


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

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November 13, 2020

TO: Budget and Finance Committee

FROM: Budget and Legislative Analyst 

SUBJECT: November 18, 2020 Budget and Finance Committee Meeting

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<p>Item 2 File 20-1192 <i>(Continued from 11/4 meeting)</i></p>	<p>Department: Department of Public Health (DPH)</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would approve the Third Amendment to the City’s agreement with Color Genomics, increasing the amount by \$74,482,043, from \$9,900,000 to \$84,382,042. According to the proposed resolution, the end date is the earlier of (i) the award of a new agreement through a competitive Request for Proposal, or (ii) April 5, 2021. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • The Department of Public Health (DPH) entered into the original agreement with Color Genomics in April 2020 to provide COVID-19 testing. Color Genomics opened two testing sites in the first month of the agreement in April 2020 at the Embarcadero and South of Market. Between April 2020 and October 2020, Color added three mobile testing sites and laboratory testing in support of the universal testing program at Laguna Honda Hospital. • DPH entered into the original agreement with Color Genomics on an emergency basis under the authority of Administrative Code Section 21.15, which allows departments to enter into agreements to address a public health emergency “in the most expeditious manner.” DPH has subsequently entered into agreement amendments for an amount of \$9,900,000 through July 2020. • The proposed Third Amendment, increasing the agreement amount to \$84,382,042 and extending the agreement through March 2021, would provide for approximately 22,725 COVID tests per week at cost of \$75 per test, which according to DPH, is less than the federal benchmark of \$100 per test. The total agreement amount covers expenses invoiced by Color Genomics since July 2020 but not yet paid. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • Of the \$74.5 million increase in the agreement, DPH expects the Federal Emergency Management Agency to pay for approximately \$49.1 million, health insurance to reimburse \$6.6 million, and the remaining \$15.8 million of contract costs to be General Fund. <p style="text-align: center;">Policy Consideration</p> <ul style="list-style-type: none"> • The Board of Supervisors is being asked to approve an \$84.4 million agreement, which was awarded as a sole source contract in response to an emergency. According to DPH, the Controller’s Office is drafting a Request for Proposals (RFP) to solicit a new COVID testing vendor through a competitive process. <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

On April 6, 2020, the Department of Public Health entered into an agreement with Color Genomics, Inc. to provide COVID-19 testing. Currently, approximately 60 percent of City-funded COVID-19 tests are completed by Color Genomics. The remaining 40 percent of City-funded testing is conducted through the ZSFG Clinical Laboratory and the City’s Public Health Lab.

The Department has entered into two prior agreement amendments in April and May 2020. Table 1 below summarizes the terms of the original agreement with Color Genomics and subsequent amendments.

Table 1: History of Agreement with Color Genomics

Agreement	Effective Date	End Date	Not to Exceed	Scope
Original Agreement	April 6, 2020	Duration of the emergency plus 60 days	\$7,999,702	1 testing site for City essential workers
Amendment 1	April 20, 2020		\$8,254,661	2 testing sites, available to essential workers who met DPH eligibility criteria
Amendment 2	May 4, 2020		\$9,990,000	Added a mobile unit

Source: Agreement with Color Genomics, Inc. and Amendments 1 & 2

Vendor Selection

According to Michelle Ruggels, Director of the Department of Public Health (DPH) Business Office, the original agreement with Color Genomics was entered into on an emergency basis under the authority of Administrative Code Section 21.15, which allows Departments to enter into agreements to address a public health emergency “in the most expeditious manner.” DPH selected the vendor based on an internal review of the its qualifications and capacity for testing services. Administrative Code Section 21.15 requires Departments attempt to obtain at least three bids and to seek Board of Supervisors’ approval for emergency contracts above \$100,000. According to Ms. Ruggels, DPH did not obtain three bids because of the immediate need for COVID testing services. Subsequent to entering into the original agreement with Color Genomics, on May 11, 2020 the Mayor issued the Thirteenth Supplement to her Proclamation of a Local Emergency, which waived Administrative Code requirements for solicitation and procurement for COVID-19 related agreements.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the Third Amendment to the City’s agreement with Color Genomics, which would increase the agreement amount by \$74,482,043, from \$9,900,000 to not-to-exceed \$84,382,042. According to the proposed resolution, the end date is the earlier of (i) the award of a new agreement through a competitive Request for Proposal, or (ii) April 5, 2021.

Services Provided

The existing agreement with Color Genomics includes COVID-19 testing, including obtaining and testing samples, site planning and rentals, and providing a scheduling platform.

Table 2: Third Amendment Provisions

Term	April 6, 2020 to March 31, 2021
Amount	\$84,382,042
Services	Collection kits (swab kits), collection paperwork, transportation of kits to Color’s lab, testing results and reporting to patients and other reporting requirements established by the Health Officer, support for contact tracing, site planning, language translation (telephone), scheduling and results platform

Source: Proposed Third Amendment to Agreement with Color Genomics

Color Genomics opened two testing sites in the first month of the agreement in April 2020 at the Embarcadero and South of Market. Between April 2020 and October 2020, the agreement provided for two stationary testing sites at the Embarcadero, and South of Market, and three mobile testing sites, and laboratory testing in support of the universal testing program at Laguna Honda Hospital. DPH intends to close the SoMa testing site at 6th Street and Mission Street on November 10, 2020 and may open a new testing site near the Alemany Farmer’s Market, which would start on November 17, 2020.

The total number of tests under the proposed third amendment between August 2020 and March 2021 is 772,650, shown in Table 3 below, with an average of approximately 22,725 tests per week.

Table 3: Testing Capacity for Proposed Third Amendment, Aug. 1, 2020 to March 31, 2021

Site	Tests
Embarcadero	452,200
SoMa/Alemany Farmer's Market	90,950
Mobile Testing 1	59,500
Mobile Testing 1	59,500
Mobile Testing 3	59,500
Laguna Honda (laboratory services)	51,000
Total	772,650

Source: Draft Third Amendment

According to Drew Murrell, Deputy Finance Officer for the DPH, the City's COVID Command Center, the interdepartmental task force directing the City's COVID response, determines the location of the mobile testing sites and may also change the location of testing sites based on identification of the neighborhoods in the City where testing can make the most difference. DPH reports it has determined a neighborhood-based strategy that targets geographic areas with the highest burden of disease, will improve the ability to decrease active infections within the city. Dr. Naveena Bobba, Deputy Director of DPH, advises that a new testing public webpage is under development that will provide regular updates related to positivity rates and test rates by neighborhood (though not by testing source).

According to Mr. Murrell, the turnaround time between when a patient gets tested by Color Genomics and receives their results averages less than 48 hours.

FISCAL IMPACT

The total budget for the contract is \$84,382,043.

Table 4: Agreement Budget

	April 2020 – July 2020	Proposed 3 rd Amendment Aug 2020 – Mar 2021	Total
COVID-19 Testing	\$5,800,000	\$57,948,750	\$63,748,750
Static and Mobile Site Clinical Management (Subcontractor)	297,600	6,081,410	6,379,010
Static and Mobile Site Logistics Management (Subcontractor)	280,448	2,118,200	2,398,648
Language Capacity		13,464	13,464
Registration and Test Result Platform	90,000	340,000	430,000
Start Up and IT Costs (one time)	324,795		324,795
Mobile Platform Testing (one time)	1,667,388		1,667,388
Taxes	379,950		379,950
Contingency (12% of total)	1,059,819	7,980,219	9,040,038
Total	\$9,900,000	\$74,482,043	\$84,382,043

Source: Original and Amended Agreements

The COVID-19 testing amount of \$57,948,750 under the proposed Third Amendment is for 772,650 tests at \$75 per test. According to DPH, the \$75 cost per test included in the proposed agreement compares favorably with the national benchmark of \$100 cost per test reported by U.S. Centers for Medicare & Medicaid Services.

According to DPH, Color Genomics has invoiced approximately \$22 million through September, or approximately \$12.1 million more than the agreement amount of \$9.9 million. The proposed Third Amendment would cover expenses incurred since July 2020 through March 2021. The proposed Third Amendment contains a twelve percent contingency for an optional third site, which, as noted above, is tentatively planned to be situated near Alemany Farmer's Market.

Sources of Funding

Of the \$74.5 million increase in the Color Genomics contract, DPH expects the Federal Emergency Management Agency to pay for approximately \$49.1 million, health insurance to reimburse \$6.6 million, and the remaining \$15.8 million of contract costs to be sourced from the General Fund. Health insurance reimbursement depends on the coverage of testing patients.

POLICY CONSIDERATION

The Board of Supervisors is being asked to approve an \$84.4 million agreement, which was awarded as a sole source contract in response to an emergency. According to DPH, the Controller's Office is drafting a Request for Proposals (RFP) to solicit a new COVID testing vendor through a competitive process. At the November 4, 2020 Budget and Finance Committee meeting, the Committee Chair requested the Controller for an update on the RFP process to

ensure that a new vendor selected through a competitive process will be in place by the end date of the proposed third amendment in April 2021

RECOMMENDATION

Approve the proposed resolution.

<p>Item 6 Files 20-1213</p>	<p>Department: Office of Contract Administration (OCA)</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 new six-year agreement between the City and Recology provide refuse collection and recycling services for all City facilities, for a total not to exceed \$62,500,000 for the term of December 1, 2020, through November 30, 2026, with four options to extend the term for one year each. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • Recology provides collection and disposal of municipal solid waste, recycling, and organics/compost to commercial and residential customers in the City. The existing MOU with Recology sets annual rates based on the uniform commercial rates, subject to the Monthly Service Fee Cap and a discount for recycling and composting. The recycling and composting discount is capped based on a formula defined in the MOU. • The proposed MOU with Recology sets annual rates based on the uniform commercial rates as of July 1, 2020, which are subject to change. The Monthly Service Fee Cap is removed, so that the City could pay higher monthly charges than under the current MOU. However, the cap on the recycling and composting discount is also removed, so that City departments that recycle or compost most of their trash will receive a deep discount from the established rates. OCA is proposing these changes to better align the City’s rate structure with citywide rates and incentivize City departments to recover more recyclables and compostables which would result in cost savings and help the City reach its Zero Waste goal. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The spending over the initial six-year term is \$62,317,236. Based on the proposed rate structure, OCA projects saving 9.7 percent less than the projected expenditures under on the existing rate structure. <p style="text-align: center;">Policy Consideration</p> <ul style="list-style-type: none"> • The City’s refuse collection services are a monopoly granted under the 1932 Refuse Collection and Disposal Ordinance. While the voters of San Francisco have previously rejected two propositions which would have amended the Refuse Collection and Disposal Ordinance and allowed for competitive bidding, the Board of Supervisors should consider the feasibility of other models that are used by California counties. However, changes to the 1932 Ordinance would require voter approval. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Because Recology is currently the only permitted refuse collector in San Francisco, the Budget & Legislative Analyst recommends approving 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

Recology San Francisco provides collection and disposal of municipal solid waste, recycling, and organics/compost to commercial and residential customers in the City. In December 2014, the Board of Supervisors approved a Memorandum of Understanding (MOU) between the City and Recology San Francisco and its subsidiaries, Recology Golden Gate and Recology Sunset Scavenger, for refuse collection for City facilities (File 14-1161). The MOU had a term from December 2014 through November 2020 and a not to exceed spending authority of \$40 million. In November 2019, the Board of Supervisors approved the first amendment to increase the contract's amount by \$8 million from \$40 million to \$48 million (File 19-0996).

Expenditures on Existing Recology MOU

As shown in Table 1 below, from December 2014 through September 2020, the City has paid Recology \$46,385,295 through September 2020 to provide refuse and recycling services for all City departments. As shown in the Attachment, which shows expenditures through June 2020, the largest user of Recology's services is the Recreation and Park Department, which accounts for approximately 25 percent of all City expenditures.

According to Mr. Ian Fernando, Contract Compliance Officer at the Office of Contract Administration, the agency anticipates fully expending the MOU agreement amount of \$48 million by November 30, 2020.

Table 1. Actual Expenditures on Recology MOU, December 2014 through September 2020

Term	Service Fee Cap Formula	COLA	Expenditure Amount
FY 2014-15 (December 1, 2014 – June 30, 2015)	Base Rate	N/A	\$3,327,250
FY 2015-16	(Base Rate x 1.0285) + COLA	1.02%	6,087,192
FY 2016-17	(Base Rate x 1.057) + COLA	1.59%	6,962,833
FY 2017-18	(Base Rate x 1.086) + COLA	3.58%	7,851,186
FY 2018-19	(Base Rate x 1.1114) + COLA	3.33%	9,076,298
FY 2019-20	(Base Rate x 1.1114) + COLA	3.02%	10,504,033
FY 2020-21 (July 1, 2020 – September 30, 2020)	(Base Rate x 1.1114) + COLA	0.0%	2,576,503
Total			\$46,385,295

Source: Office of Contract Administration

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve a new six-year agreement between the City and County of San Francisco and the Sunset Scavenger Company (Recology Sunset Scavenger), Golden Gate Disposal & Recycling Company (Recology Golden Gate), and Recology San Francisco to provide refuse collection and recycling services for all City and County departments and facilities, resulting in total compensation to Recology in an amount not to exceed \$62,500,000 for the term of December 1, 2020, through November 30, 2026, with four options to extend the term for one year each.

According to Mr. Fernando, the Contract Monitoring Division has waived the Local Business Enterprise (LBE) requirements for the proposed agreement because there are no LBEs that have experience, fleet of vehicles, or material handling, separation, or transfer facilities to provide these services.

Services Provided

The scope of services for the proposed agreement include the following:

- Collection and processing of refuse generated by City departments (facilities, office buildings, institutions and parks), which includes all recyclables, compostable and landfill-bound trash;

- Identifying opportunities to reduce the level of refuse service and eliminate secondary charges to decrease costs to departments and improve collection efficiency. These opportunities may include, but are not limited to, increasing recycling and composting bin sizes, and reducing the number of trash bins or the frequency of trash collection when excess capacity is noted;
- Providing reports on recovery rates and non-compliance with proper separation (i.e. contamination in recycling, composting, and trash bins).

According Mr. Fernando, there are no performance measures required of the contractor other than meeting the terms of the proposed agreement and to do so in accordance with the City's Refuse and Health Ordinances.

FISCAL IMPACT

Change in Rate Structure

The existing MOU with Recology sets annual rates based on the uniform commercial rates¹, subject to the Monthly Service Fee Cap² and a discount for recycling and composting. The recycling and composting discount is capped based on a formula defined in the MOU.

The proposed MOU with Recology sets annual rates based on the uniform commercial rates as of July 1, 2020 and shown in Appendix D of the MOU, which are subject to change. According to Mr. Fernando, OCA anticipates the refuse collection rates under the proposed MOU will continue to be adjusted every year during the MOU term by a COLA of approximately 3 percent.

The Monthly Service Fee Cap is removed, so that the City could pay higher monthly charges than under the current MOU. However, the cap on the recycling and composting discount is also removed, so that City departments that recycle or compost most of their trash will receive a deep discount from the established rates.³ According to Mr. Fernando, OCA is proposing these changes to better align the City's rate structure with citywide rates and incentivize City departments to recover more recyclables and compostables which would result in cost savings and help the City reach its Zero Waste goal.

¹ Uniform commercial rates are based on a single set of rate tables for all refuse and recycling and include a base rate for fixed costs and a variable rate for volume. The rates are offset by discounts for recycling. The uniform commercial rates are defined in the Appendix to the MOU.

² The existing MOU limits the monthly amount that Recology can bill the City each month for existing services (Monthly Service Fee Cap) to no more than the average aggregate monthly charges in FY 2013-14, which increased each year by an amount defined in the MOU (also shown in Table 1 above).

³ Under the existing MOU, the recovery discount cannot exceed 65 percent. The recycling and composting recovery rate is capped at 75 percent (i.e., the total recycling and compostables divided by total recycling/compostable/trash volume), less a fixed charge of 10 percent (of all volume charges). Under the proposed MOU, the discount is not capped. The recovery discount is based on the recovery rate, less the recovery floor of 25 percent offset by a composting credit of 20 percent. Therefore, if the recovery rate is 75 percent less 5 percent (the net of the 25 percent floor plus the 20 percent composting credit) the recovery discount is 70 percent.

Projected Expenditures

As summarized in Table 2 below, based on the proposed rate structure, OCA projects expending a total of approximately \$62,317,236 over the six-year term of the proposed agreement with Recology. This is \$6,033,355, or approximately 9.7 percent, less than the estimated projected expenditures of \$68,350,591 based on the existing rate structure, as shown in Table 2 below. As described below, rates are adjusted at the start of each fiscal year per a cost-of-living adjustment (COLA).

Table 2: Estimated Projected Expenditures based on Existing and Proposed Rate Structures Over Six Year Term

Term	Projected Expenditures Based on Existing Rate Structure ⁴	Projected Expenditures Based on Proposed Rate Structure ⁵
December 1, 2020 – June 30, 2021	\$6,087,886	\$5,550,504
FY 2021-22	10,749,467	9,800,604
FY 2022-23	11,071,951	10,094,622
FY 2023-24	11,404,110	10,397,461
FY 2024-25	11,746,233	10,709,385
FY 2025-26	12,098,620	11,030,666
July 1, 2026 – November 30, 2026	5,192,324	4,733,994
Total Expenditures	\$68,350,591	\$62,317,236

Source: Office of Contract Administration

Projected expenditures are based on City departments being at full capacity with staff working onsite. According to Mr. Fernando, OCA chose to use January 2020 expenditures for cost projections because this was before the COVID emergency shelter-in-place order, and City departments were at full capacity with staff onsite. While City departments are not expected to open at full capacity within the next several months, the proposed agreement will continue servicing new sites that support the City's COVID-19 response, including Safe Sleeping Villages, some hotel sites, and other locations. OCA states that basing the projected expenditures on the assumption of full staff capacity allows a buffer should new locations be added during the term

⁴ Projected expenditures for the first month are based on the January 2020 invoice and applying the Monthly Service Fee Cap formula. According to Mr. Fernando, analysis of the existing agreement shows that the City has been charged the Monthly Service Fee Cap amount on 93 percent of the City's invoices, and therefore based projected expenditures on the assumption that this trend will continue if the existing rate structure is applied. The projected Monthly Service Fee Cap amounts for the subsequent six years are calculated using the formula in Table 1 above.

⁵ Projected expenditures for the first month are based on the January 2020 invoice and applying the proposed rate structure (recovery discount including compost credit) and a 3.5 percent COLA. This is as follows: \$1,261,578.70 (gross invoice charges) minus \$495,463.60 (recovery discount including compost credit) plus \$26,814.03 (3.5 percent COLA) equals \$792,929.13. A 3 percent COLA is then applied every fiscal year beginning July 31, 2021.

of the proposed agreement. In addition, projected expenditures are based on the ability of City departments to maintain their current rates of recycling and composting. For example, if a City department recycles and composts more than their current rate, this would result in a larger discount. However, if a City department recycles and composts less than their current rate, this would result in a smaller discount.

The proposed agreement's not-to-exceed amount serves as a maximum, not the total that the City is obligated to spend. The revenues to pay for the proposed agreement with Recology would be funded through the individual City departments' annual operating budgets, as approved by the Board of Supervisors. City departments are responsible for creating purchase orders against the agreement for refuse services based on their needs. Departments may determine their annual budgets for refuse collection based on historical refuse volume and recovery by location, expected increases (or decreases) in recovery, and the anticipated COLA.

POLICY CONSIDERATIONS

City Granted Monopoly for Services

In 1932, voters approved the Refuse Collection and Disposal Ordinance, which requires refuse collection firms to obtain a license for operations and permits to collect refuse within certain areas of the City.⁶ The 1932 Ordinance created 97 permits for refuse collection, which, due to acquisitions since the 1932 Ordinance was approved, are currently all owned by Recology. Under the 1932 Ordinance, additional permits for refuse collection may only be granted if 20 percent of the customers within a permit area sign a petition stating that they are inadequately served or if the license of the refuse collector is revoked. Licenses for refuse collection operators may be revoked if the Director of Public Health determines that the refuse collection license holder is not providing adequate service or is overcharging for service. Modifications to the 1932 Ordinance would require voter approval.

The current and proposed MOU with Recology received a sole source waiver from the Office of Contract Administration because Recology is the only entity permitted to collect refuse in San Francisco.

Other California counties have different models of refuse collection service. For example, according to the 2020 Alameda County Integrated Waste Management Plan, Alameda County has nine residential recycling collectors and eight compostable collectors (including a public entity that is part of the City of Berkeley) that then work with at least one other organization for refuse collection processing. Each refuse collector in Alameda County works exclusively within a given jurisdiction. Los Angeles County Public Works awards residential refuse collection franchises for certain unincorporated areas and contracts for refuse collection in seven garbage disposal districts.

⁶ The 1932 Refuse Collection and Disposal Ordinance vested the power to authorize refuse collection licenses with the Director of Public Health. The provisions of the 1932 Ordinance are codified in the Section 290 of the Health Code.

Rate Setting

The City's residential rates are regulated by Public Works. According to Ms. Julia Dawson, Deputy Director of Finance and Administration at Public Works, the uniform commercial rates, although not regulated, are influenced by the residential rates. The proposed contract with Recology applies the discount formula, discussed above, to Recology's uniform commercial rates.

The City's residential rate setting process is established under the 1932 Refuse Collection and Disposal Initiative Ordinance. Residential refuse collection rates are set by a rate setting process undertaken by the Director of Public Works, who must hold public hearings during the rate setting process. Rates are then adjusted annually to incorporate changes to operating costs. The residential rates assume a 9.9 percent profit for Recology. According to Public Works, factors considered in setting rates include review of Recology's rate proposal, including the funding for existing programs and proposals for new or improved services, equipment and facilities. The last rate setting process occurred in 2017, which resulted in a residential rate increase of 14.4 percent in order to reflect Recology's rising operational expenses, increasing demand for service for existing programs, and new capital investments for compost and trash processing, among other reasons.⁷ The next residential rate setting process is tentatively scheduled for 2022, though may be initiated earlier by the City or by Recology.

The residential rates are subject to appeal to the Refuse Rate Board, which consists of the City Administrator, the Controller, and the San Francisco Public Utilities Commission Manager. Under Section 2.109 of the City Charter, the Board of Supervisors does not have authority over the residential refuse collection rates.

Public Integrity Review

According to the Controller's and City Attorney's September 24, 2020 Public Integrity Review "Preliminary Assessment: Gifts to Departments Through Non-City Organizations Lack Transparency and Create 'Pay-to Play' Risk", between July 1, 2015, through January 17, 2020 Recology provided \$131,948 to the Parks Alliance for Public Works, a non-profit that also made \$213,970 payments to Public Works employees. Between 2015 and 2019, Recology also paid \$630,000 to the SF Clean City Coalition, a non-profit that then made \$721,250 payments to the Parks Alliance for Public Works. The Parks Alliance for Public Works made payments of \$370,000 to other City contractors that largely used those funds to pay for goods and services that benefited City employees.

According to the Public Integrity Assessment, "when city contractors or city building permit applicants or holders donate to non-city organizations, such as those maintained by the Parks Alliance for Public Works, it can create a 'pay-to-play' relationship." The Public Integrity Assessment recommended changes to City policies and practices to provide greater transparency on the flow of funds among City departments and non-profits.

⁷ This is according to SF Public Works: <http://sfpublicworks.org/sites/default/files/Recology%20FAQ%20-%20Final.pdf>

Policy Options for the Board of Supervisors

As noted above, the City's refuse collection services are a monopoly granted under the 1932 Refuse Collection and Disposal Ordinance. While the voters of San Francisco have previously rejected two propositions which would have amended the Refuse Collection and Disposal Ordinance and allowed for competitive bidding,⁸ the Board of Supervisors could consider the feasibility of other models that are used by California counties. However, as noted above, changes to the 1932 Ordinance would require voter approval.

Because Recology is currently the only permitted refuse collector in San Francisco, the Budget and Legislative Analyst recommends approving the proposed resolution so that City departments may continue to receive refuse collection service.

RECOMMENDATION

Approve the proposed resolution.

⁸ Proposition Z in November of 1993, which was rejected by 76.3 percent of the voters, and Proposition K in November of 1994, which was rejected by 64.5 percent of the voters.

Attachment: Department Expenditures on Recology MOU, FY 2015 through FY 2020

Department	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015⁹	Total
Adult Probation	\$10,470	\$11,009	\$5,230	\$0	\$0	\$0	\$26,710
Public Health	\$361,640	\$296,055	\$236,036	\$205,950	\$186,970	\$107,824	\$1,394,476
Elections	\$17,099	\$4,406	\$1,820	\$6,575	\$8,625	\$4,230	\$42,756
Emergency Management	\$23,605	\$26,947	\$24,485	\$21,596	\$19,520	\$11,243	\$127,397
Human Services Agency	\$274,953	\$234,399	\$218,919	\$197,807	\$202,645	\$70,935	\$1,199,658
Dept Of Parking & Traffic	\$31,553	\$23,214	\$20,563	\$17,796	\$13,954	\$6,119	\$113,199
Dept Of Technology	\$40,477	\$37,269	\$48,380	\$24,460	\$14,314	\$7,526	\$172,427
District Attorney	\$7,930	\$7,979	\$6,632	\$5,760	\$5,261	\$3,112	\$36,674
DPW - Bureau of Building Repair	\$63,465	\$56,652	\$41,771	\$39,065	\$34,354	\$19,765	\$255,072
Fine Arts Museum	\$163,940	\$197,900	\$186,280	\$159,622	\$145,681	\$83,541	\$936,964
GSA-Central Shops	\$19,449	\$5,834	\$13,414	\$4,243	\$3,178	\$1,523	\$47,641
Laguna Honda Hospital	\$873,127	\$691,621	\$608,188	\$583,184	\$514,893	\$300,088	\$3,571,101
Municipal Railway /Structures	\$1,103,739	\$995,538	\$890,936	\$808,451	\$727,823	\$404,864	\$4,931,349
Public Defender's Office	\$1,002	\$1,041	\$942	\$798	\$691	\$391	\$4,866
Public Utilities Commission	\$10,581	\$8,935	\$8,076	\$7,559	\$5,730	\$3,308	\$44,189
Public Utilities Commission PUC	\$469,056	\$376,569	\$320,155	\$143,071	\$125,363	\$69,076	\$1,503,290
Real Estate Department	\$895,644	\$828,197	\$717,206	\$630,550	\$500,862	\$128,480	\$3,700,940
Sheriff's Dept	\$56,548	\$48,179	\$39,452	\$32,670	\$29,903	\$17,361	\$224,112
Animal Care & Control	\$51,398	\$60,450	\$54,717	\$46,999	\$42,554	\$24,784	\$280,902
Fire Department	\$417,666	\$355,571	\$285,294	\$243,264	\$218,088	\$121,298	\$1,641,181
General Hospital	\$1,241,887	\$1,015,289	\$780,310	\$613,565	\$529,085	\$257,764	\$4,437,900
Library	\$197,503	\$161,279	\$134,479	\$111,279	\$92,713	\$50,260	\$747,513
Police Department	\$298,160	\$251,223	\$207,580	\$180,295	\$163,932	\$93,380	\$1,194,570
Port Commission	\$408,262	\$402,240	\$374,656	\$344,568	\$321,026	\$214,830	\$2,065,582
SFPUC	\$66,613	\$54,853	\$52,370	\$45,633	\$41,815	\$24,428	\$285,711
Recreation & Park	\$2,531,564	\$2,114,412	\$1,847,880	\$1,808,787	\$1,728,628	\$939,863	\$10,971,134
Water Department	\$123,636	\$97,691	\$90,812	\$92,481	\$68,892	\$30,129	\$503,641

⁹ FY 2015 includes data invoices from December 2014 through June 2015

Department	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015⁹	Total
SFPUC Wastewater Enterprise	\$458,937	\$434,399	\$349,583	\$278,642	\$0	\$0	\$1,521,562
TIDA	\$20,737	\$23,190	\$21,154	\$23,073	\$2,181	\$0	\$90,334
War Memorial	\$220,086	\$209,447	\$222,563	\$250,238	\$255,315	\$131,001	\$1,288,651
Youth Guidance Center	\$43,307	\$44,506	\$41,304	\$34,851	\$31,616	\$18,268	\$213,851
Real Estate Department (GF)	\$0	\$0	\$0	\$0	\$51,580	\$181,859	\$233,439
Total	\$10,504,033	\$9,076,298	\$7,851,186	\$6,962,833	\$6,087,192	\$3,327,250	\$43,808,792

Source: Office of Contract Administration

Item 8 File 20-1179	Department: Department of Technology (DT)
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution authorizes DT to enter into the Fifth Amendment to the City's contract with AT&T. The Amendment extends the term of the contract for one year until December 31, 2021, and increases the not to exceed amount of the contract by \$18,266,199 from \$122,429,557 to \$140,695,756. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • The AT&T contract provides for telephone services, such as voice over internet protocol (VOIP), legacy and circuit telephony, long distance, and toll-free service. The agreement also provides for internet connectivity. The proposed contract continues to rely on prices negotiated by the State's California Network and Telecommunications (CALNET) Program. • On June 30, 2020, DT depleted the approved spending authority on the AT&T contract, which expires at the end of the calendar year. Due to other priorities related to responding to the pandemic, DT did not bring this contract amendment forward prior to the depletion of the existing spending authority. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The Fifth Amendment provides \$18.3 million spending authority, which would cover the period from July 2020 through December 2021. Projected spending on the proposed Fifth Amendment is based on a three-year average of Citywide spending on the contract plus the Airport's anticipated contract costs. • Except for Airport purchases, the Department of Technology makes AT&T contract purchases on behalf of all City departments, which are then funded by DT's service charges to City departments. <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

In May 2010, the Board of Supervisors authorized a not-to-exceed \$75,000,000 master contract between the Department of Technology (DT) and AT&T from February 26, 2010 to August 31, 2014 for the purchase of telecommunications services (File 10-0251). The master contract combined all AT&T services under one Citywide master contract as part of DT's effort to consolidate information technology procurement and contracting on a Citywide basis.

The master contract allowed the City to purchase telecommunications services from AT&T under the best pricing provided by AT&T to other public entities through the State's California Network and Telecommunications (CALNET) Program. The CALNET program secures competitively bid telecommunications contracts that can be used by both state and local agencies.¹ Table 1 below shows the history of the City's existing agreement with AT&T.

Table 1: History of DT Contract with AT&T

	Term	Not to Exceed Amount	Pricing	Notes
Original Contract	2/26/2010 to 8/31/2014	\$75,000,000	CALNET 2	Allowed the use of volume agreements from State of CA CALNET program and other local government.
Amendment 1	2/26/2010 to 8/31/2014	\$75,000,000	CALNET 2	Allowed for project specific rates for special projects.
Amendment 2	9/1/2014 to 12/31/2015	\$97,953,700	CALNET 2	Authorized the migration of rates from CALNET 2 to CALNET3
Amendment 3	1/1/2016 to 12/31/2019	\$122,429,557	CALNET 3	
Amendment 4	1/1/2020 to 12/31/2020	\$122,429,557	CALNET 3	Added one year to term without additional spending authority.

Source: AT&T Agreements with City

¹ Administrative Code Section 21.16 allows the Departments to rely on the competitive procurement of other public agencies when purchasing commodities or services.

In February 2016, prior to approving the Third Amendment to the AT&T contract, and based on a recommendation from the Budget and Legislative Analyst, the City Administrator and the City Services Auditor division of the Controller's Office compared rates of AT&T and the other providers participating in the CALNET program. The analysis found that AT&T's CALNET rates were generally competitive with other CALNET providers.

Exhaustion of Contract Spending Authority in June 2020

In December 2019, DT exercised an option year to extend the term of the agreement for one year without adding additional spending authority. At that time, the City's financial system showed sufficient spending authority for the rest of 2020 calendar year. DT later discovered that this was a system error and there was not sufficient spending authority for the remaining term of the existing contract, which expires at the end of the year. DT reports that the data validity issues related to spending authority amounts have been resolved.

On June 30, 2020, DT depleted the approved spending authority on the AT&T contract, which expires at the end of the calendar year. Due to other priorities related to responding to the pandemic, such as emergency procurements to support remote work and preparing reduced budget proposals, DT did not bring this contract amendment forward prior to the depletion of the existing spending authority.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution authorizes DT to enter into the Fifth Amendment to the City's contract with AT&T. The Amendment extends the term of the contract for one year until December 31, 2021, and increases the not to exceed amount of the contract by \$18,266,199 from \$122,429,557 to \$140,695,756. The AT&T contract provides for telephone services, such as voice over internet protocol (VOIP), legacy and circuit telephony, long distance, and toll-free service. The agreement also provides for internet connectivity.

According to Mr. Hao Xie, Strategic Sourcing Manager at the Department of Technology, the one-year contract extension through December 31, 2021 will align the end date of the City's contract with AT&T with the State's extension of the CALNET 3 contract with AT&T. The increase of \$18,266,199 in the contract amount is expected to provide sufficient contract spending authority for actual and projected contract purchases for the 18-month period retroactive to July 2020 through December 2021.

FISCAL IMPACT

Table 2 below shows actual and projected spending of \$18.3 million from July 2020 through December 2021 for the proposed Fifth Amendment to the AT&T contract. Pricing for the proposed contract extension would remain at or below CALNET 3 rates. Projected spending on the proposed Fifth Amendment is based on a three-year average of Citywide spending on the contract plus the Airport's anticipated contract costs.

Table 2: Projected Spending on AT&T Contract

	FY 2020-21	FY 2021-22*	Total
Citywide	\$11,177,466	\$5,588,733	\$16,766,199
Airport	1,000,000	500,000	1,500,000
Total	\$12,177,466	\$6,088,733	\$18,266,199

Source: Department of Technology

Note: Values for FY 2021-22 represent six months of spending.

The Citywide amounts shown in Table 2 above exclude costs for the Airport, which makes its own purchases on the AT&T contract. For the majority of the remaining spending, the Department of Technology makes AT&T contract purchases on behalf of all other City departments, which are then funded by DT's service charges to City departments.

RECOMMENDATION

Approve the proposed resolution.

Item 10 Files 20-1268	Department: Department of Homelessness and Supportive Housing
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would (1) authorize the Department of Homelessness and Supportive Housing (HSH) to execute a Standard Agreement with the California Department of Housing and Community Development for up to \$49,000,000 of Homekey grant funds for the acquisition of The Granada located at 1000 Sutter Street for Permanent Supportive Housing and (2) approve and authorize HSH to commit up to \$33,000,000 in permanent funds and additional operating subsidies over five years to satisfy local match requirements. • The proposed resolution revises a previously approved Board resolution (File 20-1063) passed October 6, 2020, based on increased State funding to account for recently identified rehabilitation costs. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • The Board of Supervisors previously approved a resolution for Homekey grant funds of \$45 million for Episcopal Community Services (as co-applicant for the Homekey grant) to purchase the Hotel Granada and provide for 24 months of operating expenses. Episcopal Community Services subsequently identified additional rehabilitation costs as part of ongoing due diligence assessments, not contemplated in the preliminary project funding plan, and on November 2, 2020, the California Department of Housing and Community Development agreed to an increased grant amount to fund these additional costs. Of the revised \$49 million grant award, approximately \$42.3 million is allocated for housing acquisition and rehabilitation, and approximately \$5.5 million is allocated to subsidize housing operations for up to 24 months, totaling \$47.8 million. The remaining authorization of approximately \$1.2 million would allow the grant amount to be adjusted for further unexpected costs. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The total acquisition and rehabilitation for the Hotel Granada Project is \$74 million, which includes \$42.3 million funded by the Homekey Program grant funds and \$23.2 million in gap loans provided by the Mayor’s Office of Housing and Community Development, subject to Board of Supervisors approval. • The proposed Standard Agreement requires the City to provide operating subsidies for at least five-years, which would cost approximately \$2.9 million annually. The Homekey grant would cover the first two years of subsidies and the Department intends to fund ongoing operating subsidies with 2018 Proposition C funding. <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 Homekey Program

On July 16, 2020, the California Department of Housing and Community Development (HCD) announced the availability of approximately \$600 million of Homekey Program grant funding through a Notice of Funding Availability (NOFA). The focus of the Homekey Program is to sustain and expand housing for persons experiencing homelessness and impacted by COVID-19. Homekey also encourages eligible applicants to utilize funding to ameliorate the disproportionate racial impacts of homelessness and COVID-19. In August 2020, the Board of Supervisors approved the Department of Homelessness and Supportive Housing's (HSH) application for Homekey grant funding (File 20-0817). Two grant applications have been approved for funding. The proposed resolution revises a previously approved Board resolution (File 20-1063) passed October 6, 2020 based on increased State funding to enable the co-applicant, Episcopal Community Services (ECS), to purchase and renovate The Granada. The project will provide supportive housing for formerly homeless adults and serve all existing tenants, many of them low-income seniors who otherwise would be at risk of homelessness.

Project and Vendor Selection

Episcopal Community Services (ECS), a supportive housing service provider, was selected by the Department of Homelessness & Supportive Housing to serve as the co-applicant with the City for State funding. The City had a two-part process for selecting the co-applicant and The Granada. Prior to the release of the Homekey Program NOFA, the City had issued RFQ #HSH2020-130 on June 4, 2020 to solicit bids to provide services at Shelter-In-Place sites. This RFQ also established that in the event the City has the opportunity to convert these sites into more permanent settings or secure additional permanent sites, applicants may have the opportunity to qualify to provide ongoing services such as property management or support services. ECS was selected as one of the providers under this initial RFQ to run a Shelter-In-Place site. Upon release of the Homekey Program NOFA, HSH issued RFI #HSH2020-100 to identify properties that are available for acquisition and could be used as a Permanent Supportive Housing site. It was under RFI #HSH2020-100 that The Granada owner responded with ECS. According to the Department, ECS was the only qualified RFI respondent with experience with affordable housing acquisition and development needed to meet the Project Homekey deadlines in the state NOFA.

The Granada

The Granada is located at 1000 Sutter Street. The property includes 232 Single Residence Occupancy (SRO) units and will be operated as Permanent Supportive Housing. The building is currently owned by 655-685 4th St LP, and Pantoll Holdings LLC. According to the Department of

Homelessness & Supportive Housing, 80 of the 232 units are currently occupied by low-income individuals, who are primarily reliant on rental subsidies. ECS will income-certify existing tenants' status as at-risk of homelessness but the Department does not expect any existing tenants to be displaced. According to the Department, as of late September 2020, 152 units are vacant and will be filled by individuals referred through San Francisco's Coordinated Entry System, including housing referral status clients transitioning out of Shelter-In-Place hotels. Two of the 232 units will be used as on-site manager units.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would (1) authorize the Department of Homelessness and Supportive Housing (HSH) to execute a Standard Agreement with the California Department of Housing and Community Development for up to \$49,000,000 of Homekey grant funds for the acquisition of The Granada at 1000 Sutter Street for Permanent Supportive Housing, and (2) approve and authorize HSH to commit up to \$33,000,000 in permanent funds and additional operating subsidies over five years to satisfy local match requirements. The proposed resolution also affirms the Planning Department's determination that the project is exempt from California Environmental Quality Act review.

The Department of Homelessness and Supportive Housing was notified of award of \$44,840,003 in California Department of Housing and Community Development grant funds on September 21, 2020. On October 6, 2020, the Board of Supervisors approved File 20-1063, which authorized HSH to execute the Homekey grant agreement for a total amount not to exceed \$45,000,000. ECS subsequently identified additional rehabilitation costs as part of ongoing due diligence assessments, not contemplated in the preliminary project funding plan, and on November 2, 2020, the California Department of Housing and Community Development agreed to an increased grant amount to fund these additional costs. The award of funds requires the Board of Supervisors to approve the Standard Agreement, which commits the City to additional matching funds for the remaining portion of the acquisition and rehabilitation costs and to provide at least five years of operating subsidies for the Project.

Of the \$49,000,000 grant award, \$42,344,020 of the funds is allocated for housing acquisition and rehabilitation, and \$5,520,000 is allocated to subsidize housing operations for up to 24 months. The remaining \$1,135,980 in the proposed resolution would allow the grant amount to be adjusted for further unexpected costs.

Standard Agreement

The proposed Standard Agreement has a five-year term, and requires funds to be spent on interim or permanent supportive housing consistent with the application for Homekey grant funds.

Expedited Timeline

Because the State's Homekey Program is supported by the Coronavirus Relief Act (for acquisition costs) and the State General Fund (for operating subsidy costs), the Standard Agreement requires that Coronavirus Relief Act funds be spent by December 30, 2020, otherwise the U.S. Department

of Treasury will recoup those monies that have not been used. The deadline for expending State General Funds is June 30, 2022.

According to the Homekey grant application, ECS will close the acquisition of The Granada by November 13, 2020. HSH and ECS have executed the initial standard agreement with HCD as authorized by the Board of Supervisors in the first resolution. HCD included a special condition in the agreement that enables the state to release the funding once the revised resolution is approved by the Board of Supervisors.

According to the City's Homekey grant application, ECS has ninety days after closing to reach fifty percent occupancy in the building. According to the Department, minor rehabilitation work will begin in November and be completed in time to reach 50 percent occupancy of the building in ninety days.

Ensuring Affordability

The proposed Standard Agreement requires ongoing affordability of the Project for at least 55 years. According to the Department, a gap loan from the Mayor's Office of Housing & Community Development (MOHCD) to fund acquisition costs will require a Declaration of Restrictions that limits tenant incomes, rents, and rent increases as well as a Deed of Trust to secure the property in favor of the City. In addition, the proposed resolution states that the City and ECS have agreed to an Option to Purchase Agreement, which would allow the City right of first refusal if ECS sells the Project.

FISCAL IMPACT

The total Homekey Program grant award is \$47,912,020, which includes \$42,344,020 allocated to acquisition of The Granada, and \$5,520,000 for two years of operating subsidy.

Acquisition and rehabilitation of The Granada is estimated at \$74,022,061, funded by Homekey Program, City funds, and a bridge loan from the Housing Accelerator Fund, as shown in Table 1 below. The Mayor's Office of Housing and Community Development (MOHCD) will loan the project \$8,505,000 at the close of escrow in November 2020.

Table 1: Acquisition & Rehabilitation Budget

Source	Original Funding Plan File 20-1063	Proposed Funding Plan File 20-1268	Change
Homekey Program Funding	\$39,272,003	\$42,344,020	\$3,072,017
City Loan	7,584,757	8,505,000	920,243
San Francisco Housing Accelerator Fund	12,959,250	23,173,041	10,213,791
Total Sources	\$59,816,010	\$74,022,061	\$14,206,051
Uses			
Acquisition	\$46,856,760	\$46,000,000	(\$856,760)
Rehabilitation	6,540,000	18,717,610	12,177,610
Architectural Fees	457,800	655,797	197,997
Construction Interest & Fees	920,000	2,471,760	1,551,760
Reserves	1,638,000	2,000,000	362,000
Contingency	1,226,250	1,552,294	326,044
Other Soft Costs	1,177,200	1,124,600	(52,600)
Developer Costs	1,000,000	1,500,000	500,000
Total Uses	59,816,010	\$74,022,061	\$14,206,051

Source: Department of Homelessness & Supportive Housing

A shown above, since the Board of Supervisors approved the original Homekey grant in early October 2020, rehabilitation costs increased by \$12.2 million and together with corresponding increases in construction and other related costs, the total rehabilitation costs increased by \$14.2 million.

Housing Accelerator Fund

The Housing Accelerator Fund provided a bridge loan to the project of \$23,173,041. MOHCD will provide a permanent gap loan to ECS to repay the Housing Accelerator Fund bridge loan within one year, which will be subject to Board of Supervisors approval.

Local Match

The proposed resolution approves the Department to commit the required funding match for Homekey Program grant up to \$33 million for acquisition and rehabilitation. The City's match includes \$8,505,000 for acquisition and \$23,173,041 for the permanent gap loan, totaling \$31,678,041. According to Ms. Gigi Whitley, Deputy Director for Administration and Finance at the Department of Homelessness & Supportive Housing, these matching funds, which will be used to fund the future gap loan through MOHCD, have been included in the Department's FY 2020-21 – FY 2021-22 budget.

Operating Subsidy

The Department of Homelessness and Supportive Housing estimates the annual operating subsidy to The Granada to be approximately \$2.8 million to \$2.9 million. The Homekey Program

grant includes \$5.5 million which would largely cover the operating subsidy for the first two years of the Project. The operating subsidy amount in the proposed grant agreement of \$5,520,000 is \$48,000 less than the original grant agreement amount of \$5,568,000 because two of the units at the project have since been allocated for property managers.

In addition, the proposed Standard Agreement requires the City to provide operating subsidies for at least five years. According to the Department of Homelessness & Supportive Housing, the estimated five-year operating subsidy is \$14.6 million, or approximately \$2.9 million per year, which the Department intends to fund with 2018 Proposition C funds. The Homekey award will offset the first two years of operating costs for Project. However, according to Ms. Whitley, in order to maintain the affordability of the Granada units, the City will need to subsidize housing operations and services to retain the site as Permanent Supportive Housing over the long-term.

RECOMMENDATION

Approve the proposed resolution.

Item 11 Files 20-1214	Department: Human Services Agency
EXECUTIVE SUMMARY	
<p>Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would approve the second contract amendment between the Human Services Agency and Off the Grid Services LLC, for the administration of the Great Plates Delivered program, to extend the contract term by five months for a total term of May 29, 2020, through May 28, 2021, and to increase the contract amount by \$26,730,000 for a total not to exceed amount of \$36,135,000 to commence on November 15, 2020. <p>Key Points</p> <ul style="list-style-type: none"> • Created by the State of California and the Federal Emergency Management Agency (FEMA), the purpose of the Great Plates Delivered program is 1) to provide meals to adults 65 and older and adults 60-64 who are at high-risk from COVID-19 and unable to access meals while staying at home and are ineligible for other nutrition programs; and 2) to support local restaurants and other food provider/agricultural workers at risk during the public health crisis. • On May 29, 2020, the Human Services Agency approved a contract with Off the Grid Services LLC for the period of May 29, 2020 to August 21, 2020 in an amount not to exceed \$9,405,000. On August 31, 2020, the Human Services Agency approved a first amendment for a no cost extension to the contract through December 31, 2020. <p>Fiscal Impact</p> <ul style="list-style-type: none"> • The current contract amount of \$9,405,000 will be fully expended by November 15, 2020. Expenditures are based on a meal rate of \$60 for three daily meals, inclusive of delivery, for up to 1,500 clients per day. The meal rate remains unchanged for the proposed contract amendment. The contractor is currently serving 1,500 clients per day and does not expect any changes unless there is an unexpected surge in COVID-19 cases. • Based on the meal rate of \$60 per day for up to 1,500 clients per day for 195 days (November 15, 2020 through May 28, 2021) and a 10 percent contingency amount, projected expenditures for the proposed contract amendment are \$19,305,000. • Projected expenditures of \$19,305,000 are \$7,425,000 less than the proposed increased contract amount of \$26,730,000, which is calculated for 270 days instead of the actual number of days of the proposed remaining contract term (November 15, 2020 through May 28, 2021). • For the proposed contract amendment, approximately 63 percent of the budget comes from the General Fund, and approximately 38 percent is provided through FEMA and the California Governor’s Office of Emergency Services (CalOES) <p>Recommendations</p> <ul style="list-style-type: none"> • Amend the proposed resolution to reduce the requested not-to-exceed amount by \$7,425,000, or from \$36,135,000 to \$28,710,000. • Approve the proposed resolution, as amended. 	

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

On February 25, 2020, the Mayor issued a proclamation declaring a local emergency because of the COVID-19 pandemic health crisis. On March 17, 2020, the County of San Francisco Health Officer ordered San Francisco residents to shelter in place to control the spread of COVID 19. The intent of the order was for individuals to self-isolate as much as possible to prevent infection from the virus.

Great Plates Delivered Program

Created by the State of California and the Federal Emergency Management Agency (FEMA), the purpose of the Great Plates Delivered program is 1) to provide meals to adults 65 and older and adults 60-64 who are at high-risk from COVID-19 and unable to access meals while staying at home and are ineligible for other nutrition programs; and 2) to support local restaurants and other food provider/agricultural workers at risk during the public health crisis. As part of the Great Plates Delivered program, on April 23, 2020, the Human Services Agency (HSA) issued a Request for Qualifications (RFQ) for Meal Services for People Who Are in Need and Have Access to Congregate Sites, are Unsheltered, or are in Their Homes, and Who Are Otherwise Not Covered by Other City and County of San Francisco-Affiliated Programs to establish a pool of providers to provide meal services for older adults experiencing food need due to risk, exposure, illness, quarantine, accessibility issues, or similar due to the COVID-19 public health crisis. Proposals were considered from organizations that can provide the following components: 1) food production and packaging, and delivery of food to sites and/or food distribution to individuals; and 2) home delivery services. According to Ms. Rocio Duenas, Senior Contract Manager at Human Services Agency, due to the nature of the services to be performed, selection of a qualified organization from the pool was made on an as-needed basis at the agency's discretion. Each proposal's screening was a pass or fail determination as to whether the proposer met the minimum qualifications. The proposed contract term listed in the RFQ was tentatively April 24, 2020 to June 30, 2021. The RFQ established a pool of 93 pre-qualified, as-needed contractors for each of the components, which included Off the Grid Services LLC.

On May 29, 2020, the Human Services Agency approved a contract with Off the Grid Services LLC for the period of May 29, 2020 to August 21, 2020 in an amount not to exceed \$9,405,000. Because the contract was less than \$10 million and less than 10 years, the contract did not require Board of Supervisors' approval. On August 31, 2020, the Human Services Agency approved a first amendment for a no cost extension to the contract through December 31, 2020.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the second contract amendment between the Human Services Agency and Off the Grid Services LLC, for the administration of the Great Plates Delivered program, to extend the contract term by five months for a total term of May 29, 2020, through May 28, 2021, and to increase the contract amount by \$26,730,000 for a total not to exceed amount of \$36,135,000 to commence on November 15, 2020. According to Ms. Duenas, the increased contract amount and extension are needed because FEMA and the State of California continue to extend participation in the Great Plates Delivered Program due to the COVID-19 public health crisis.

Services Provided

The purpose of this contract is to provide delivery of three meals per day to eligible participants identified by the Department of Disability and Aging Services' Integrated Intake. Eligibility requirements were determined by the State of California and FEMA and include the following criteria¹:

- Adults aged 65 or older, as well as older adults who are aged 60-64 and in high-risk categories (i.e., people who have received a positive COVID-19 diagnosis, have been exposed to COVID-19, or who have underlying health conditions);
- Unable to obtain or make their own meals;
- Living alone or with one other adult who also meets these criteria;
- Earning less than \$74,940 for a single-person household or \$101,460 for two-person households;
- People whose income is between 200 percent and 600 percent of the federal poverty level.

According to Ms. Duenas, the program has provided 985,519 meals to 3,096 recipients since its inception in May 2020. 95 percent of recipients have been adults aged 65 or older, and 5 percent have been adults aged 60-64. The proposed amendment does not make any changes to the scope of services of the original contract.

Performance Monitoring

According to Appendix A-1 of the proposed contract, service objectives include the following:

- Provide meals to identified eligible individuals per screening by Department of Disability and Aging Services' Integrated Intake as indicated on daily spreadsheet of participants;
- Adhere to food preferences, allergies, and special diets as indicated by Intake assessment;

¹ The City also has a specific eligibility criterion that includes people whose income is below 200 percent of the federal poverty level.

- Collect data and submit to program manager weekly, including: 1) number of individuals receiving meal support, 2) number of meals provided per individual, 3) dates meals delivered, 4) number of recipients over age 65, and 5) number of recipients ages 60-64

The contractor must provide a monthly report of data and activities to the Human Services Agency for inclusion in reports submitted to the State. According to Ms. Duenas, the contractor has been meeting their service objective delivery levels.

FISCAL IMPACT

Table 1 below shows the total expenditures to date on the Off the Grid contract.

Table 1: Off the Grid LLC Expenditures from May 29, 2020 through November 6, 2020

Period²	Expenditures
5/29 – 7/10/20	\$1,760,154
7/13 – 8/21/20	\$2,438,689
8/24 – 10/2/20	\$2,788,862
10/5 – 11/6/20	\$2,355,339
Total	\$9,343,045

Source: Human Services Agency

According to Ms. Duenas, the current contract amount of \$9,405,000³ will be fully expended by November 15, 2020. Expenditures are based on a meal rate of \$60⁴ for three daily meals, inclusive of delivery, for up to 1,500 clients per day. The meal rate remains unchanged for the proposed contract amendment. Ms. Duenas states that the contractor is currently serving 1,500 clients per day and does not expect any changes unless there is an unexpected surge in COVID-19 cases. Consequently, based on the meal rate of \$60 per day for up to 1,500 clients per day for 195 days⁵ (November 15, 2020 through May 28, 2021) and a 10 percent contingency amount⁶, projected expenditures for the proposed contract amendment are \$19,305,000, as shown in Table 2 below.

² Period reflects timeframe as indicated on the invoice.

³ The current contract amount was calculated using the following formula: (95 days x 1500 people per day x \$60 meal rate) + 10% contingency = \$9,405,000

⁴ According to Ms. Duenas, the Great Plates Delivered program guidance allows for up to \$66 for three daily meals, inclusive of delivery. The Human Services Agency negotiated the rate with the contractor to \$60.

⁵ This includes the end date in calculation.

⁶ According to Ms. Duenas, the contingency amount of 10 percent is standard policy of the Human Services Agency.

Table 2: Projected Off the Grid LLC Expenditures, November 15, 2020 through May 28, 2021

Number of People Per Day	1,500
Number of Days	195
Meal Rate	\$60
Total	\$17,550,000
Contingency (10%)	\$1,755,000
Projected Total Expenditures	\$19,305,000

Source: BLA Analysis

Projected expenditures of \$19,305,000 are \$7,425,000 less than the proposed increased contract amount of \$26,730,000, which is calculated for 270 days⁷ instead of the actual number of days of the proposed remaining contract term (November 15, 2020 through May 28, 2021). Therefore, the proposed resolution should be amended to reduce the not-to-exceed amount by \$7,425,000, from \$36,135,000 to \$28,710,000.

Funding Sources

For the proposed contract amendment, approximately 63 percent of the budget comes from the General Fund, and approximately 38 percent is provided through FEMA and the California Governor’s Office of Emergency Services (CalOES). Table 3 below summarizes the funding sources for the proposed increased contract amount of \$26,730,000.

Table 3: Proposed Off the Grid LLC Budget by Funding Source

Funding Source	Amount	Percentage
Federal (Federal Emergency Management Agency Public Assistance Grants)	\$8,019,000	30.0%
State (California Governor’s Office of Emergency Services)	\$2,004,750	7.5%
Local (General Fund)	\$16,706,250	62.5%
Total	\$26,730,000	100%

Source: Human Services Agency

To be eligible for FEMA and CalOES funding, recipients must meet the age and health condition requirements and have income between 200 percent and 600 percent of the Federal Poverty Level. According to Ms. Duenas, 41 percent of participants currently meet the income eligibility requirements, and 59 percent do not meet the income requirements because they have incomes below 200 percent of the Federal Poverty Level. For eligible recipients, the funding breakdown is as follows: 75 percent from FEMA, 18.75 percent from the State, and 6.25 percent from the City. For ineligible recipients (those with incomes below 200 percent of the Federal Poverty Level), the City fully funds the costs of services.

⁷ (270 days x 1500 people per day x \$60 meal rate) + 10% contingency = \$26,730,000

According to Ms. Duenas, the Human Services Agency's FY 2020-21 budget included \$15 million for the overall Great Plates Delivered program, of which 53 percent was assumed to be General Fund. This funding will be largely exhausted by early November. The City is reevaluating the continued need for the program each month, in addition to the monthly state and FEMA extensions. To the extent the program continues to be extended by FEMA and additional funding from the General Fund is required to continue the program, the Human Services Agency plans to support the contract extension through cost savings in the department's COVID Command Center Feeding Unit budget, the City's COVID emergency response funding efforts, or other areas the department's General Fund budget.

RECOMMENDATIONS

1. Amend the proposed resolution to reduce the requested not-to-exceed amount by \$7,425,000, or from \$36,135,000 to \$28,710,000.
2. Approve the proposed resolution, as amended.