifically including DPH, Salvation Army, and HealthRIGHT360. Meanwhile, outcome monitoring will utilize a mixed-methods design that draws on program records, HTA's custom tracking database, participant focus groups, and three-year pre- and post-program recidivism tracking using data sourced from the District Attorney's Office.

FISCAL IMPACT

The total grant award amount received from BSCC is \$7,958,078. Most of that award (81%) is allocated to Salvation Army and HealthRIGHT360 for direct service to clients. The remaining funds support data collection and project evaluation, financial auditing, supplies, travel, and 2.0 FTE DPH staff. The total amount of matching funds is \$1,970,791 from the General Fund for 11.17 existing DPH FTEs supporting the STARR program.

Community-Based Organizations

As shown in Exhibit 2 below, approximately \$6.4 million of the award will be passed through to Salvation Army and HealthRIGHT360 for direct service to clients. Under the 2025 RFP from the State, Proposition 47 grant recipients are required to pass through a minimum of 50 percent of the award to community-based service providers.

- \$4.1 million is allocated to the Salvation Army to provide 10 detox beds (for stabilization stays of up to two weeks) and 18 residential treatment beds (for recovery stays of up to nine months) at the Harbor Light Center. The allocation is calculated using a fixed daily rate of \$135 per bed for all 28 beds over the three-year service delivery period. The funded services include participants co-developing an Individualized Interagency Plan with a certified counselor, individual and group counseling, on-site case management, behavioral health classes, job placement services, and physical wellness support.
- \$2.3 million is allocated to HealthRIGHT360 to provide 15 residential step-down beds in a supportive housing environment for recovery stays of up to two years. The allocation is calculated using a fixed daily rate of \$140 per bed for 15 beds over the three-year service period. The funded services mandate that residents continue their engagement in

treatment, and include the provision of case management, linkages to job placement services, and other community referrals.

Exhibit 2: Fiscal Impact: 2025 STARR Grant & Matching Funds (Three Years, Nine Months Term)

Budget Line Item	Grant Funds	Matching Funds	Total
City Salaries and Benefits	\$1,076,538	\$1,970,791	\$3,047,329
Services and Supplies	17,940	0	17,940
Professional Services or Public Agency Subcontracts	0	0	0
Community-Based Organization Contracts*	6,438,600	0	6,438,600
Data Collection and Evaluation	400,000	0	400,000
Equipment/Fixed Assets	0	0	0
Financial Audit**	25,000	0	25,000
Other***	0	0	0
Indirect Cost	0	0	0
Total	\$7,958,078	\$1,970,791	\$9,928,869

*Required minimum of 50% of grant funds

**Must not exceed \$25,000

***Travel, Training, etc.

Source: DPH, 2025 Proposition 47 Grant Program Budget Application

Funding DPH Staff

As shown in Exhibit 3 below, the total amount of \$1.97 million in matching funds is allocated to 11.17 FTE of existing DPH staff supporting the STARR program across the three years and nine months grant term. The grant funds 2.0 FTE for a total of \$1.08 million across the three years and nine months. The DPH staff duties include client triage, navigation, and assessments; project supervision; and DPH referral oversight.

Exhibit 3: DPH Staff FTE Funds, STARR 2025

Personnel	Matching Funds		Grant Funding	
	Total Salary and Benefits	FTE	Total Salary and Benefits	FTE
Prop. 47 Program Manager (Health Worker IV)	\$0	0.00	\$452,331	1.00
Criminal Justice Specialist (Health Program Coordinator III)	0	0.00	624,207	1.00
SUD System of Care Director	20,399	0.02	0	0.00
SUD Project Director	38,053	0.05	0	0.00
SUD Program Manager	65,312	0.10	0	0.00
Behavioral Health Clinicians	1,204,744	6.00	0	0.00
Health Workers	642,283	5.00	0	0.00
Total	\$1,970,791	11.17	\$1,076,538	2.00

Source: DPH STARR Budget, Received from Department

POLICY CONSIDERATION

By identifying specific community-based organizations, including the Salvation Army and HealthRIGHT360, within the State Proposition 47 grant application, DPH can effectively “pre-select” vendors. Once the BSCC approves the grant, the Department may successfully petition

the Office of Contract Administration (OCA) for a sole-source waiver, arguing that the state-approved grant plan mandates these specific providers. This practice circumvents the typical requirement for a Request for Proposals (RFP) in Administrative Code Chapter 21 and 21G and adds risks associated with sole-source contracting, including the possibility of reduced cost-efficiency and a lack of transparency in provider selection. However, in this case, these risks are mitigated somewhat by the requirement for a program evaluation. Further, in this case, the Board of Supervisors has provided DPH a waiver from competitive procurement requirements for residential beds through March 2029 (Administrative Code Section 21A.4), which could be relied upon in this case. Finally, the BSCC's RFP used to award grant funds evaluated proposals based on their service delivery approach, including how providers address the needs of the target population, including staff with lived experience, and minimized start-up time. The Department reported engaging CBOs with long-standing community relationships, histories of serving the target population, and practices of hiring staff with lived experience in order to minimize start up time. The Department's inclusion of specific non-profit providers strengthened its grant application, according to DPH.

RECOMMENDATION

Approve the proposed resolution.