

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

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

April 17, 2015


TO: Budget and Finance Sub-Committee
FROM: Budget and Legislative Analyst 
SUBJECT: April 22, 2015 Budget and Finance Sub-Committee Meeting

TABLE OF CONTENTS

Item	File	Page
2	15-0240 Contract Amendment – Children’s Council of San Francisco – Preschool for All Program – Not to Exceed \$47,449,209	1

Item 2 File 15-0240	Department: First 5 San Francisco
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <p>The proposed resolution would approve the fifth amendment to the contract between First 5 San Francisco (First 5) and the nonprofit Children’s Council of San Francisco (Children’s Council) to continue to provide fiscal intermediary services for Preschool for All. The amendment would increase the not-to-exceed amount from \$40,730,000 to \$47,449,209, an increase of \$6,719,209. The contract expiration date of June 30, 2015 will not change.</p> <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • Preschool for All is a citywide universal preschool initiative to expand preschool access for four-year olds and improve the quality of preschools in San Francisco by providing financial resources, training, and technical assistance to public and private nonprofit preschools. • The contract between First 5 and the Children’s Council of San Francisco (Children’s Council) provides fiscal intermediary services, including per-child enrollment reimbursements and providing training and technical assistance to Preschool for All providers. First 5 originally awarded a contract to Children’s Council through a competitive process in FY 2012-13, for \$9,900,000. The Board of Supervisors approved the first amendment to increase the contract amount by \$30,830,000 to \$40,730,000, and extend the contract term by two years through FY 2014-15. First 5 subsequently entered into three additional amendments to make technical changes to the contract. • Enrollment in Preschool for All increased in FY 2014-15 by 600 students, from 3,400 in FY 2013-14 to 4,000 in FY 2014-15. The proposed increase in the contract with the Children’s Council is to fund the increased reimbursements to Preschool for All providers due to growth in student enrollment, and to fund additional training and technical assistance to Preschool for All providers to meet quality standards. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The requested increase of \$6,719,209 is needed due to: (1) \$93,003 in spending above budget in FY 2013-14; (2) and \$6,626,206 in higher Preschool for All costs in FY 2014-15. Children’s Council contract expenditures in FY 2014-15 are estimated to be \$21,003,789, which is \$122,418 less than the requested FY 2014-15 budget of \$21,126,206. Therefore, the Budget and Legislative Analyst recommends reducing the contract amount by \$122,418, from the requested not-to-exceed amount of \$47,449,209 to \$47,326,791. <p style="text-align: center;">Recommendations</p> <ul style="list-style-type: none"> • Amend the proposed resolution to reduce the contract not-to-exceed amount by \$122,418, from the requested not-to-exceed amount of \$47,449,209 to a not-to-exceed amount of \$47,326,791. • Approve the proposed resolution as amended. 	

MANDATE STATEMENT

City Charter Section 9.118(b) states that a 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 with an impact of more than \$500,000 is subject to Board of Supervisors approval.

BACKGROUND

Preschool for All is a citywide universal preschool program that aims to expand preschool access and improve the quality of preschools in the City and County of San Francisco by providing financial resources, training, and technical assistance to public and private preschools. Fiscal Year (FY) 2014-15 funding for Preschool for All, which is funded by the Public Education Enrichment Fund¹, is \$27,255,000. First 5 San Francisco (First 5) has administered Preschool for All since its inception in 2004.

First 5 is proposing to increase the existing contract with Children's Council of San Francisco (Children's Council), a non-profit agency, to continue to provide fiscal intermediary services, which include making reimbursements to Preschool for All providers² and providing training and technical assistance to Preschool for All providers through subcontracts with nonprofit organizations. On July 1, 2012, First 5 awarded a contract to the Children's Council for a one-year term from July 1, 2012 through June 30, 2013 to provide the needed fiscal intermediary services, managing enrollment reimbursements to preschool providers, and providing technical assistance and training to preschool providers through subcontracts with nonprofit organization. The contract was awarded by First 5 to Children's Council based on a competitive Request for Proposal (RFP) process in an amount not to exceed \$9,900,000. Because the original contract was less than \$10,000,000, the contract did not require approval from the Board of Supervisors.

In 2013, the Board of Supervisors approved an amendment to the existing contract which: (1) increased the not-to-exceed amount by \$30,830,000 from \$9,900,000 to \$40,730,000; and (2) extended the term of the contract for two years, from July 1, 2013 through June 30, 2015. First 5 subsequently executed the Second, Third, and Fourth amendments to the contract that adjusted non-material elements of the contract³. Such amendments were not subject to

¹ The Public Education Enrichment Fund was approved by San Francisco voters as Proposition H in 2004, and renewed in November 2014 through the passage of Proposition C. Pursuant to City Charter Section 16.123-2; the City is required to appropriate a specified amount of General Fund monies to the Public Education Enrichment Fund each year. Of these funds, one third is allocated to the Preschool for All.

² Preschool for All providers include pre-schools and family care providers.

³ These changes included adjusting annual budgets, but not the overall not-to-exceed amount, and revised dates of payments to preschool providers participating in the program.

approval by the Board of Supervisors. Table 1 below summarizes the amendments to the contract.

Table 1: Summary of Contract Amendments

Iteration	Term	Contract Not-to-Exceed Amount	Reason for Change	Board of Supervisors Approval Required
Original Contract	7/1/2012 – 6/30/2013	\$9,900,000	N/A	No
1 st Amendment	7/1/2012 – 6/30/2015	\$40,730,000	Increase not-to-exceed amount. Extend contract term.	Yes
2 nd Amendment	7/1/2012 – 6/30/2015	\$40,730,000	Adjustment to Grant Plan	No
3 rd Amendment	7/1/2012 – 6/30/2015	\$40,730,000	Adjustment to Annual Budget	No
4 th Amendment	7/1/2012 – 6/30/2015	\$40,730,000	Adjustment to Annual Budget	No

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the Fifth Amendment to the contract between First 5 and the nonprofit Children's Council of San Francisco to continue to provide fiscal intermediary services for Preschool for All. The amendment would increase the not-to-exceed amount from \$40,730,000 to \$47,449,209, an increase of \$6,719,209. The contract expiration date of June 30, 2015 will not change.

FISCAL IMPACT

First 5 San Francisco has spent \$37,374,275 of the existing contact not-to-exceed amount of \$40,730,000, with an available contract balance of \$3,355,725, as shown in Table 2 below.

Table 2: Previous Expenditures for the Children's Council Contract

Fiscal Year	Budget	Actual Spending	Variance
FY 2012-13	\$11,730,000	\$11,730,000	\$0
FY 2013-14	14,500,000	14,593,003	(93,003)
FY 2014-15	14,500,000	11,051,272	3,448,728
	\$40,730,000	\$37,374,275	\$3,355,725

Ms. Ingrid Mezquita, First 5 Senior Program Officer, states that the additional \$6,719,209 is needed due to: (1) \$93,003 in actual spending above budget in FY 2013-14, as shown in Table 2

above; (2) and \$6,626,206 in higher Preschool for All costs in FY 2014-15, shown in Table 3 below.

Table 3: Requested Increase to Children’s Council Contract

Budget Item	Original FY 2014-15 Budget	Requested FY 2014-15 Budget	Requested Budget Increase
Program Administration			
Personnel	\$41,000	\$108,120	\$67,120
Fringe Benefits	13,000	32,090	19,090
Administrative Costs	20,000	37,750	17,750
Other Program Expenditures	3,000	4,040	1,040
Program Administration Subtotal	\$77,000	\$182,000	\$105,000
Family Childcare Quality Network Subtotal	\$0	\$426,206	\$426,206
Payments to Preschool for All Providers			
Reimbursements to Preschool for all providers	\$13,548,000	16,000,000	\$2,452,000
Training & Technical Assistance	875,000	4,518,000	3,643,000
Payments to Preschool for All Providers Subtotal	\$14,423,000	\$20,518,000	\$6,095,000
Total	\$14,500,000	\$21,126,206	\$6,626,206

According to Ms. Mezquita, the total number of children enrolled in Preschool for All in FY 2014-15 is 4,000, which is 600 or 17.6 percent more than FY 2013-14 enrollments of 3,400. The increased enrollment has resulted in increased expenditures for administration, payments to Preschool for All providers, training and technical assistance to Preschool for All providers conducted by nonprofit organizations subcontracting with the Children’s Council; and new expenditures to the Family Childcare Quality Network. The increased expenditures of \$6,626,206 in FY 2014-15 are as follows:

- \$105,000 for an increase in Children’s Council staff from 2.7 FTEs in FY 2013-14 to 4.74 FTEs in FY 2014-15 to process enrollments and administer payments to Preschool for All providers.
- \$426,206 in new funds to the Family Childcare Quality Network⁴ to provide training and technical assistance to Preschool for All providers, matched by an additional \$891,910 from the Human Services Agency for a total Family Childcare Quality Network budget of \$1,318,116.
- \$2,452,000 to increased payments to Preschool for All providers due to an increase in the number of children enrolled in Preschool for All and an increase in the number of hours per day and the number of months per year in preschool services.

⁴ The Family Childcare Quality Network is an initiative that provides training and technical assistance specifically to family childcare providers, rather than center-based childcare providers. This initiative has a separate budget line item because of the cost-sharing relationship with the Human Services Agency.

- \$3,643,000 in training and technical assistance to Preschool for All providers for (1) training and capacity building to new providers to support increased enrollment, (2) new training programs, including preschool provider professional development, dual language learner supports, parent leadership training, curriculum training, and (3) participation in the Federal Race to the Top – Early Learning Challenge⁵ grant, which requires the use of matching funds by counties participating in the initiative.

The FY 2013-14 Children’s Council contract budget for training and technical assistance was \$875,000. The FY 2014-15 Children’s Council contract budget for training and technical assistance is \$4,944,206, which includes \$4,518,000 provided by the Children’s Council through subcontracts with nonprofit organizations, and \$426,206 provided by the Family Childcare Quality Network. According to Ms. Mezquita, First 5 uses nationally recognized quality ratings to assess preschool providers. These quality ratings are based on early childhood education standards to ensure that children are kindergarten-ready. The training and technical assistance provided by the Children’s Council through subcontracts with nonprofit organizations is necessary to increase the quality of preschool providers to meet the early childhood education standards. According to Ms. Mezquita, the quality of preschool providers that participate in Preschool for All varies considerably and some preschool providers require higher levels of training and technical assistance to ensure that they meet the standards set by First 5. The Board of Supervisors appropriated funds for this purpose in the First 5’s FY 2014-15 budget.

The Children’s Council subcontracts with nonprofit organizations through a competitive process to provide technical assistance and training to Preschool for All providers. The Family Childcare Quality Network providers managed by the Human Services Agency were also awarded subcontracts through a competitive process that was initiated in 2012.

⁵ Race to the Top – Early Learning Challenge grant is a competitive grant program that provides states with funding to improve early learning and development programs. Funding from the program is received by the state and implemented by counties at the local level and requires a local match by the counties.

Fiscal Year 2014/15 Expenditures to Date

Children's Council contract expenditures in FY 2014-15 are estimated to be \$21,003,789, which is \$122,418 less than the requested FY 2014-15 budget of \$21,126,206. Therefore, the Budget and Legislative Analyst recommends reducing the contract amount by \$122,418, from the requested not-to-exceed amount of \$47,449,209 to a not-to-exceed amount of \$47,326,791.

RECOMMENDATIONS

1. Amend the proposed resolution to reduce the contract amount by \$122,418, from the requested not-to-exceed amount of \$47,449,209 to a not-to-exceed amount of \$47,326,791.
2. Approve the proposed resolution as amended.