

CITY AND COUNTY OF SAN FRANCISCO
BOARD OF SUPERVISORS
BUDGET AND LEGISLATIVE ANALYST

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June 5, 2020

TO: Budget and Finance Committee
FROM: Budget and Legislative Analyst 
SUBJECT: June 10, 2020 Budget and Finance Committee Meeting

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<p>Item 1 Files 20-0444 <i>Continued from June 3, 2020</i></p>	<p>Department: Office of the Treasurer & Tax Collector</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would approve a second amendment to the Software as a Service Agreement contract between the Office of the Treasurer & Tax Collector and CityBase, Inc, to (1) exercise the first of the three two-year extension options for a total term of April 17, 2018, through April 16, 2023, and (2) increase the contract amount by \$27,400,000 from \$9,600,000 for a total amount not to exceed \$37,000,000. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • In April 2018, the Treasurer & Tax Collector awarded a new contract to CityBase for (1) a three-year term of April 17, 2018 through April 16, 2021, for an initial not to exceed amount of \$9,600,000 and, (2) three two-year options to extend the term of the contract for a total of six additional years. Because the contract was less than \$10 million and less than 10 years, the contract did not require Board of Supervisors’ approval. • The contract is for online payments of taxes, fees, and other City payments, and the acceptance of in-person transactions through a computer, or via a Customer Service Representative interface. In addition, City departments may utilize the services of CityBase for customized services and payment portals. • The Treasurer & Tax Collector states that the requested increased amount and contract extension are related to the increase in online payments transactions as more City departments are utilizing the payment platform and receiving more payments through digital transactions. In addition, more taxpayers are also paying taxes and permit fees online. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The proposed resolution would increase the not-to-exceed amount of the contract by \$27,400,000 from \$9,600,000 for a total amount not to exceed \$37,000,000. The sources of funds primarily consist of card fees paid by residents, as well as fees for processing payments paid by departments. <p style="text-align: center;">Policy Consideration</p> <ul style="list-style-type: none"> • The Office of the Treasurer & Tax Collector anticipates some countervailing trends because of the impact of the COVID-19 health crisis. Some departments will see transactions decrease. For example, total charges for MTA and Port are down by 60 percent in April 2020. Conversely, DBI is implementing additional payments online but there is currently limited data to document the impact in terms of increased volume and the associated fees. In addition, some departments may be interested in expanding their online presence and bringing additional types of payments online as a result of contingency plans to protect both City staff and constituents during the COVID-19 health crisis. <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

The Office of the Treasurer & Tax Collector selected CityBase, Inc. (CityBase) after issuing a competitive request for proposals (RFP) in August 2017 to provide the City with an online payment platform to enable the majority of City departments and agencies to accept payment via online credit card, debit, Automated Clearing House (ACH) and e-check. CityBase was one of 11 vendors who submitted a proposal and had the highest-ranking score of 86 points out of a total of 100. The contract term specified in the RFP is five years with two additional two-year options to extend the term for four years, for a total of nine years.

In April 2018, the Office of the Treasurer & Tax Collector awarded a new contract to CityBase for (1) a three-year term of April 17, 2018 through April 16, 2021, for an initial not to exceed amount of \$9,600,000 and, (2) three two-year options to extend the term of the contract for a total of six additional years. Because the contract was less than \$10 million and less than 10 years, the contract did not require Board of Supervisors' approval.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve a second amendment to the Software as a Service Agreement contract between the Office of the Treasurer & Tax Collector and CityBase, Inc, to (1) exercise the first of the three two-year extension options for a total term of April 17, 2018, through April 16, 2023, and (2) increase the contract amount by \$27,400,000 from \$9,600,000 for a total amount not to exceed \$37,000,000.

Services Provided

Under the proposed contract, services will be used to assist City departments and agencies with online payment acceptance through the web, and the acceptance of in-person transactions through a computer, or via a Customer Service Representative interface. In addition, certain City departments engaged in unique service and payment processing may utilize the services of CityBase for customized services and payment portals. The CityBase payment platform has been integrated into all underlying systems of record, billing, and other source systems, and payments and digital services configured to meet City requirements for 16 departments.

According to Mr. Eric Manke, Policy and Communications Manager at the Office of the Treasurer & Tax Collector, the requested increased amount and contract extension are directly related to the increase in online payments transactions as more City departments are utilizing the payment platform and receiving more payments through digital transactions. In addition, Mr. Manke

states that more taxpayers are also paying taxes and permit fees online. When comparing the number of transactions between the second quarter of FY 2019 and the second quarter of FY 2020, the number of transactions increased by approximately 15 percent from 720 million to 850 million. According to Mr. Manke, the increase in transactions reflect the increased adoption of the platform as departments focus on enhancing accessibility of city services. Since the initial transition to CityBase, the following revenue streams have been added: (1) all parking meters for the Municipal Transportation Agency (MTA) and the Port; (2) Department of Public Health (DPH) EPIC payments at all clinics and the General Hospital; (3) DPH Refuse Liens program¹; and (4) additional Department of Building Inspection (DBI) permits. Platform integrations that are currently in development include the Permit Center², County Clerk, and Office of the Assessor Recorder. A platform integration with the Office of the Chief Medical Examiner is also planned but has not yet started. New platform integrations under discussion include DPH's HealthSpace initiative, the Mayor's Office on Disability, and the Board of Appeals.

Performance Monitoring

As part of the proposed CityBase contract, the Office of the Treasurer & Tax Collector tracks feature requests, bugs and new integrations. According to Mr. Manke, the technology underlying the hosted payment platform processing transactions has been stable (i.e. no outages stopping payments for the entire platform), and therefore a Service Level Agreement (SLA) has not been triggered because of downtime. The SLA measures whether there are times when constituents cannot process payments because the service is unavailable.

FISCAL IMPACT

The proposed resolution would increase the not-to-exceed amount of the contract by \$27,400,000 from \$9,600,000 for a total amount not to exceed \$37,000,000. The sources and uses of funds for the proposed CityBase contract are shown in Table 1 below.

¹ Pursuant to article 6, section 291.1 of the San Francisco Health Code, the owner of any dwelling or commercial property shall subscribe to and pay for adequate refuse collection service rendered to such dwelling or commercial property by a collector and shall provide at a location accessible to the collector for an adequate container or containers for deposit of refuse of such capacity as the Director of Public Works may prescribe. Failure to comply with these requirements may result in the City paying all costs for the services rendered and placing a lien on the real property with additional recording fee, administrative, and interest charges.

² This is a cross-departmental initiative to build an integrated Permit Center (49 South Van Ness) for a one-stop permitting where residents and businesses will be able to apply for construction, special events, and business permits.

Table 1. Sources and Uses of Funds for Proposed CityBase Contract

Sources of Funds	Actual and Projected ^{3,4}		Proposed			Total
	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	
Fees Paid by Constituents⁵	\$2,690,046	\$2,760,007	\$2,760,007	\$2,760,007	\$2,389,590	\$13,359,659
Administrative Services	2,090	11,332	12,268	12,268	12,123	50,081
Art Commission	46	11	11	11	7	86
Board of Supervisors	-	9	10	10	10	39
City Planning	129	299	325	325	276	1,354
Building Inspection	329	619	670	670	527	2,814
Emergency Management	-	2	2	2	2	8
Public Health	421	11,118	12,034	12,034	11,996	47,602
Public Works	208	409	443	443	377	1,879
Economic & Workforce	4	11	12	12	11	51
Ethics	5	9	9	9	8	40
Fire	49	56	61	61	46	275
Health Service System	39,483	37,261	40,335	40,335	33,839	191,254
SFMTA	44,051	2,810,480	3,919,375	3,919,375	3,266,146	13,959,427
Permit Center	-	106,943	1,283,322	1,283,322	1,069,435	3,743,021
Port	-	142,578	225,718	225,718	188,099	782,113
Recreation & Park	8	20	22	22	18	91
Treasurer/ Tax Collector	48,965	58,817	63,669	63,669	50,877	285,997
<i>Subtotal (Fees Paid by Constituents and Departments)</i>	<i>\$2,825,835</i>	<i>\$5,939,981</i>	<i>\$8,318,293</i>	<i>\$8,318,293</i>	<i>\$7,023,387</i>	<i>\$32,425,790</i>
Administrative Services	72,000	97,000	78,825	72,000	-	319,825
Public Health	-	12,000	22,000	22,000	-	56,000
Health Service System	-	3,000	-	-	-	3,000
TTX	208,475	41,325	-	-	-	249,800
<i>Subtotal (Other)</i>	<i>\$280,475</i>	<i>\$153,325</i>	<i>\$100,825</i>	<i>\$94,000</i>	<i>-</i>	<i>\$628,625</i>
Subtotal (All Fees and Other)	\$3,106,310	\$6,093,306	\$8,419,118	\$8,412,293	\$7,023,387	\$33,054,415
Contingency (10.67%) ⁶						3,945,585
Total Sources	\$3,106,310	\$6,093,306	\$8,419,118	\$8,412,293	\$7,023,387	\$37,000,000

³ Actual revenues in FY 2019-20 are for payments incurred from July 2019 – April 2020.

⁴ Projected revenues in FY 2019-20 from May 2020 – June 2020.

⁵ These are constituent card fees paid by taxpayers.

⁶ According to Mr. Manke, the contingency percentage is based on a growth in departments' online payments of approximately 11 percent. Mr. Manke states that because costs are driven by constituents adopting this payment channel rather than determined directly by the City, this is a projection of costs rather than a hard commitment to CityBase.

Uses of Funds	Actual and Projected		Proposed			Total
	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	
Card Service Fee - Constituents ⁷	\$2,690,046	\$2,760,007	\$2,760,007	\$2,760,007	\$2,389,590	\$13,359,659
Card Service Fee - CCSF ⁸	85,444	116,662	126,287	126,287	107,871	562,550
Chargeback & Return Check Fee ⁹	12,915	10,825	11,718	11,718	9,161	56,336
E-check Fee ¹⁰	37,430	50,783	54,973	54,973	44,358	242,517
Parking Meter Fee ¹¹	-	2,894,761	4,081,987	4,081,987	3,402,972	14,461,706
Permit Center ¹²	-	106,943	1,283,322	1,283,322	1,069,435	3,743,021
Subtotal (Fees)	\$2,825,835	\$5,939,982	\$8,318,293	\$8,318,293	\$7,023,387	\$32,425,790
Development ¹³	208,475	47,325	6,825	-	-	262,625
License Fee ¹⁴	72,000	106,000	94,000	94,000	-	366,000
Subtotal (Other)	\$280,475	\$153,325	\$100,825	\$94,000	-	\$628,625
Subtotal (All Fees and Other)	\$3,106,310	\$ 6,093,307	\$8,419,118	\$8,412,293	\$7,023,387	\$33,054,415
Contingency (10.67%)						3,945,585
Total Uses	\$3,106,310	\$ 6,093,307	\$8,419,118	\$8,412,293	\$7,023,387	\$37,000,000

Source: Office of the Treasurer & Tax Collector

⁷ These are the credit card processing fees which City taxpayers pay directly to CityBase as a service fee for taxes, fines, court costs and other government services.

⁸ According to Mr. Manke, some departments choose to absorb the cost of processing credit cards. In addition, some services such as parking are not entitled to pass along the service fees. For services which can be offered by non-governmental organizations, the City is also not allowed to pass on the service fee by card brands such as Visa and Mastercard.

⁹ According to Mr. Manke, some transactions appear successful but subsequently are rejected. Consequently, the payment networks flag a problem and charge the City for the costs they incur. This is standard practice and is consistent with other City merchant processing agreements, such as the City's First Data contract and the City's Bank of America Merchant Services agreement. Chargebacks occur when a cardholder states the charge is not legitimate. Examples include when cardholders claim the charge was fraudulent, or they did not receive the goods or services promised. Return Check Fees occur when banks reject the payment request. Typical reasons include an incorrect submitted account number or the account had insufficient funds.

¹⁰ These costs are incurred when processing echecks. The City offers echecks as a free service to residents. While this service is offered at no cost to residents, the City incurs fees (29 cents per transaction) to process these, and this line item reflects the aggregation of those costs.

¹¹ According to Mr. Manke, the department has negotiated special pricing for MTA and Port's parking meters, and therefore these costs are tracked separately.

¹² This is a cross-departmental initiative (49 South Van Ness) with its own budget and therefore these costs are tracked separately.

¹³ These are development costs for technical work to have online payment pages secure and integrated with other City websites.

¹⁴ According to Mr. Manke, some departments do not have the technical expertise or staff to build their own websites and need special software to make building forms and the associated workflow easier. This includes paying CityBase for additional software licenses so departments can streamline their processes and accept online payments when they are not able to build this functionality.

POLICY CONSIDERATION

According to Mr. Manke, the Office of the Treasurer & Tax Collector anticipates some countervailing trends because of the impact of the COVID-19 health crisis. Mr. Manke states that some departments will see transactions decrease. For example, total charges for MTA and Port are down by 60 percent in April 2020. Conversely, DBI is implementing additional payments online. However, because their soft launch was recently on May 4, 2020, there is currently limited data to document the impact in terms of increased volume and the associated fees. In addition, according to Mr. Manke, some departments that already accept online payments may be interested in expanding their online presence and bringing additional types of payments online as a result of contingency plans to protect both City staff and constituents during the COVID-19 health crisis. Mr. Manke states that the cost model for the proposed contract is based on historical actuals; consequently, while the departments' actions may shift based on recent events, the Office of the Treasurer & Tax Collector projects that the overall proposed contract amount will remain realistic.

RECOMMENDATION

Approve the proposed resolution.

<p>Item 2 File 20-0454</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 ordinance would extend the delegation of authority to the San Francisco Public Utilities Commission (SFPUC) General Manager to enter into grant agreements under the SFPUC’s Green Infrastructure Grant Program for terms of up to 20 years, as previously authorized in Ordinance 26-19, by an additional two years through July 1, 2022, and remove the requirement that each grant award must be approved by the SFPUC Commission. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • SFPUC’s Green Infrastructure Grant Program awards grants to public and private property owners to design and build green infrastructure (such as vegetation, soils, and permeable pavement) that reduces stormwater runoff entering SFPUC’s combined sewer system to improve system performance. To date, SFPUC has awarded five grants totaling \$4,094,294, with a sixth grant of \$884,291 awaiting SFPUC Commission approval. The ordinance expires June 30, 2020. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The Green Infrastructure Grant Program has received \$12,000,000 in Sewer System Improvement Program funding. The program has awarded and reserved grant funds totaling \$4,978,585, and holds a 10 percent contingency of \$497,859. Administrative costs are projected at \$583,000. The projected remaining program balance is approximately \$5,940,557. The proposed ordinance does not increase the amount of funding for the program and SFPUC states it will not request additional funding for this program in its FY 2020-21 -FY 2021-22 budget. <p style="text-align: center;">Policy Consideration</p> <ul style="list-style-type: none"> • The proposed ordinance removes the requirement that each grant award be approved by the SFPUC Commission. SFPUC is requesting to remove this requirement to expedite the process of disbursing grants. According to SFPUC staff, the process of SFPUC Commission approval adds approximately three to four months before grants can be disbursed. As many of the grant recipients are schools, construction has to be scheduled for when school is not in session, and slow grant disbursement could delay projects. However, the Board of Supervisors in approving the original ordinance (File 18-1113, Ordinance 26-19) required Commission approval of the proposed grant awards at publicly noticed meetings. Therefore, the Budget and Legislative Analyst recommends that the proposed ordinance be amended to continue to require SFPUC Commission approval of each grant, consistent with Board of Supervisors actions in approving File 18-1113, Ordinance 26-19. <p style="text-align: center;">Recommendations</p> <ol style="list-style-type: none"> 1. Amend the proposed ordinance to require SFPUC Commission approval of each grant. 2. Approval of the proposed ordinance, as amended, is a policy matter for the Board of Supervisors 	

MANDATE STATEMENT

Section 9.118(b) of the City’s Charter requires approval by the Board of Supervisors for contracts with an expected term longer than ten years or requiring expenditures of \$10 million or more.

BACKGROUND

San Francisco has a combined sewer system that collects and treats both wastewater and stormwater in the same network of sewer lines and wastewater treatment facilities. Green infrastructure uses vegetation, soils, and other elements and practices such as permeable pavement to absorb stormwater and reduce the impact of stormwater on the combined sewer system.

The San Francisco Public Utilities Commission’s (SFPUC) green infrastructure program is intended to reduce the amount of stormwater runoff entering SFPUC’s combined sewer system in order to improve system performance. The green infrastructure program consists of capital projects, grants to property owners, regulation, and technical assistance.

In February 2019, the Board of Supervisors approved an ordinance delegating authority to the SFPUC General Manager to enter into grant agreements with terms of up to 20 years, without further Board of Supervisors approval, under SFPUC’s Green Infrastructure Grant Program (File 18-1113, Ordinance 26-19). To date, SFPUC has awarded five grants totaling \$4,094,294 for green infrastructure projects at the following five locations: (i) Lafayette Elementary School, for \$489,142; (ii) Bessie Carmichael Middle School, for \$428,075; (iii) St. Thomas More School, for \$1,118,958; (iv) Holy Trinity Church, for \$1,577,161; and (v) Lycee Francais School, for \$480,958. A sixth grant has been reserved for Crocker Amazon Park, for \$884,291, but it has not yet been approved by the SFPUC Commission. The ordinance expires June 30, 2020.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would extend the delegation of authority to the SFPUC General Manager to enter into grant agreements under the SFPUC’s Green Infrastructure Grant Program with terms of up to 20 years, as previously authorized in Ordinance 26-19, by an additional two years through July 1, 2022. The proposed ordinance would also remove the requirement that each grant award be approved by the SFPUC Commission.

SFPUC’s Green Infrastructure Grant Program awards grants to public and private property owners to design and build green infrastructure that reduces stormwater runoff. Property owners may receive up to \$765,000 per impervious acre of property managed, or fraction thereof, up to a maximum of \$2,000,000 per grant. Area that is “managed” is defined as impervious area that is draining to a designed green infrastructure facility. To receive funding, the property owner must enter into a 20-year stormwater management agreement with SFPUC. SFPUC has determined that the useful life of the type of green infrastructure projects eligible for funding under the grant program is at least 20 years, and ongoing maintenance of green infrastructure projects is necessary for the project to function properly and benefit the SFPUC sewer system. Grants are non-competitive and awarded to recipients for eligible projects on a

first-come, first-serve basis so long as funding is available. The proposed ordinance does not amend the eligibility criteria or other aspects of the grant program. The project criteria continue to include:

- Size: The proposed project must manage stormwater runoff from a minimum of 0.5 acre of impervious surface.
- Location: The proposed project must be located on a parcel connected to the SFPUC-owned and operated sewer system.
- Performance: The proposed project must capture runoff from the 90th percentile 24-hour storm, equivalent to 0.75-inch total depth.
- Grant Team Experience: The grant team must include the property owner, an identified grant or project manager, and a licensed engineer or landscape architect registered in the State of California. The grant team must collectively demonstrate a history of successful project implementation and have experience designing, constructing, and/or maintaining green infrastructure.
- Concept Design: The applicant must submit a conceptual design plan drawing equivalent to a 10 percent level of design that satisfies criteria set forth in the grant program guidelines.
- Co-Benefit Opportunities: The proposed project must demonstrate at least two of the following co-benefits:
 1. Location within or serving an Environmental Justice Area or Disadvantaged Community, as designated by SFPUC;
 2. Provide public access to the project site to promote awareness of and education about the importance of stormwater management;
 3. Groundwater recharge through infiltration of stormwater above the Westside Groundwater Basin;
 4. Non-potable water reuse of retained stormwater for other applications, such as irrigation;
 5. The incorporation of education and/or curriculum opportunities that explain how green infrastructure assets work and their impact on watersheds and the SFPUC's sewer system;
 6. Providing job training opportunities in the green infrastructure sector; and/or
 7. Integration of biodiversity and native habitat into the project's design, such as native pollinator gardens.

The SFPUC's Wastewater Enterprise is responsible for evaluating grant proposals and recommending grant awards to the SFPUC Commission, who must approve these grants. As noted below, SFPUC is utilizing the Sewer System Improvement Program's Program Management Consultant to provide technical support to city staff, including design review and conducting opportunity assessments for potential grantees. The Program Management Consultant is a joint

venture joint venture between AECOM and Parsons with various subcontractors, including Lotus Water and InCommon who are working on this program.

FISCAL IMPACT

The SFPUC Wastewater Enterprise's FY 2018-20 two-year capital budget includes \$12,000,000 in Sewer System Improvement Program (SSIP) funding for the Green Infrastructure Grant Program. According to Ms. Megan Imperial, SFPUC Policy and Government Affairs, SFPUC's proposed FY 2020-22 two-year budget will not request additional funding for the program. After awarding the sixth grant for Crocker Amazon Park, SFPUC anticipates a remaining program balance of approximately \$5,940,556. The sources and uses of funds is shown in Table 1 below.

Table 1: Source and Uses of SFPUC Green Infrastructure Grant Program

Sources	Amount
Sewer System Improvement Program	\$12,000,000
Total Sources	\$12,000,000
Uses	Amount
Lafayette Elementary School	\$489,142
Bessie Carmichael Middle School	428,075
St. Thomas More School	1,118,958
Holy Trinity Church	1,577,161
Lycee Francais School	480,958
Crocker Amazon Park (Reserved)	884,291
<i>Grant Subtotal</i>	<i>\$4,978,585</i>
<i>Grant Contingency (10%)</i>	<i>497,859</i>
Project Management Consultant ¹ (Projected)	\$457,000
SFPUC Labor (Projected)	126,000
<i>Administrative Subtotal</i>	<i>\$583,000</i>
Total Uses	\$6,059,444
Remaining Program Balance	\$5,940,556

Contingency

According to Ms. Sarah Bloom, SFPUC Watershed Planner, the 10 percent program contingency is recommended for unforeseen conditions that may arise during construction. Use of the contingency would require a grant amendment before distributing to a project. Since all projects are still active, SFPUC is holding the full contingency amount until each project is complete.

POLICY CONSIDERATION

The proposed ordinance would also remove the requirement that each grant award be approved by the SFPUC Commission. The existing ordinance, as approved by the Board of Supervisors in

¹ The Program Management Consultant is a joint venture between AECOM and Parsons. According to Ms. Bloom, the subconsultant Lotus Water has performed the bulk of the work on this program on behalf of the joint venture.

February 2019, allows the grants to be awarded without Board of Supervisors approval, but requires approval of the SFPUC Commission (File 18-1113). According to Ms. Imperial, SFPUC is requesting to remove this requirement to expedite the process of disbursing grants. According to Ms. Imperial, the process of SFPUC Commission approval adds approximately three to four months before grants can be disbursed. The grant process also requires a second Commission meeting to approve California Environmental Quality Act (CEQA) review and release funds. As many of the grant recipients are schools, construction has to be scheduled for when school is not in session, and slow grant disbursement could delay projects. However, the Board of Supervisors in approving the original ordinance (File 18-1113, Ordinance 26-19) required Commission approval of the proposed grant awards at publicly noticed meetings. Therefore, the Budget and Legislative Analyst recommends that the proposed ordinance be amended to continue to require SFPUC Commission approval of each grant, consistent with Board of Supervisors actions in approving File 18-1113, Ordinance 26-19.

Because the proposed ordinance delegates Board of Supervisors' approval authority under Charter Section 9.118 for these grants, we consider approval of the proposed ordinance to be a policy matter.

RECOMMENDATIONS

1. Amend the proposed ordinance to require SFPUC Commission approval of each grant.
2. Approval of the proposed ordinance, as amended, is a policy matter for the Board of Supervisors.

Item 3 File 20-0238 <i>Continued from April 15, 2020</i>	Department: Human Services Agency (HSA)
EXECUTIVE SUMMARY	
Legislative Objectives	
<ul style="list-style-type: none"> • The proposed resolution would (1) approve a second modification to the grant between the Human Services Agency (HSA) and the Low Income Investment Fund (LIIF) for administration of the San Francisco Child Care Facilities Fund and provision of technical assistance to child care providers to increase the grant amount by \$37,926,045 from \$25,377,250 to an amount not to exceed \$63,303,295; and (2) extend the term by two years, for a total agreement term of July 1, 2017 through June 30, 2022. 	
Key Points	
<ul style="list-style-type: none"> • The Low Income Investment Fund (LIIF) is administered by the Office of Early Care and Education (OECE) in the Human Services Agency. The most recent grant between HSA and LIIF to administer the Fund was approved by the Board of Supervisors in September 2017. 	
Fiscal Impact	
<ul style="list-style-type: none"> • The proposed increase of \$37,926,045 in FY 2020-21 and FY 2021-22 is funded by \$6 million in excess revenue from the Education Revenue Augmentation Fund (ERAF), Child Care Capital Fund citywide child care development impact fees and IPIC neighborhood area plan child care development impact fees, as well as the General Fund, subject to Board of Supervisors appropriation approval. Funding will also come from CalWORKS, which is federally-funded under the Temporary Assistance for Needy Families (TANF) program. The Budget and Legislative Analyst recommends reducing the total increase to \$35,657,361 to account for current year contingencies that are not needed. 	
Policy Consideration	
<ul style="list-style-type: none"> • The Budget Outlook Update, prepared by the Budget and Legislative Analyst's Office, Mayor's Budget Office, and Controller, projects a \$246.2 million shortfall in the FY 2019-20 General Fund budget, increasing to \$753.9 million in FY 2020-21 due to the impacts of the COVID-19 public health emergency. • Because of the projected shortfall in the General Fund budget, the Budget and Legislative Analyst considers approval of General Fund monies for the proposed contract modification in FY 2020-21 and FY 2021-22, totaling \$7,931,494 (1,210,944 in General Fund, \$3,000,000 in excess ERAF funds, and \$3,720,550 in contingency funds) to be a policy matter for the Board of Supervisors. 	
Recommendations	
<ol style="list-style-type: none"> 1. Amend the proposed resolution to provide for a total contract not-to-exceed amount of \$61,034,611, which represents an increase of \$35,657,361 from the current contract amount of \$25,377,250. 2. Approve \$27,725,867 of the requested increase of \$35,657,361. 3. Approval of \$7,931,494 of the requested increase of \$35,657,361 is a policy matter for the Board of Supervisors. 	

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

In 1998, the Low Income Investment Fund (LIIF) launched the Child Care Facilities Fund to provide technical assistance and capital support to early care and education providers. LIIF is administered by the Office of Early Care and Education (OECE) in the Human Services Agency.

In September 2017, the Board of Supervisors retroactively approved a grant between HSA and the Low Income Investment Fund (LIIF)¹ for administration of the San Francisco Child Care Facilities Fund and provision of technical assistance to child care providers for the period of July 1, 2017, to June 30, 2020, in the amount of \$25,377,250 (File 17-0832). In July 2018, HSA approved a first modification² to the grant with LIIF which did not change the grant's not to exceed amount, and therefore, did not require approval from the Board of Supervisors.

Competitive Process

OECE selected LIIF after issuing a competitive request for proposals (RFP) in November 2016 to provide administration services to the San Francisco Child Care Facilities Fund and technical assistance to child care providers. LIIF was the only vendor who submitted a proposal. The RFP selection panel consisted of individuals knowledgeable on the subject matter and included staff from HSA, OECE, and the Office of Community Investment and Infrastructure (OCII). LIIF scored 91 points out of a total of 100. The contract term specified in the RFP is July 1, 2017 to June 30, 2020 with an option to extend for two additional years.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would (1) approve a second modification to the grant between the Human Services Agency (HSA) and the Low Income Investment Fund (LIIF) for administration of the San Francisco Child Care Facilities Fund and provision of technical assistance to child care providers to increase the grant amount by \$37,926,045 from \$25,377,250 to an amount not to exceed \$63,303,295; and (2) extend the term by two years, for a total agreement term of July 1, 2017 through June 30, 2022.

¹ The Low Income Investment Fund is a non-profit Community Development Financial Institution, a designation given by the U.S. Treasury Department to organizations that provide financial services in low-income communities.

² The first modification added a subcontract/consultancy service that was not part of the original scope of services. This new service included One-on-One Business Technical Assistance & Coaching, Family Child Care Business Workshop, Technology Trainings, and Financial Coaching workshops, which is being provided by Mission Economic Development Agency for FY 2018-19 and FY 2019-20 only. This service totals \$112,331, which is within the contingency amount of \$2,307,023 of the original grant.

Under the proposed grant, LIIF will continue to provide services in the following areas:

- Administration of facility grants (pre-development, capital development, start-up, move-in and renovation and repair grants) that increase and maintain licensed early care and education center and family child care capacity by developing new and improving existing facilities;
- Administration of financial assistance for licensed early learning settings such as: development, marketing, underwriting, financial grants and loans, monitoring, and repayment;
- Administration of the Child Development Capital Fund;
- Trainings and technical assistance related to the facilities' development process, including feasibility analysis, capital planning, architecture and design, construction development, permit process, start-up, and facility maintenance;
- Project management to ensure early childhood and education sites maintain a reasonable phase of construction and sign-off in larger, more complex projects;
- Individual technical assistance on capital campaigning, project financing, financial projections and board development;
- Data collection of facility development and expansion for reporting and evaluation purposes;
- Consultation and assistance regarding fiscal and operating issues to licensed early care and education centers serving low/moderate income children.
- Administration of the Interagency Plan Implementation Committee (IPIC)³ capital new development grants to increase access to early childhood education services within specific neighborhood area plans, and track fund expenditures and total project expenditures by project.

In addition, as part of the proposed second modification, LIIF will conduct a San Francisco Early Care and Education Facility Needs Assessment for FY 2019-20 with a detailed analysis of the citywide supply and demand by neighborhood, with bi-yearly updates.

Contractor Performance

According to the March 2019 Program Monitoring Report, LIIF was on target to achieve or exceed service and outcome objectives with the exception of three, in which HSA staff recommended reducing two service and outcome objectives to match actual performance.⁴

Facility Selection

According to Mr. Graham Dobson, Senior Policy Analyst at OECE, the following priority criteria are used to award new facility funding:

³ The Interagency Plan Implementation Committee (IPIC) is coordinated by the San Francisco Planning Department and is responsible for prioritizing projects and funding, and coordinating ongoing planning efforts for designated neighborhood area plans.

⁴ According to the Program Monitoring Report, the goal for (1) expansion childcare spaces funded through the Family Child Care Expansion grant should be reduced from 10 to 3, and (2) pre-development and startup grants should be reduced from 15 to 6.

- Facilities located in residential developments wholly or partially funded by the City and County of San Francisco (e.g. HOPE SF communities, alignment with the City's affordable housing plan, and public/private partnerships);
- Applicants serving a greater number of low to moderate income and/or CalWORKS, homeless or at-risk families, and/or enrollment of City-subsidized children;
- Early care and education spaces to be created and/or preserved will serve infants and/or toddlers;
- Early care and education spaces to be created and/or preserved will provide specialized services for children with special physical health or mental health needs;
- Acquisition of property for child care facility serving children under the age of 5;
- Nonprofit, 501(c)3 centers.

Additional funding criteria for facility grants include the following:

- The applicant must increase the number of child care spaces;
- The applicant must demonstrate financial and organizational viability for the child care operations for the term of the grant;
- The applicant must demonstrate that the grant funds are necessary to undertake or complete the project;
- The applicant must provide evidence that it has control of the designated child care site for the term of the grant (e.g., a lease with a minimum remaining term of five years for grants under \$100,000; a lease with minimum term of 10 years for grants \$100,000 to less than \$200,000; a lease with minimum term of 15 years for grants \$200,000 to less than \$500,000, a lease with minimum term of 20 years for grants \$500,000 to less than \$700,000, a lease with minimum term of 25 years for grants \$700,000 to less than \$1,000,000) or a lease with a minimum term of 30 years for grants greater than \$1,000,000).

In terms of how provider sites are selected for capital repair, a child care program must demonstrate the following:

- Without the grant funds their program will be closed; or
- Without repairs or equipment to be paid for with grant funds, the health and safety of children in care will be at risk; or
- The grant will be used to increase the accessibility of their program to children, families, or staff with special needs;
- Agency must demonstrate long-term sustainability beyond the term of the grant;
- The facility is located in a neighborhood where there is a demonstrated shortage of licensed early care and education serving low to moderate income families.

FISCAL IMPACT

The proposed resolution would increase the not-to-exceed amount of the contract by \$37,926,045, for a total not to exceed \$63,303,295. According to Mr. Dobson, changes to the scope of services include the following:

- Alignment and coordination with citywide training and technical assistance systems of support for early childhood education providers to access (e.g. First 5 San Francisco, Children’s Council of San Francisco, Wu Yee Children’s Services);
- Alignment with First 5 San Francisco on resources for the purpose of facility and open space development and design to improve the quality of classrooms and outdoor play areas;
- Conduct a San Francisco Early Care and Education Facility Needs Assessment for FY 2019-20 with a detailed analysis of the citywide supply and demand by neighborhood, with bi-yearly updates.

Mr. Dobson states that the City has added \$6 million of excess revenue from the Education Revenue Augmentation Fund (ERAF)⁵ to augment services provided to support child care and early education facility development. The one-time additional funding of \$6 million for the LIIF grant is available to be awarded to child care and early education providers for FY 2019-20 and FY 2020-21 with \$3 million for each fiscal year. According to Mr. Dobson, the two-year contract extension will accommodate the influx of this new facility funding.

In addition to ERAF, funding for the LIIF grant will come from Child Care Capital Fund citywide child care development impact fees and IPIC neighborhood area plan child care development impact fees⁶, as well as the General Fund, subject to Board of Supervisors appropriation approval. Funding will also come from CalWORKS, which is federally-funded under the Temporary Assistance for Needy Families (TANF) program. Table 1 below details the sources and uses of funds for the proposed grant from FY 2017-18 through FY 2021-22.

⁵ The Educational Revenue Augmentation Fund, or ERAF, is a state program that shifts a portion of local property taxes to public school systems in each county. If county auditors determine the fund has enough money to meet the minimum state funding requirements for its public schools and community colleges, the remaining funds are returned to the local governments.

⁶ Impact fees are imposed by San Francisco Planning Code Sections 414 and 414A on new or proposed development projects to generate funding for the additional public infrastructure and facilities needed to serve new development.

Table 1. Sources and Uses of Funds for Proposed LIIF Grant

Sources of Funds	FY 2017-18 (Actual)	FY 2018-19 (Actual)	FY 2019-20 (Budget)	Existing Agreement	FY 2020-21 (Proposed)	FY 2021-22 (Proposed)	Proposed Modification	Total
CalWorks	\$427,871	\$185,635	\$651,051	\$1,264,557	\$651,051	\$651,051	\$1,302,102	\$2,566,659
Child Care Capital Fund	\$1,390,375	\$3,193,465	\$8,486,530	\$13,070,370	\$12,561,049	\$5,500,000	\$18,061,049	\$31,131,419
IPIC Fees	\$1,262,643	\$108,571	\$3,199,797	\$4,571,011	\$5,783,401	\$4,848,000	\$10,631,401	\$15,202,412
General Fund	\$322,848	\$274,308	\$605,472	\$1,202,628	\$605,472	\$605,472	\$1,210,944	\$2,413,572
ERAF	\$0	\$0	\$3,000,000	\$3,000,000	\$3,000,000	\$0	\$3,000,000	\$6,000,000
Subtotal	\$3,403,737	\$3,761,978	\$15,942,850	\$23,108,566	\$22,600,973	\$11,604,523	\$37,205,496	\$57,314,061
Contingency			\$2,268,684	\$2,268,684		\$3,720,550	\$3,720,550	\$5,989,234
Total Sources	\$3,403,737	\$3,761,978	\$18,211,534	\$25,377,250	\$22,600,973	\$15,325,073	\$40,926,046	\$63,303,295

Uses of Funds	FY 2017-18 (Actual)	FY 2018-19 (Actual)	FY 2019-20 (Budget)	Existing Agreement	FY 2020-21 (Proposed)	FY 2021-22 (Proposed)	Proposed Modification	Total
Salaries & Benefits	\$476,853	\$526,831	\$686,504	\$1,690,188	\$717,519	\$749,775	\$1,467,294	\$3,157,482
Operating Expense	\$2,823,770	\$228,680	\$449,356	\$3,501,806	\$418,182	\$429,182	\$847,364	\$4,349,170
Indirect Cost (15%)	\$103,114	\$113,327	\$170,379	\$386,820	\$170,355	\$176,844	\$347,199	\$734,019
Consultancy Detail	\$0	\$27,736	\$84,595	\$112,331	\$0	\$0	\$0	\$112,331
Capital Detail	\$0	\$2,865,404	\$14,552,016	\$17,417,420	\$21,294,917	\$10,248,722	\$31,543,639	\$48,961,059
Subtotal	\$3,403,737	\$3,761,978	\$15,942,850	\$23,108,565	\$22,600,973	\$11,604,523	\$37,205,496	\$57,314,061
Contingency (10%)				\$2,268,684			\$3,720,550	\$5,989,234
Total Uses⁷	\$3,403,737	\$3,761,978	\$18,211,534	\$25,377,250	\$22,600,973	\$15,325,073	\$40,926,046	\$63,303,295

Source: Appendix B-2 to Proposed Second Modification

Note: According to HSA, in FY 2017-18, expenditures that belonged to the Capital Detail category were erroneously included in the Operating Expense category. This was corrected for FY 2018-19 onwards.

The current contract budget of \$25,377,250 includes a contingency of \$2,268,684 for FY 2017-18 through FY 2019-20. Because the proposed contract budget for FY 2020-21 and FY 2020-21 includes a new contingency of \$3,720,550, the Budget and Legislative Analyst recommends reducing the total contract amount by \$2,268,684, from \$63,303,295 to \$61,034,611.

The proposed expenditures during the two-year extension include cost of living increases for six full-time LIIF program staff, which are partially funded through this agreement. Operating expenditures in the proposed two-year term extension are lower than the current fiscal year because of lower rent. The “capital detail” account includes grants for all phases of capital improvements for and development of early child care facilities. According to Mr. Dobson, there

⁷ Figure may not add due to rounding.

are 24 childcare facilities identified capital improvements during the proposed two-year extension and the Department expects to disburse grants for an additional 40 sites beyond that.

POLICY CONSIDERATION

The Budget Outlook Update, prepared by the Budget and Legislative Analyst's Office, Mayor's Budget Office, and Controller, projects a \$246.2 million shortfall in the FY 2019-20 General Fund budget, increasing to \$753.9 million in FY 2020-21 due to the impacts of the COVID-19 public health emergency.

Because of the projected shortfall in the General Fund budget, the Budget and Legislative Analyst considers approval of General Fund monies for the proposed contract modification in FY 2020-21 and FY 2021-22, totaling \$7,931,494 (\$1,210,944 in General Fund, \$3,000,000 in excess ERAF funds, and \$3,720,550 in contingency funds, shown in Table 1 above) to be a policy matter for the Board of Supervisors.

RECOMMENDATIONS

1. Amend the proposed resolution to provide for a total contract not-to-exceed amount of \$61,034,611, which represents an increase of \$35,657,361 from the current contract amount of \$25,377,250
2. Approve \$27,725,867 of the requested increase of \$35,657,361.
3. Approval of \$7,931,494 of the requested increase of \$35,657,361 is a policy matter for the Board of Supervisors.