

File No. 100441

Committee Item No. 6

Board Item No. 6

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Sub - Committee: Budget and Finance

Date: May 5, 2010

Board of Supervisors Meeting

Date: May 11, 2010

Cmte Board

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| <input type="checkbox"/> | <input type="checkbox"/> | Legislative Digest |
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| <input type="checkbox"/> | <input type="checkbox"/> | Introduction Form (for hearings) |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Department/Agency Cover Letter and/or Report |
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| <input type="checkbox"/> | <input type="checkbox"/> | Grant Information Form |
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Completed by: Andrea S. Ausberry

Date Friday, April 30, 2010

Completed by: A. Ausberry

Date 5/5/10

An asterisked item represents the cover sheet to a document that exceeds 25 pages. The complete document is in the file.

1 [Approval of FY2010-2011 Expenditure Plan for the Human Services Care Fund]

2
3 **Resolution approving the FY2010-2011 Expenditure Plan for the Human Services Care**
4 **Fund.**

5
6 WHEREAS, Administrative Code Section 10.100-77 established the Department of
7 Human Services Care Fund for the purpose of providing housing, utilities, meals and other
8 services for formerly homeless CAAP recipients; and,

9 WHEREAS, If planned annual expenditures from the Human Services Care Fund
10 exceed \$11.9 million, Administrative Code Section 10.100-77(f) requires the Department of
11 Human Services to submit to the Board of Supervisors a plan explaining how the Department
12 intends to spend the money; and,

13 WHEREAS, The Administrative Code requires the Board of Supervisors to approve the
14 expenditure plan by resolution before adopting the ordinance appropriating funds for these
15 expenditures; and,

16 WHEREAS, The FY10-11 budget for the Department of Human Services includes
17 proposed expenditures from the Human Services Care Fund in excess of \$11.9 million; and,

18 WHEREAS, The Department of Human Services has submitted to the Board of
19 Supervisors a FY10-11 expenditure plan for the Human Services Care Fund; now, therefore,
20 be it

21 RESOLVED, That the Board of Supervisors hereby approves the FY10-11 expenditure
22 plan for the Human Services Care Fund as submitted by the Department of Human Services
23 pursuant to Section 10.100-77(f) of the Administrative Code.

Item 6	Department(s):
File 10-0441	Human Services Agency (HSA)

EXECUTIVE SUMMARY**Legislative Objective**

- Pursuant to Administrative Code Section 10-100.77(f), the proposed resolution would approve the FY 2010-2011 Human Services Care Fund (Care Fund) expenditure plan to expend \$15,044,126 for housing and services to homeless and formerly homeless County Adult Assistance Payment (CAAP) clients of the Human Services Agency, including (a) \$14,024,947 for housing and (b) \$1,019,179 for supportive services.

Fiscal Impacts

- Under the FY 2010-2011 Care Fund expenditure plan, expenditures will decrease by \$474,613, or 3.1 percent, from \$15,518,739 in FY 2009-2010 to a projected \$15,044,126 in FY 2010-2011 due to (a) a reduction of \$82,661 in housing support, (b) the elimination of \$280,000 for capital improvement projects, (c) a reduction of \$51,758 for the Citywide Case Management Roving Team, (d) the elimination of \$40,194 for substance abuse services, and (e) the elimination of \$20,000 for shelter case manager and support counselor training.
- The proposed FY 2010-2011 Care Fund expenditure plan of \$15,044,126 is anticipated to be funded with (a) \$13,689,505 in projected FY 2010-2011 Care Fund revenues, based on the specified caseload reduction and grant reduction formulas, (b) \$1,051,286 in prior-year unexpended Care Fund revenues, and (c) \$303,335 in General Fund revenues, all of which will be subject to Board of Supervisors appropriation approval.
- This is the first time that additional General Fund revenue is proposed to support Care Fund expenditures since the Care Fund was established. Proposition N, approved by San Francisco voters in November of 2002, created the Care Fund which provides a formula-driven cap on the amount of funding for permanent housing and support services that is available. However, Care Fund expenditures have continued to increase over this same time, such that the projected FY 2010-2011 available Care Fund revenues will not be sufficient to meet the housing and support services need. However, given HSA's reported FY 2010-2011 General Fund budget reductions, the Board of Supervisors would not be required to fund an additional \$303,335 in HSA's overall FY 2010-2011 budget.

Recommendations

- Approve the proposed resolution.
- Request the Human Services Agency to (a) develop budget recommendations to limit the impact of future Care Fund expenditures on General Fund revenue by either reducing program costs and/or maximizing revenue sources, and (b) incorporate such recommendations in the next year FY 2011-2012 Care Fund expenditure plan submitted to the Board of Supervisors for approval.

MANDATE STATEMENT AND BACKGROUND**Mandate Statement**

Pursuant to Administrative Code Section 10.100-77(f), in any fiscal year in which expenditures under the Human Services Care Fund are expected to exceed \$11,900,000, the Human Services Agency (HSA) is required to submit a Care Fund expenditure plan to the Board of Supervisors for approval by resolution, prior to the Board of Supervisors appropriating such funds. Administrative Code Section 10.100(f) also specifies that the Care Fund expenditure plan must include (a) estimates of the amounts to be expended for various purposes, (b) explanation of who is to benefit from Care Fund housing and support service expenditures, (c) how many individuals will benefit, and (d) how the proposed benefits would be provided.

Background

In November 2002, San Francisco voters approved Proposition N, the Care Not Cash Initiative. Under that Initiative, homeless adults who qualify for one of four County Adult Assistance Programs (CAAP)¹ are offered housing or shelter and support services as part of their benefit package, in lieu of full cash benefits. Funds that otherwise would have been used to pay full cash benefits are instead used to expand permanent housing and services for homeless and formerly homeless CAAP clients. Through the Housing First Program, the Human Services Agency provides permanent housing with supportive services by contracting with six nonprofit organizations² that lease and manage 17 privately-owned residential single-room occupancy hotels. The Attachment, provided by Ms. Tiffany Wong of the Human Services Agency is the proposed FY 2010-2011 expenditure budget, which identifies the 17 single-room occupancy hotels currently contracted to the six nonprofit organizations at a cost of \$14,024,947. CAAP clients who are housed through the Housing First Program use part of their monthly cash benefit to pay rent.

The Care Not Cash Initiative also created the Human Services Care Fund to support housing and support services³ for homeless clients that contains a formula-driven cap on the amount of funding that can be allocated for permanent housing and support services through the Care Fund.

Care Fund revenues are calculated by HSA based on the anticipated savings that will be realized from the reduced cash grants to CAAP recipients and anticipated CAAP caseload reductions resulting from the implementation of Care Not Cash.

Controller's Audit

In April 2008, the Controller completed an evaluation of the County Adult Assistance Programs and found that the Care Not Cash Initiative was achieving its key goals of (a) serving the people it was intended to serve, (b) allowing the City to shift money from cash grants to mental health

¹ CAAP programs include (a) General Assistance, (b) Personal Assisted Employment Services program, (c) Cash Assistance Linked to Medi-Cal program, and (d) Supplemental Security Income Pending program.

² The six nonprofit organizations are (1) St Vincent de Paul, (2) Mary Elizabeth Inn, (3) Conard House, (4) Episcopal Community Services (ECS), (5) Tenderloin Housing Clinic (THC), and (6) Tenderloin Health.

³ Housing and support services include housing, utilities, meals, drug, substance abuse and alcohol treatment, mental health care and job training.

and substance abuse services for those persons being housed, and (c) adding 1,321 affordable units to the City’s housing portfolio for homeless individuals. The Controller also found that CAAP clients “are housed relatively quickly and for the most part, they stay housed.” Finally, the Controller found that the cost to lease and operate housing for Care Not Cash clients increased up to 20 percent from FY 2003-2004 to FY 2006-2007, but appeared “reasonable.”

DETAILS OF PROPOSED LEGISLATION

Proposed Legislation

The proposed resolution would approve the FY 2010-2011 Human Services Care Fund expenditure plan to expend \$15,044,126 for housing and services to homeless and formerly homeless County Adult Assistance Payment (CAAP) clients of the Human Services Agency, including (a) \$14,024,947 for housing services and (b) \$1,019,179 for supportive services.

FISCAL ANALYSIS

The Care Not Cash Initiative which created the Human Services Care Fund provides a formula-driven cap on the amount of funding for permanent housing and supportive services. The City’s General Fund contribution to the Care Fund is calculated based on the number of homeless people expected to participate in each of the CAAP programs during the upcoming fiscal year as compared to the base year of 3,000 clients, established by the Care Not Cash Initiative. For FY 2010-2011, the HSA estimates an average monthly homeless caseload of 400 clients, such that the City must credit the Care Fund for 2,600 clients monthly (3,000 less 400) times 12 months times the average maximum cash grant for each CAAP program. In addition, the City must credit the Care Fund for the savings achieved from grant reductions for each CAAP program times 12 months times the 400 projected clients for FY 2010-2011.

As shown in Table 2 below, based on the Care Fund formula and a projected FY 2010-2011 caseload of 400 clients, the Human Services Agency projects a total of \$13,689,505 in Care Fund revenues for FY 2010-2011.

Table 2 – FY 2010-2011 Total Care Fund Revenues

Savings from Caseload Reductions	\$12,239,755
Savings from Grant Reductions	+ \$ 1,449,750
Total Care Fund	\$13,689,505

The proposed FY 2010-2011 Care Fund expenditure plan contains \$15,044,126 for housing and supportive services, including (a) \$14,024,947 for housing and (b) \$1,019,179 for supportive

case management and behavioral health services. This represents a decrease in Care Fund expenditures of \$474,613, or 3.1 percent, from \$15,518,739 in FY 2009-2010 to a projected \$15,044,126 in FY 2010-2011 due to (a) a reduction of \$82,661 for housing services from \$14,107,608 in FY 2009-2010 to \$14,024,947 in FY 2010-2011, (b) the elimination of \$280,000 for capital improvement projects, (c) a reduction of \$51,758 for the Citywide Case Management Roving Team from \$581,758 in FY 2009-2010 to \$530,000 in FY 2010-2011, (d) the elimination of \$40,194 for substance abuse services, and (e) the elimination of \$20,000 for shelter case manager and support counselor training.

Even with these proposed reductions, the FY 2010-2011 Care Fund projected expenditures of \$15,044,126 will exceed the Care Fund projected revenues of \$13,689,505 by \$1,354,621, or 9.9 percent. The Human Services Agency proposes to close the projected \$1,354,621 gap with \$1,051,286 in prior-year unspent Care Fund revenues and \$303,335 in additional General Fund revenues, as shown in Table 3 below. All such revenues and expenditures would be subject to the Board of Supervisors appropriation approval.

Table 3 –Care Not Cash Program Budget – FY 2006-2007 through FY 2010-2011

Revenues	FY 2006-2007 Budgeted	FY 2007-2008 Budgeted	FY 2008-2009 Budgeted	FY 2009-2010 Budgeted	FY 2010-2011 Proposed
Care Fund Revenues	\$14,272,106	\$14,058,585	\$13,596,803	\$13,666,382	\$13,689,505
Prior-Year Unspent Care Fund Revenues	\$270,163	\$1,105,611	\$2,071,936	\$1,852,357	\$1,051,286
General Fund	\$0	\$0	\$0	\$0	\$303,335
	\$14,542,269	\$15,164,196	\$15,668,739	\$15,518,739	\$15,044,126
Expenditures					
Housing					
Housing Units	\$13,256,519	\$13,552,715	\$14,107,608	\$14,107,608	\$14,024,847
Capital improvement projects	\$0	\$280,000	\$280,000	\$280,000	\$0
Move-in costs	\$20,000	\$20,000	\$0	\$0	\$0
Housing Subtotal	\$13,276,519	\$13,832,667	\$14,387,608	\$14,387,608	\$14,024,947
Services					
Behavioral Health Roving Team	\$477,481	\$501,355	\$489,179	\$489,179	\$489,179
Citywide Case Management Roving Team	\$696,912	\$731,758	\$731,758	\$581,758	\$530,000
Substance Abuse Services	\$36,869	\$42,204	\$40,194	\$40,194	\$0
Training	\$20,000	\$20,000	\$20,000	\$20,000	\$0
Augmentation Shelter Meals	\$34,488	\$36,212	\$0	\$0	\$0
Services Subtotal	\$1,265,750	\$1,331,529	\$1,281,131	\$1,131,131	\$1,019,179
TOTAL EXPENDITURE	\$14,542,269	\$15,164,196	\$15,668,739	\$15,518,739	\$15,044,126

As shown in Table 3 above, Care Fund revenues have declined by \$582,601, or 4.1 percent, from \$14,272,106 in FY 2006-2007 to a projected \$13,689,505 in FY 2010-2011. At the same time,

housing costs have increased by \$748,328, or 5.6 percent, from \$13,276,519 in FY 2006-2007 to a projected \$14,024,947 in FY 2010-2011.

As also shown in Table 3 above, Care Fund expenditures for support services have decreased by \$246,571, or 19.5 percent, from \$1,265,750 in FY 2006-2007 to a projected \$1,019,179 in FY 2010-2011. According to Ms. Wong, this decrease in support service expenditures is a result of (a) allocating funds from the Citywide Case Management Roving Team line item to the Department of Public Health in order to receive Medi-Cal funds for behavioral health costs, (b) linking clients who are in need of substance abuse treatment to treatment programs funded through CAAP and other sources, (c) eliminating staff training costs, and (d) eliminating the augmentation for shelter meals.

According to Ms. Wong, the formula-driven cap on Care Fund revenues has been reached. As a result, the normally allocated General Fund revenues into the Care Fund are not sufficient to meet housing and supportive services expenditures for FY 2010-2011, without allocating additional contributions from the City's General Fund. As shown in Table 3 above, FY 2010-2011 would be the first year that additional General Fund contributions totaling \$303,335, above the formula-driven amount, would be required.

POLICY ISSUES

Based on the formula mandated by the Care Not Cash Initiative, in prior fiscal years, all of the Care Fund revenues appropriated from the City's General Fund were sufficient to fund the Care Fund housing and support service expenditures required. However, as noted above, due to increasing housing costs over time, even with proposed specific reductions to the FY 2010-2011 expenditure support services plan, the projected Care Fund revenues will not be sufficient to cover the Care Fund housing and support services costs for FY 2010-2011. Therefore, the proposed FY 2010-2011 Care Fund expenditure plan will require an additional \$303,335 General Fund contribution, above the formula-driven amount to be appropriated for the first time. As noted above, all of these requested appropriations will be subject to the Mayor and the Board of Supervisors appropriation approval.

Ms. Wong advises that if the Mayor and the Board of Supervisors do not approve the additional \$303,335 General Fund revenue request, which is included in the HSA's FY 2010-2011 budget request, the HSA would be required to further reduce the support services or reduce the number of housing units provided for homeless clients.


However, the Budget and Legislative Analyst notes that, in response to the City's projected budget shortfall for FY 2010-2011, the Mayor's Office has requested a 30 percent General Fund budget reduction target from all General Fund departments. Mr. Phil Arnold of the HSA advises that the Human Services Agency was able to comply with the Mayor's 30 percent target reduction, mainly through the use of Federal stimulus funds, other revenue enhancements, and surplus savings, and still budget the \$303,335 in additional Care Fund expenditures within

HSA's base General Fund budget. As such, Mr. Arnold advises that the Board of Supervisors would not be required to fund an additional \$303,335 in HSA's overall FY 2010-2011 budget.

Given the additional need for General Fund revenues to meet the increasing Care Fund housing and support services needs, the Budget and Legislative Analyst recommends that the Human Services Agency work directly with the City's nonprofit housing providers and providers of supportive services to (a) develop budget recommendations to limit the impact of future Care Fund expenditures on General Fund revenue by reducing program costs and/or maximizing revenue sources, and (b) incorporate such recommendations in next year's FY 2011-2012 Care Fund expenditure plan submitted to the Board of Supervisors for approval.

RECOMMENDATIONS

1. Approve the proposed resolution.
2. Request the Human Services Agency to (a) develop budget recommendations to limit the impact of future Care Fund expenditures on General Fund revenue by either reducing program costs and/or maximizing revenue sources, and (b) incorporate such recommendations in the next year FY 2011-2012 Care Fund expenditure plan submitted to the Board of Supervisors for approval.



Harvey M. Rose

cc: Supervisor Avalos
Supervisor Mirkarimi
Supervisor Elsbernd
Supervisor Maxwell
Supervisor Campos
President Chiu
Supervisor Alioto-Pier
Supervisor Chu
Supervisor Daly
Supervisor Dufty
Supervisor Mar
Clerk of the Board
Cheryl Adams
Controller
Greg Wagner

Housing First Program FY10-11

Budget Items	FY10-11	Notes
REVENUES		
FY10-11 Care Fund Revenues	\$13,689,505	
Prior-Year Unspent Care Fund Revenues	\$1,051,286	
General Fund	\$303,335	
Total Revenues	\$15,044,126	
EXPENDITURES		
Housing		
Arlington (St. Vincent)	\$86,924	25 units. Summer 2003 start date.
Mary Elizabeth Inn (MEI)	\$252,864	33 units. 2/1/05 start date.
McAllister (Conard House)	\$1,039,659	80 units. 5/3/04 start date.
Alder (ECS)	\$1,165,979	116 units. 5/1/06 start date.
Coast Hotel (ECS)	\$1,249,773	124 units. 5/1/06 start date.
Elm (ECS)	\$1,038,027	81 units. 6/15/04 start date.
Hillsdale (ECS)	\$980,317	84 units. 3/28/05 start date.
Mentone (ECS)	\$1,022,802	71 units. 11/15/04 start date.
All Star (THC)	\$700,292	86 units. 8/1/04 start date.
Boyd (THC)	\$816,397	82 units. 2/15/2006 start date.
California Drake (THC)	\$211,707	51 units. 9/20/03 start date.
Elk (THC)	\$762,458	88 units. 6/1/06 start date.
Graystone (THC)	\$595,243	74 units. 5/3/04 start date.
Pierre (THC)	\$767,816	87 units. 9/6/04 start date.
Royan (THC)	\$696,155	69 units. Summer 2003 start date.
Union (THC)	\$674,479	60 units. 12/15/04 start date.
Aranda (TARC)	\$1,036,704	110 units. 12/15/2005 start date.
ML MPP Services (THC)	\$285,824	Modified Payment Program services provided in CNC hotels.
PMSS (THC)	\$641,527	Property management and support services provided in CNC hotels.
Housing Sub-total	\$14,024,947	
Services		
Behavioral Health Roving Team	\$489,179	Psychiatrist and Nurse Practitioners. Roving team includes 1 SW supervisor, 1 SW, 1 SW associate, 2 clinical supervisor, 1 subst abuse spec, 0.10 prgrm dir, 5 case managers, 0.20 clerk.
Citywide Case Management - Roving Team	\$530,000	
Services Sub-total	\$1,019,179	
Total Expenditures	\$15,044,126	



Human Services Care Fund

(Housing First Program)

FY10-11 Expenditure Plan

This expenditure plan for the Human Services Care Fund for FY10-11 is submitted to the Board of Supervisors pursuant to Section 10-100.77(f) of the San Francisco Administrative Code. The Administrative Code requires the Department of Human Services to submit this expenditure plan if annual proposed appropriations from the Human Services Care Fund exceed \$11.9 million. This plan must include estimates of the amounts to be spent for various purposes, as well as an explanation of who is to benefit from these expenditures, how many people will benefit, and how the proposed benefits will be provided.

Planned Expenditures: The FY10-11 budget for the Department of Human Services includes proposed expenditures from the Human Services Care Fund of \$15,044,126 (see Attachment). The proposed expenditures are divided into two general categories: housing and services. The proposed expenditures are supported by \$13,689,505 in projected FY10-11 Care Fund revenues, \$1,051,286 in prior-year unexpended revenues, and \$303,335 General Fund revenue.

Beneficiaries: The Housing First Program is funded by the Human Services Care Fund. The beneficiaries of the proposed spending under this plan are homeless and formerly-homeless CAAP clients of the Department of Human Services. Since the beginning of the Housing First Program in May 2004, a total of 3,020 homeless and formerly-homeless CAAP clients have been placed into permanent supportive housing (Data through February 2010).

How Benefits Are Provided: Access to the Housing First Program is provided to any CAAP client listed as being homeless with their assigned CAAP worker. These clients are offered an opportunity to apply for housing if it is available. Until a housing placement is made, shelter is offered by the CAAP worker for the time between monthly homeless verification appointments. Each time the homeless CAAP clients see their eligibility worker for a monthly homeless verification appointment, their worker checks to see if housing is available. Additional outreach is done to homeless CAAP clients who have been using shelter for long periods. As housing opportunities are available, homeless CAAP clients are referred to the Housing Access Team that provides support through the screening and placement process. When a client is placed in housing, the Housing Access Team arranges with the CAAP worker for benefits to be adjusted and routed correctly, and then notifies both CAAP and Food Stamps of the client's new address.

Human Services Agency

Housing First Program FY10-11

Budget Items	FY10-11	Notes
REVENUES		
FY10-11 Care Fund Revenues	\$13,689,505	
Prior-Year Unspent Care Fund Revenues	\$1,051,286	
General Fund	\$303,335	
Total Revenues	\$15,044,126	
EXPENDITURES		
Housing		
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Mary Elizabeth Inn (MEI)	\$252,864	33 units. 2/1/05 start date.
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ML MPP Services (THC)	\$285,824	Modified Payment Program services provided in CNC hotels.
PMSS (THC)	\$641,527	Property management and support services provided in CNC hotels.
Housing Sub-total	\$14,024,947	
Services		
Behavioral Health Roving Team	\$489,179	Psychiatrist and Nurse Practitioners.
Citywide Case Management - Roving Team	\$530,000	Roving team includes 1 SW supervisor, 1 SW, 1 SW associate, 2 clinical supervisor, 1 subst abuse spec, 0.10 prgrm dir, 5 case managers, 0.20 clerk.
Services Sub-total	\$1,019,179	
Total Expenditures	\$15,044,126	

MEMORANDUM

March 29, 2010

TO: Benjamin Rosenfield, Controller of the City and County of San Francisco

FROM: Trent Rhorer, Executive Director
 Phil Arnold, Deputy Director for Administration *PA R*

SUBJECT: Proposed FY 2010-11 Human Services Care Fund Budget

This memo notifies the Office of the Controller that pursuant to Administrative Code Section 10.100-7(e), the Human Services Commission has approved the Department of Human Services' projection for the FY 2010-11 Human Services Care Fund budget.

The Care Fund ordinance requires the Department of Human Services to submit to the Board of Supervisors a plan explaining how the department intends to spend Care Fund money when it submits any proposed appropriation ordinance in excess of the \$11.9 million cap. The Commission is then to adopt findings and transmit them to the Board of Supervisors and the Office of the Controller.

The FY2010-11 Care Fund budget is based on a projected average monthly homeless caseload of 400. The Care Fund savings from reduction in CAAP homeless caseload is based on the following formula: $(3,000-400) \times 12 \text{ months} \times \text{average maximum grant for each CAAP program}$, where 3,000 is the baseline of total homeless CAAP clients established by CNC ordinance. The Care Fund savings from grant reductions is based on the following formula: $\text{average amount reduced from CAAP grant} \times 12 \text{ months} \times 400 \text{ clients}$.

Savings from caseload reduction	\$12,239,755
Savings from grant reduction	\$ 1,449,750
Total Care Fund	\$13,689,505

The proposed Human Services Care Fund spending plan of \$15,044,126 (see Attachment), which are supported by \$13,689,505 in projected FY10-11 revenues, \$1,051,286 in prior-year unspent revenues, and \$303,335 in General Fund revenues, are shown below:

Housing	\$14,024,947
Services	\$ 1,019,179
Total	\$15,044,126

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 BOARD OF SUPERVISORS
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