

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

1390 Market Street, Suite 1150, San Francisco, CA 94102 (415) 552-9292
FAX (415) 252-0461

May 29, 2026


TO: Government Audit and Oversight Committee
FROM: Budget and Legislative Analyst 
SUBJECT: June 4, 2026 Government Audit and Oversight Committee Meeting

TABLE OF CONTENTS

Item	File	Page
1	26-0510 Agreement Amendment - Homeless Children's Network - Mental Health Treatment Services - Not to Exceed \$11,786,969	1

<p>Item 1 File 26-0510</p>	<p>Department: Public Health (DPH)</p>
--	---

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution approves the first amendment to the contract between the Department of Public Health (DPH) and Homeless Children’s Network (HCN) for mental health treatment services, extending the term by one year, from June 30, 2026 to June 30, 2027, and increasing the not-to-exceed amount by \$3,252,257, from \$8,534,712 to \$11,786,969.

Key Points

- In October 2024, DPH executed a new contract with HCN under Administrative Code Section 21.42 to provide culturally responsive behavioral health services to children, youth, adults, and families. The proposed amendment would continue the Ma’at Program, which provides outpatient mental health treatment, case management, crisis intervention, Medi-Cal outreach, and community-based support services; and the Ma’at Prevention and Early Intervention (PEI) – Community Mental Health Program, which provides prevention, outreach, wellness, and community engagement services.
- DPH anticipates issuing a new competitive solicitation for the Ma’at Program to coincide with the end of the proposed extended term. However, the Ma’at Prevention and Early Intervention (PEI) program will not be reprocured and is ending in December 2027 to align with changes to State Behavioral Health Services Act funding priorities.
- The FY 2023-24 program monitoring reports showed that both programs had an overall rating of “4 – Commendable/Exceeds Standards.” However, contracted service levels were not scored due to implementation of system changes that impacted service tracking, billing methodologies, and data reporting during the fiscal year.

Fiscal Impact

- The proposed amendment increases the contract by \$3,252,257, from \$8,534,712 to \$11,786,969, including a 12 percent contingency. The FY 2026-27 budget is approximately \$3.7 million, remains relatively flat from FY 2025-26 to FY 2026-27 for the Ma’at Program and reflects a 50 percent decrease for the Ma’at PEI Program.
- Contract expenditures from FY 2024-25 through FY 2026-27 are funded by federal funds (15 percent), state funds (26 percent), and the General Fund (59 percent).

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 to such contract is subject to Board of Supervisors approval.

BACKGROUND

In October 2024, the Department of Public Health (DPH) executed a new contract with Homeless Children's Network (HCN) for mental health treatment services under Administrative Code 21.42, which authorizes the Health Commission to designate as a sole source the extension of existing contracts for health or behavioral health services provided by nonprofit organizations, upon recommendation of the Director of Health. To utilize Chapter 21.42, the Director of Health determined that the services required specialized expertise, staffing, facilities, and culturally responsive care models available from a limited number of nonprofit providers. DPH staff further reviewed existing behavioral health service providers and determined that no alternative providers could deliver comparable services to this population without disrupting services for existing children, youth, and family clients. The new contract had a 21-month term from October 1, 2024 through June 30, 2026 and an amount not to exceed \$8,534,712. DPH now proposes extending the contract by one year through June 30, 2027.

According to DPH, the previous contract was originally awarded through a Request for Qualifications (RFQ) issued in 2018. The RFQ stipulated that the maximum term of awarded contracts would be six years. According to DPH, because a successor solicitation was not yet in place when the prior solicitation expired, Administrative Chapter 21.42 was used to execute a new contract and maintain service continuity with the goal of consolidating similar services into a smaller number of solicitations and contracts in the future.¹ DPH anticipates issuing a new competitive solicitation that will coincide with the end of the proposed contract extension term to continue culturally congruent behavioral health treatment services.

Program Expansion Ending

The Dream Keeper Initiative provided funding for an expansion of services between FY 2019-20 and FY 2022-23, which was added to the previous contract. The current contract maintained the expansion with state funding for behavioral health services, but DPH plans to end the program expansion at the end of 2027 because the funding source will no longer be available for this program due to updated state regulations.

¹ Administrative Code Chapter 21.42 allows DPH to designate as sole source, professional services contracts for health and behavioral health services.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution approves the first amendment to the contract between DPH and HCN for mental health treatment services, extending the term by one year, from June 30, 2026 to June 30, 2027, and increasing the not-to-exceed amount by \$3,252,257, from \$8,534,712 to \$11,786,969. The proposed resolution would also authorize DPH to make further immaterial amendments to the contract.

Services

Under the proposed amendment, HCN will continue to provide the following two programs:

1. **Ma'at Program:** This program provides outpatient services, such as case management, therapy (individual, family, group), crisis intervention, mental health assessments and development of treatment plans. In addition, the program offers community client support services such as healing circles and support groups to outreach and connect community members to mental health support. Ma'at includes outreach and engagement in communities and with populations that are historically underserved by the mental health treatment system to decrease stigma of mental health and increase engagement in services. Outreach also includes assisting and informing individuals who are eligible or potentially eligible about Medi-Cal services, including specialty mental health services. The program primarily serves Black/African American children, youth, and families in San Francisco experiencing behavioral health needs, trauma, homelessness, housing instability, or other social and economic stressors.
- **Ma'at Prevention and Early Intervention (PEI) – Community Mental Health Program:** This program focuses on prevention and early intervention by providing mental health support services, community outreach, coalition-building through community stakeholder meetings, healing circles, individual and community wellness services, among others. The program serves children, youth, adults and families citywide, with an emphasis on communities in the Bayview Hunters Point, Western Addition, Tenderloin, South of Market, Fillmore, and Castro.

The proposed amendment would eliminate funding for the Ma'at PEI – Community Mental Health program from January 1, 2027 to June 30, 2027 (six months). According to DPH, funding for this program is being reduced to align with updated state regulations under the Behavioral Health Services Act (BHSA), which revised eligible funding priorities and categories. DPH states the PEI program will end in December 2027 and will not be re-procured under a future solicitation.

Exhibit 1 below summarizes the contracted units of service (staff hours) and unduplicated number of clients for each program in FY 2025-26.

Exhibit 1. FY 2025-26 Contracted Units of Service and Unduplicated Clients

	Ma’at	Ma’at PEI – Community Mental Health
Staff Hours	Outpatient Services: 2,839 Community Client Services: 2,250 Medi-Cal Outreach: 1,000 ²	3,314
Unduplicated Number of Clients	Outpatient Services: 70 Community Client Services: 50 Medi-Cal Outreach: 40	70

Source: Appendix B of Proposed Contract Amendment

According to DPH, the FY 2025-26 contracted units of service and unduplicated client counts for each program understate actual service delivery levels. DPH is working with HCN to increase the service units and client counts, which will be reflected in the final FY 2026-27 contract.

Program Performance

In 2025, DPH completed FY 2023-24 program monitoring, which included a site visit, for HCN. The results are summarized in Exhibit 2 below.

Exhibit 2: Program Monitoring Scores for FY 2023-24

	Ma’at	Ma’at PEI – Community Mental Health
Overall Program Rating (1-4)	4 – Exceeds Standards	4 – Exceeds Standards
Performance Score	90%	100%
Actual/Budgeted Units of Service	N/A	N/A
Compliance Score	100%	100%
Plan of Action	No	No
Client Satisfaction Score	100%	100%

Source: DPH

As reflected in Exhibit 2 above, the FY 2023-24 program monitoring reports showed that both programs had an overall rating of “4 – Commendable/Exceeds Standards” and met performance objectives, receiving at least a 90 percent score. However, service levels for the Ma’at program were not scored and marked “N/A” because DPH exempted the program from scoring of FY 2023-24 contracted units of service due to implementation of the State’s CalAIM Behavioral Health

² In the prior contract, these services were previously provided under community client services.

Payment Reform and DPH’s transition from the Avatar electronic health record system to Epic. According to DPH, these system changes significantly impacted service tracking, billing methodologies, and data reporting during the fiscal year. As a result, DPH temporarily utilized a cost-reimbursement model and suspended unit of service scoring until reporting systems stabilized and updated metrics became available for FY 2024-25.

According to more recent data provided by DPH, Ma’at met contracted units of service in FY 2024-25 for outpatient services but did not meet the unduplicated client count target. However, in FY 2025-26 (as of April 2026), Ma’at is on track to meet both contracted units of service and unduplicated client counts for outpatient services. According to DPH, data on Medi-Cal outreach services and community client support services are tentative and not available.

Similarly, service levels for the Ma’at PEI – Community Mental Health program was also not scored and marked “N/A”, though unduplicated client counts were provided through HCN self-reported data which showed the program met contracted service levels. According to DPH, this was not scored because data for this program is not entered into the electronic health system (Epic) because the services are non-clinical. According to DPH, more recent data on this program is tentative and not available. In addition, though the program received a score of five out of five points on the Client Satisfaction Survey component, the monitoring report noted that the survey primarily focused on qualitative methods (15 interviews) and did not include quantitative measures, such as standardized satisfaction survey data or client satisfaction metrics, that would allow DPH to objectively assess and benchmark satisfaction levels across programs.

According to DPH, FY 2024-25 program monitoring reports for both programs have not yet been issued.

Fiscal and Compliance Monitoring

Department of Children Youth and Their Families staff reviewed HCN financial documents in May 2025 as part of the FY 2024-25 Citywide Fiscal and Compliance Monitoring program and identified no findings. According to a May 2026 memo, DPH’s Business Office of Contract Compliance rated HCN a “moderate risk” agency indicating that the agency is in good financial standing but requires monitoring. The agency incurred minor deficits and experienced negative cash flow in the past two fiscal years. However, according to the DPH memo, the agency remains in good financial standing, with a Working Capital Ratio³ of 3.6, exceeding the City’s minimum standard of 1.0 and indicating sufficient liquidity to meet short-term obligations.

FISCAL IMPACT

The proposed amendment increases the contract by \$3,252,257, from \$8,534,712 to \$11,786,969, including a 12 percent contingency. Actual and projected expenditures on the

³ The Working Capital Ratio measures whether an organization has enough short-term assets (like cash and receivables) to pay its short-term bills and obligations

contract from FY 2024-25 to FY 2025-26 were consistent with the budget. Exhibit 3 below shows the annual spending on the contract and basis for the total not to exceed amount of \$11,786,969.

Exhibit 3: Contract Agreement Not to Exceed Amount

Uses	FY 2024-25	FY 2025-26	FY 2026-27 (Proposed)	Total
Ma’at Program	\$2,291,518	\$3,052,411	\$2,975,717	\$8,319,646
PEI – Community Mental Health	1,037,901	1,273,358	636,679	2,947,938
CODB			76,694	76,694
<i>Subtotal</i>	<i>\$3,329,419</i>	<i>\$4,325,769</i>	<i>\$3,689,090</i>	<i>\$11,344,278</i>
Contingency (12%) ⁴				442,691
Not To Exceed Amount				\$11,786,969

Source: DPH

Note: FY 2024-25 reflects October 1, 2024 to June 30, 2025

The annual budget for the Ma’at Program remains relatively flat from FY 2025-26 to FY 2026-27. As previously mentioned, the annual budget for the Ma’at PEI Program decreases by \$636,679 (50 percent) due to the elimination of state funding from January 1, 2027 to June 30, 2027 (six months).

According to DPH, FY 2026-27 budget details for the proposed amendment have not yet been finalized and will be developed following issuance of DPH’s FY 2026-27 Funding Notification Letter, which is pending confirmation of all budget reductions. The finalized FY 2026-27 budget will be incorporated into the proposed contract through a revision to the program budget. DPH does not anticipate further budget reductions for the programs.

The FY 2025-26 budget funded 19.98 direct full time equivalent positions, operating expenses (such as rent and office supplies), and indirect costs to support the program. The budget also provided approximately \$180,000 to Indigo Cultural Center, a subcontractor, to conduct an evaluation of productivity and program outcomes.

Funding Sources

Expenditures from FY 2024-25 to FY 2026-27 are funded by federal funding (15 percent), state funding (26 percent), and the General Fund (59 percent).

RECOMMENDATION

Approve the proposed resolution.

⁴ Contingency reflects 12 percent of the FY 2026-27 proposed budget