

**CITY AND COUNTY OF SAN FRANCISCO**

**BOARD OF SUPERVISORS**

**BUDGET AND LEGISLATIVE ANALYST**

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April 25, 2025

**TO:** Budget and Finance Committee

**FROM:** Budget and Legislative Analyst



**SUBJECT:** April 30, 2025 Budget and Finance Committee Meeting

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<b>Item 3</b> <b>File 25-0247</b>	<b>Department:</b> Public Utilities Commission
<b>EXECUTIVE SUMMARY</b>	
<p style="text-align: center;"><b>Legislative Objectives</b></p> <ul style="list-style-type: none"> <li>The proposed resolution would approve Amendment No. 3 to the Engineering Services for South Ocean Beach Coastal Erosion and Wastewater Infrastructure Protection contract between the San Francisco Public Utilities Commission (SFPUC) and Moffatt &amp; Nichol-AGS Joint Venture (Moffatt), increasing the contract amount by \$7,000,000 for a total not-to-exceed amount of \$12,750,000, and extending the contract duration by six years through September 25, 2033, for a total contract term of approximately 15 years.</li> </ul> <p style="text-align: center;"><b>Key Points</b></p> <ul style="list-style-type: none"> <li>Moffatt will provide professional engineering services to support the design, construction, and geotechnical services for the Ocean Beach Climate Change Adaptation Project. The purpose of the project is to mitigate the impacts of coastal erosion to the Wastewater Lake Merced Transport Tunnel and other Wastewater assets. The project includes a seawall, SFPUC access road, coastal trail, public restrooms, a public parking lot, beach access, and habitat mitigation.</li> <li>According to the SFPUC, the California Coastal Commission mandated changes to the project design that will extend the design phase and delay construction by approximately 18 months.</li> <li>In June 2024, the SFPUC conducted an annual performance evaluation of Moffatt for FY 2023-24, awarding the consultant “Excellent” ratings in six of the seven evaluated categories, and a rating of “Good” in Administrative Functions because SFPUC believes they need to take more initiative in managing subconsultants and increasing progress on their usage.</li> </ul> <p style="text-align: center;"><b>Fiscal Impact</b></p> <ul style="list-style-type: none"> <li>The proposed resolution authorizes an additional \$7 million in spending, bringing the total contract not-to-exceed amount to \$12.75 million.</li> <li>Currently, the total project cost is increasing from \$209 million to \$216 million because of the addition of the contract amendment for \$7 million. The project is funded by Wastewater capital revenues.</li> </ul> <p style="text-align: center;"><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>Approve the proposed resolution.</li> </ul>	

**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**

Since the late 1990s, climate-driven shoreline erosion at Ocean Beach south of Sloat Boulevard has repeatedly threatened multiple City assets. The City declared three erosion emergencies within a 15-year span and installed temporary rock barriers and sandbags to stabilize the bluff. Although these actions prevented immediate damage to public assets, they encroached on the coastal zone and restricted safe public access to the beach, recreational use, and habitat, and were cited by the California Coastal Commission as violations of the Coastal Act.

**Ocean Beach Climate Change Adaptation Project**

The Ocean Beach Climate Change Adaptation Project, located at Ocean Beach south of Sloat Boulevard in San Francisco, is a cross-agency infrastructure project required to address coastal armoring violations (i.e., rock used to armor the bluff) and shoreline erosion that threatens multiple City assets. The project includes a seawall, SFPUC access road, coastal trail, public restrooms, a public parking lot, beach access, and habitat mitigation. This project is identified in the City's Hazards and Climate Resilience Plan, which is required for San Francisco to comply with the Stafford Act and Disaster Mitigation Act.

The Project is necessary to protect the integrity of the San Francisco Public Utilities Commission's (SFPUC) Wastewater assets, including the Lake Merced Tunnel, the Westside Pump Station, and the Oceanside Wastewater Treatment Plant. The Lake Merced Tunnel, part of the Oceanside Treatment Plant, is a 14-foot-wide conveyance pipe running beneath the Great Highway that can store up to 10 million gallons of combined sewage and stormwater flows. This tunnel is situated closest to the most severely impacted area of South Ocean Beach, where erosion continues to undermine the stability of coastal cliff edges that overhang the water. As waves erode the base of these bluffs, they become increasingly unstable, posing significant risks to nearby infrastructure. The tunnel could become structurally compromised if sudden bluff collapse is experienced, resulting in environmental and public health impacts.

The SFPUC serves as the lead agency for the project. Partner departments include the Recreation and Parks Department for public-access elements such as the coastal access trail and overlooks, public restrooms, and a parking lot; the Municipal Transportation Agency for roadway redesign following Proposition K land use changes; and the Department of Public Works for design support for various elements of the project.

**Engineering Services Agreement History**

On July 24, 2018, the SFPUC Commission awarded a professional-services contract to Moffatt & Nichol-AGS Joint Venture (Moffatt) for the South Ocean Beach Coastal Erosion and Wastewater Infrastructure Protection project, now referred to as the Ocean Beach Climate Change Adaptation Project, in a not-to-exceed amount of \$3.75 million for an initial term of five years ending July 30, 2023, with options to extend the agreement for four additional years. Moffatt was the sole proposer to the Request-For-Proposals. The Contract Monitoring Division confirmed that Moffatt met all minimum qualification requirements.

On December 17, 2018, the SFPUC approved Amendment No. 1 to address an insurance requirement with no change to the not-to-exceed amount or term length.

On April 13, 2021, the SFPUC approved Amendment No. 2 to increase the contract amount by \$2 million, raising it from \$3.75 million to \$5.75 million, and extending the initial contract term by four years through July 30, 2027, to accommodate an increased complexity and scope of design elements, increased environmental analysis, and to cover an identified increase in construction duration.

**California Coastal Commission Mandate Changes**

During the nearly 15 years of planning for this project, City staff coordinated with both the Coastal Commission and the National Park Service to reach consensus on the design of the project. On June 12, 2024, a Coastal Commission Hearing was scheduled to obtain a new project permit. However, on May 20, 2024, SFPUC received comments from the Coastal Commission requiring significant changes to the project's scope although the project design had already achieved 95 percent completion. The changes impacted the service road and coastal access trail, required the addition of four overlooks, another beach stairway (since removed), expanding the parking lot, the addition of a second restroom, addition of electric vehicle charging stalls to the parking lot, landscape changes, increased dune habitat mitigation, among other changes. These revisions resulted in the postponement of the hearing until November 2024 so that the SFPUC and other partner departments could evaluate the feasibility of the changes.

At that November 2024 hearing, the Coastal Commission unanimously approved the City's Coastal Development Permit, contingent upon implementing the revised design, consequently extending the anticipated construction schedule.

To minimize future project changes, the SFPUC will adopt an iterative review process that obtains written concurrence from the Coastal Commission at each design milestone before bidding and award. The SFPUC believes it conducted a sufficient community input process prior to the Coastal Commission decision on the permit.

On March 11, 2025, the SFPUC approved Amendment No. 3 to increase the contract amount by \$7 million, from \$5.75 million to \$12.75 million, and extending the contract duration by six years,

for a total contract duration of approximately 15 years, from September 26, 2018<sup>1</sup> to September 25, 2033, to account for Coastal Commission mandated design changes, increased design complexities related to interdepartmental shared scope elements, and an anticipated increase in the duration of construction.

### DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve Amendment No. 3 to the Engineering Services for South Ocean Beach Coastal Erosion and Wastewater Infrastructure Protection contract between the San Francisco Public Utilities Commission (SFPUC) and Moffatt & Nichol-AGS Joint Venture (Moffatt), increasing the contract amount by \$7,000,000 for a total not-to-exceed amount of \$12,750,000, and extending the contract duration by six years through September 25, 2033, for a total contract term of approximately 15 years.

The contract may be further extended to align with the construction schedule for the Ocean Beach Climate Change Adaptation Project; however, any changes to the contract value that exceeds \$500,000 would require Board of Supervisors approval.

#### Scope of Work

Moffatt will provide professional engineering services to support the design, construction, and geotechnical services for the Project to mitigate the impacts of coastal erosion to the Lake Merced Transport Tunnel and other wastewater assets. According to the SFPUC, the mandated California Coastal Commission changes will extend the design phase and delay construction by approximately 18 months.

#### Local Business Enterprise Participation

Moffatt committed to a 10.5 percent Local Business Enterprise (LBE) subcontracting requirement and identified six certified San Francisco LBEs to meet that goal<sup>2</sup>. To date, the contractor has achieved an actual LBE utilization rate of 10.1 percent. The breakdown of firms, their related services, and participation to-date is detailed below in Exhibit 1.

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<sup>1</sup> Although previous amendments of the contract recorded the effective date of the contract as July 24, 2018, September 26, 2018, was the date the contract became active. Amendment No. 3 corrects this oversight.

<sup>2</sup> Moffatt also provided Non-LBE sub-consultants which will assist on the project. They are Kennedy Jenks Consultants (constructability review/Computer Aided Design), McMillen Jacobs Associates (tunnel engineering), Marta Fry Landscape (landscape architecture), Sherwood Design Engineering (drainage), and Professors Nicholas Sitar and Thomas O'Rourke (geotechnical support).

**Exhibit 1: Local Business Enterprise Participation To-Date (April 2025)**

<b>Firm</b>	<b>Service</b>	<b>Amount</b>	<b>Percent</b>
CHS Consulting	Traffic Engineering	\$300,694	5.58%
Davis & Associates	Outreach	\$0	0.00%
Meridian Surveying	Photogrammetry & Surveys	\$60,781	1.13%
Saylor Consulting	Cost Estimating & Scheduling	\$184,194	3.42%
RES Engineering	Materials Testing & Inspection	\$0	0.00%
CADNET	Computer-Aided Design	\$0	0.00%
<b>Total</b>		<b>\$545,669</b>	<b>10.13%</b>

Source: SFPUC

Note: Participation To-Date does not include Amendment No. 3, and unused subconsultants might see utilization in the following term.

**Social Impact Partnership Requirement**

Social Impact Partnership (SIP) contributions are direct community benefits supported by contractors and are optional for vendors to include in their proposals when bidding on contracts valued above \$5 million. This original contract did not meet that threshold. Because a SIP commitment was not advertised or agreed upon during the Request-For-Proposals process, this amendment does not add a SIP commitment.

**Performance**

In June 2024, the SFPUC conducted an annual performance evaluation of Moffatt for FY 2023-24, awarding the consultant a rating of “Excellent” in six of the seven evaluated categories (Quality of Service, Schedule Management, Cost Management, Scope Management, Staff and Resources, and Value of Services). However, the consultant was awarded a rating of “Good” in Administrative Functions because SFPUC believes they need to take more initiative in managing subconsultants and increasing progress on their usage.

**FISCAL IMPACT**

The proposed resolution authorizes an additional \$7 million, bringing the total contract not-to-exceed amount to \$12.75 million. The breakdown of contract costs is detailed below in Exhibit 2.

**Exhibit 2: Contract Budget Summary FY 2018-2033**

<b>Phase</b>	<b>Current Budget</b>	<b>Proposed Budget</b>	<b>Proposed Change</b>	<b>Percent Change</b>
Planning	\$1,380,000	\$1,380,000	\$0	0%
Environmental Support	375,000	1,475,000	1,100,000	293%
Design	2,717,500	6,395,000	3,677,500	135%
Engineering Support During Construction	1,277,500	3,500,000	2,222,500	174%
<b>Total</b>	<b>\$5,750,000</b>	<b>\$12,750,000</b>	<b>7,000,000</b>	<b>122%</b>

Source: SFPUC

The proposed amendment adds additional funding for environmental support, design, and engineering support during construction associated with the Coastal Commission mandated scope changes, interdepartmental changes, and anticipated increase in duration of construction of the Project.

**Total Project**

The total project cost is expected to increase to address the identified mandated and interdepartmental changes. The total budget impacts will not be known until design is advanced on these mandated changes. Currently, the total project cost is increasing from the 10-Year Capital Improvement Plan (CIP) Fund approved budget of \$209 million to \$216 million because of the addition of the contract amendment for \$7 million.

**Exhibit 3: Current Project Costs**

<b>Phase</b>	<b>Cost</b>
Planning and Environmental Review/Soft Costs	\$24,000,000
Design	\$11,000,000
Construction Management	\$22,000,000
Construction	\$152,000,000
<b>Total</b>	<b>\$209,000,000</b>

Source: SFPUC

The total approved 10-Year CIP budget for the project is \$209 million which was based on 95 percent design, established prior to receiving the coastal commission mandated changes. The Engineering Services contract accounts for approximately six percent of the total project cost. According to the SFPUC, this is a consistent cost for engineering services when compared to similarly sized capital projects.

**Source of Funds**

The contract is funded by Wastewater Enterprise capital revenues.



**RECOMMENDATION**

Approve the proposed resolution.

<b>Item 4</b> <b>File 25-0330</b>	<b>Department:</b> Public Utilities Commission
<b>EXECUTIVE SUMMARY</b>	
<p style="text-align: center;"><b>Legislative Objectives</b></p> <ul style="list-style-type: none"> <li>The proposed resolution authorizes Amendment No. 1 to the Engineering Services Contract for Transmission Pipelines with AECOM Technical Services, Inc., increasing the contract's not-to-exceed amount by \$7,000,000, from \$7,000,000 to \$14,000,000, with no change to the contract duration. The contract has an initial term September 2021 – September 2029 and includes one optional one-year extension to September 2030.</li> </ul> <p style="text-align: center;"><b>Key Points</b></p> <ul style="list-style-type: none"> <li>The San Francisco Public Utilities Commission (SFPUC) operates a Regional Water System that contains over 300 miles of large potable transmission pipelines. Many of these pipelines are aging, with some over 90 years old, and require ongoing rehabilitation to ensure reliable water delivery to SFPUC customers.</li> <li>This contract amendment provides additional engineering design and support services for three projects: (1) San Joaquin Pipeline Valve and Safe Entry Improvement, (2) Moccasin Powerhouse Bypass Upgrade, and (3) Moccasin Penstock Rehabilitation.</li> <li>On August 26, 2024, the SFPUC conducted an annual performance evaluation of AECOM, awarding the consultant "Excellent" ratings in three of the seven evaluated categories. They were provided "Good" ratings in the other four evaluated categories. SFPUC did not complete contractor performance evaluations in 2022 or 2023.</li> </ul> <p style="text-align: center;"><b>Fiscal Impact</b></p> <ul style="list-style-type: none"> <li>The proposed contract amendment increases the contract amount from \$7,000,000 to \$14,000,000, with no change to the contract term. The increase is due to projects proceeding from the planning to design and construction phases.</li> <li>Funds for this amendment are available from individual project budgets within the SFPUC Water Enterprise Capital Improvement Program.</li> </ul> <p style="text-align: center;"><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>Approve the proposed resolution.</li> </ul>	

**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) any modification to such contracts of more than \$500,000 is subject to Board of Supervisors approval.

**BACKGROUND**

The San Francisco Public Utilities Commission (SFPUC) operates a Regional Water System that contains over 300 miles of large potable transmission pipelines ranging from 36 to 108 inches in diameter. Many of these pipelines are aging, with some over 90 years old, and require ongoing rehabilitation to ensure reliable water delivery to SFPUC customers.

In February 2024, the SFPUC adopted an updated 10-Year Water Enterprise Capital Improvement Program for FY 2025–2034. Several pipeline projects previously in the planning phase now have significantly expanded budgets and scopes in the latest capital plan. When this contract was originally advertised, the Capital Plan (FY 2020-21 - FY 2029-30) had a budget of \$299.4 million for these projects. In the latest Capital Plan (FY 2024-25 through FY 2033-34), the budget has increased to \$670.3 million.

**Procurement**

The contract was originally procured in early 2021 through a competitive Request-for-Proposals (RFP) process for specialized engineering services. The RFP sought to award up to two contracts for \$7 million each. Proposals were evaluated based on written technical proposals (850 points), overhead rates (100 points) and Community Benefits (50 points), with a possible bonus point multiplier of up to a 7.5 percent if proposals included small business participation. SFPUC assembled scoring panels to evaluate the technical and community benefit proposals.<sup>1</sup> Kennedy Jenks and AGS, the top scoring proposer, was awarded a contract to work on the Crystal Springs Pump Station in San Mateo County and the Bay Division Pipeline in Santa Clara County (and pipeline facilities west of the Tesla Portal) (File 24-0955). AECOM Technical Services, Inc., was the second-highest scoring firm and was also awarded a contract to work on other pipeline facilities east of the Tesla Portal. Exhibit 1 below provides a summary of the RFP scoring.

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<sup>1</sup> The technical evaluation panel included an Associate Civil Engineer from East Bay Municipal Utility District, an Engineer from SFPUC, a Senior Engineer from Santa Clara Valley Water District, and a Mechanical Section Manager from SFPUC.

**Exhibit 1: Request-For-Proposals Score Summary (1,000 Points Possible)**

<b>Evaluation Phase</b>	<b>Kennedy Jenks and AGS</b>	<b>AECOM</b>	<b>Brown and Caldwell</b>	<b>Hazen Sawyer</b>
Written (850)	654.34	669.34	622.75	564.44
Overhead Rate (100)	100.00	100.00	100.00	100.00
Community Benefits (50)	38.75	40.7	42.32	41.04
Subtotal (1,000)	793.09	810.04	765.07	705.47
CMD Bonus Points (7.5%)	59.48	0.00	0.00	0.00
<b>Total</b>	<b>852.57</b>	<b>810.04</b>	<b>765.07</b>	<b>705.47</b>
<b>Rank</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>

Source: SFPUC

**Previous Approvals**

On July 27, 2021, the SFPUC Commission approved the Engineering Services Contract for Transmission Pipelines with AECOM for \$7,000,000 and a duration of eight years.

On March 25, 2025, the SFPUC Commission approved Amendment No. 1, increasing the contract amount by \$7,000,000 to a new not-to-exceed total of \$14,000,000, with no change to the contract duration.

**DETAILS OF PROPOSED LEGISLATION**

The proposed resolution authorizes Amendment No. 1 to the Engineering Services Contract for Transmission Pipelines with AECOM Technical Services, Inc., increasing the contract's not-to-exceed amount by \$7,000,000, from \$7,000,000 to \$14,000,000, with no change to the contract duration. The contract has an initial term September 2021 – September 2029 and includes one optional one-year extension to September 2030.

**Scope of Work**

This amendment provides additional engineering design and support services for large-diameter pipeline projects identified as critical in the latest 10-Year Water Enterprise Capital Improvement Program. This includes geotechnical engineering, cost estimating, conditions assessment, materials testing, quality assurance, surveys, peer review, etc.

Although the amendment contemplates work on up to 11 major projects, many have been deferred in the most recent Capital Plan. Only three have begun and currently account for the entirety of this contract's current projected funding. These include: (1) SJPL Valve and Safe Entry Improvement, (2) Moccasin Powerhouse Bypass Upgrade, and (3) Moccasin Penstock Rehabilitation.

1. The San Joaquin Pipeline Valve and Safe Entry Improvement Project will replace older shut-off valves and add devices that smooth sudden changes in water flow along the 48-mile pipeline system. That set-up lets crews close small sections for inspection while the rest of the line continues carrying water to the Bay Area.

- (1) The Moccasin Powerhouse Bypass Upgrade will install stronger valves, a new pipeline conduit, and controls to allow water to be routed around the Moccasin power station whenever the generators or power lines are offline.
- (2) The Moccasin Penstock Rehabilitation is replacing the nearly 100-year-old downhill pipe that feeds water to the Moccasin area with a new underground passage and two surface pipes. The replacement addresses cracks and other age-related weaknesses that could otherwise interrupt the water supply.

### Local Business Enterprise Program

The Contract Monitoring Division established a 15 percent Local Business Enterprise (LBE) subcontracting requirement for this contract. AECOM committed to a 20.25 percent LBE participation goal. As of February 10, 2025, AECOM reports a 5.83 percent LBE achievement, with a plan in place to meet or exceed the 20.25 percent target through upcoming task orders. Exhibit 2 shows the LBE percentage committed to each subcontractor.

#### Exhibit 2: Local Business Enterprise Utilization To-Date (April 2025)

Contract	LBE Commitment (%)	LBE Usage-To-Date (%)
AEW Engineering	1.00	0.00
Dabri, Inc.	4.00	4.88
Divis Consulting	7.25	0.00
Joe Hill Consulting	8.00	0.95
<b>Total</b>	<b>20.25</b>	<b>5.83</b>

Source: SFPUC

### Social Impact Partnership

AECOM's original Social Impact Partnership (SIP) contribution was \$70,000. With this amendment doubling the total contract from \$7 million to \$14 million, the SIP commitment has been increased to \$140,000. AECOM has not yet met the original \$70,000 goal, but, in an April 2025 work plan prepared for the SFPUC, AECOM listed Literacy for Environmental Justice for a \$28,000 financial contribution in each of the next two Fiscal Years 2024-25 and 2025-26. Once fulfilled, this would leave \$84,000 in required SIP contributions before the term ends. Exhibit 3 below details the updated SIP commitment.

#### Exhibit 3: Community Benefits Completed To-Date (April 2025)

Category	Original Commitment	Proposed Updated Total Commitment	Completed	Remaining After Amendment
Financial	\$52,300	\$104,600	0	\$104,600
Volunteer	17,700	35,400	0	35,400
<b>Total</b>	<b>\$70,000</b>	<b>\$140,000</b>	<b>0</b>	<b>\$140,000</b>

Source: SFPUC

### Performance

On August 26, 2024, the SFPUC conducted an annual performance evaluation of AECOM, awarding the consultant “Excellent” ratings in three of the seven evaluated categories (Schedule Management, Cost Management, and Administrative Functions). They were provided “Good” ratings in the other four evaluated categories (Quality of Service, Scope Management, Staff and Resources, and Value of Services). SFPUC did not complete contractor performance evaluations in 2022 or 2023.

### FISCAL IMPACT

The proposed contract amendment increases the contract amount from \$7,000,000 to \$14,000,000, with no change to the contract term. Exhibit 4 below details the increased budget.

#### Exhibit 4: Total Contract Budget (FY 2021-29)

Project Name	Phase	Current Budget	Phase	Proposed Budget	Total
SJPL Valve and Safe Entry Improvement	Design	\$2,148,000	Design	\$200,000	\$2,348,000
	ESDC*	\$1,627,000	ESDC*	600,000	2,227,000
Moccasin Powerhouse Bypass Upgrade	Design	\$1,643,000	Design	400,000	2,043,000
			ESDC*	1,500,000	1,500,000
Moccasin Penstock Rehabilitation	Planning	\$1,582,000	Planning	4,300,000	5,882,000
<b>Total</b>		<b>\$7,000,000</b>		<b>\$7,000,000</b>	<b>14,000,000</b>

Source: SFPUC

Note: \*ESDC refers to engineering support during construction.

According to SFPUC, 85 percent of the current contract has been spent to date.

### Reason for Increase

According to SFPUC, when the original \$7 million contract value was established, the agency did not know the condition of the pipelines as detailed field investigations had not yet been completed. However, pressure-flow studies of the San Joaquin Pipeline revealed that existing mainline valves could not tolerate sudden pressure surges, so the work plan now includes a recirculation system inside the planned surge tower and reconstruction of the eroded concrete at Tesla Portal. Engineers for the Moccasin Powerhouse bypass selected a larger design that has bigger energy-dissipation valves and strengthened structures. Scans of the 1920’s Moccasin penstock found cracked and weakened supports, leading the team to replace the old pipe entirely with a new underground passage and two new pipes instead of doing spot repairs. These discoveries expanded project scopes, introduced new technical requirements, and lengthened the period of engineering support needed during construction, driving the increase in contract value.

**Source of Funds**

Funds for this amendment are available from individual project budgets within the SFPUC Water Enterprise Capital Improvement Program. These projects are funded primarily through water revenue bonds, supplemented by customer revenues and grants.

**RECOMMENDATION**

Approve the proposed resolution.

<b>Items 5 &amp; 6</b> <b>Files 25-0224 and 25-0225</b>	<b>Department:</b> Human Services Agency (HSA)
<b>EXECUTIVE SUMMARY</b>	
<p style="text-align: center;"><b>Legislative Objectives</b></p> <ul style="list-style-type: none"> <li>The proposed resolutions would approve the following between HSA’s Department of Disability and Aging Services, and Homebridge, Inc.: (1) <b>File 25-0225</b> approves the first amendment to the existing grant to provide in-home supportive services, increasing the not to exceed amount by \$2,419,719 for a total not to exceed \$144,684,989 with no changes to the five-year term ending June 30, 2025, and (2) <b>File 25-0224</b> approves a new grant to provide in-home supportive services, in the amount of \$158,400,000 for a four-year term from July 1, 2025 through June 30, 2029.</li> </ul> <p style="text-align: center;"><b>Key Points</b></p> <ul style="list-style-type: none"> <li>The In-Home Supportive Services (IHSS) program provides homecare services to low-income seniors and disabled persons, enabling them to remain in their own homes. IHSS services are provided to clients via two modes of service delivery: (a) the independent provider mode or (b) the contract mode for clients who are unable to find and/or supervise their own Independent Providers. Homebridge is the City’s contract mode provider and was awarded a new grant following a competitive solicitation in December 2024.</li> <li>The proposed first amendment and the new grant include increases to the number of hours provided and the number of clients served due to expansions in Medi-Cal eligibility that also expanded access to IHSS, as well as HSA plans to make IHSS more accessible to eligible homeless clients in shelters. Under the proposed new grant, Homebridge would provide 565,949 hours annually to an estimated 1,100 clients, which is an increase of 90,949 hours and 250 clients compared to the existing agreement.</li> <li>In FY 2023-24, Homebridge underperformed in a little over half of the service and outcome objectives. Homebridge struggled to meet some of the objectives because of the rapid increase in the number of clients, as well as refusal of services by some clients.</li> </ul> <p style="text-align: center;"><b>Fiscal Impact</b></p> <ul style="list-style-type: none"> <li>The proposed first amendment would increase the not-to-exceed amount of the existing Homebridge grant by \$2,419,719, for a total not to exceed \$144,684,989. The proposed new grant with Homebridge has a not-to-exceed amount of \$158,400,000.</li> <li>Under both agreements, services are funded by Federal funds (51 percent), State funds (19 percent), and the City’s General Fund (30 percent).</li> </ul> <p style="text-align: center;"><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>Approve the proposed resolutions.</li> </ul>	



**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-Home Supportive Services (IHSS)**

Administered by each county in California, the In-Home Supportive Services (IHSS) program provides federal, state and local funding for eligible low-income seniors over the age of 65 and disabled persons to receive non-medical personal care, domestic services and paramedical services and other household assistance in their home. IHSS care allows seniors and disabled persons to remain in their own homes (which include SRO hotels, shelters, and public or senior housing) and, as a result, avoid costly and unnecessary hospitalization or institutionalization.

To be eligible for IHSS, recipients must live in their own homes located in the City and must 1) receive full-scope Medi-Cal, and 2) receive approval from a licensed health care professional to receive IHSS. Each eligible IHSS client is allocated a specified number of monthly IHSS service hours based on an annual needs assessment conducted by the Human Services Agency's (HSA) Department of Disability and Aging Services. IHSS service hours are provided to clients through two modes of service delivery: (1) the Independent Provider (e.g., home care provider) mode, or (2) the Contract Mode for clients who typically have higher needs and are therefore unable to find and/or supervise their own Independent Providers, primarily because of cognitive impairment and/or serious mental illness.

According to HSA, there are currently approximately 28,893 IHSS recipients, with 95 percent utilizing the Independent Provider mode of service. Approximately four percent of recipients receive services through Homebridge, which is currently San Francisco's Contract Mode provider. Less than one percent use both Independent Provider and Contract Mode.

**Existing Grant**

In June 2020, the Board of Supervisors approved a grant between HSA and Homebridge, Inc. for Homebridge to provide Contract Mode in-home supportive services in the amount of \$142,265,270 for a five-year term from July 1, 2020 through June 30, 2025 (File 20-0357). Under the terms of the RFP, the total grant duration was for five years.

**Procurement for New Grant**

Because the existing grant with Homebridge is set to expire in June 2025, HSA's Department of Disability and Aging Services issued a Request for Proposals (RFP) in December 2024 soliciting vendors to provide IHSS Contract Mode services for the City for an anticipated tentative four-year term from July 1, 2025 to June 20, 2029. Homebridge, Inc. was selected again to receive

funding based on a review by a selection panel<sup>1</sup>. Proposals were evaluated based on organizational capacity (40 points), program approach (35 points), and fiscal capacity (25 points). Homebridge was the only proposer, scored 83.3 (out of a total of 100 points) and was deemed to meet the required minimum qualifications in the RFP.

## DETAILS OF PROPOSED LEGISLATION

The proposed resolutions would approve the following between HSA's Department of Disability and Aging Services, and Homebridge, Inc.:

1. **File 25-0225** approves the first amendment to the existing grant to provide Contract Mode in-home supportive services, increasing the not to exceed amount by \$2,419,719 for a total not to exceed \$144,684,989 with no changes to the five-year term from July 1, 2020 through June 30, 2025.
2. **File 25-0224** approves a new grant to provide Contract Mode in-home supportive services, in the amount of \$158,400,000 for a four-year term from July 1, 2025 through June 30, 2029.

Both resolutions also authorize HSA to make further immaterial amendments to the grant.

### Services

As previously mentioned, IHSS Contract Mode serves clients with higher needs who are unable to identify and/or supervise their own Independent Provider, typically because of cognitive impairment and/or serious mental illness. Under the proposed new grant and amendment to the existing grant, Homebridge will continue to provide the following services:

- **Contract Mode Services:** IHSS services include domestic services, meal planning, heavy cleaning, grocery shopping, non-medical personal services, accompaniment services, yard hazard abatement, protective supervision, and paramedical services.
- **Care Management and Administrative Support:** Create regular care schedules with clients and process new recipient referrals from HSA staff. This includes providing regular supervisory visits to clients to ensure safety and satisfaction with services.
- **Provider Training and Skill Development:** Provide intensive supervision and basic and advanced training to Contract Mode home care providers. Basic training courses include topics such as food safety and sanitation, emergency preparedness, infection and exposure control, food and medication interaction, home safety, OSHA requirements, CPR and First Aid, and personal care and home care standards. Advanced training courses focus on specific areas such as nutrition, fall prevention, using durable medical equipment, mental illness and substance abuse, and de-escalation.

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<sup>1</sup> Panelists include a Division Director - IHSS/Public Authority Alameda County, Executive Director – SF IHSS Public Authority, and Social Services Manager – Solano County Health and Human Services

The proposed new grant will also require Homebridge to address barriers that clients encounter regarding engagement of approved services because of mental and behavioral health challenges. This includes providing service coordination, troubleshooting barriers and other challenges that could result in service termination, and communication and coordination of wraparound case management services and/or referrals for clients.

### **Number of Contract Mode Hours Served**

The proposed first amendment and the new agreement include increases to the number of hours provided and the number of clients served due to expansions in Medi-Cal eligibility that result in expanded access to IHSS services, as well as HSA plans to make IHSS more accessible to eligible homeless clients in shelters according to HSA staff. The existing agreement provides for 475,000 hours annually to serve 850 clients at any given time. Under the proposed first amendment, Homebridge would provide 552,494 hours to 1,000 clients in FY 2024-25. Under the proposed new grant, Homebridge would provide 565,949 hours<sup>2</sup> annually to an estimated 1,100 clients at any given time. The proposed new agreement reflects a total increase of 90,949 hours (19 percent) and 250 clients compared to the existing agreement.

As shown in Exhibit 1 below, from FY 2020-21 to FY 2024-25 (as of December 2024), the average number of IHSS Contract Mode hours served per month increased by approximately 22.2 percent, as well as an average of six percent during the same period.

**Exhibit 1. Average Number of Contract Mode Hours Served Per Month Under Existing Homebridge Grant**

<b>Fiscal Year</b>	<b>Average Number of Hours Served per Month</b>	<b>Percentage Change</b>
FY 2020-21	37,424	-
FY 2021-22	34,521	-7.8%
FY 2022-23	33,577	-2.7%
FY 2023-24	42,964	28.0%
FY 2024-25 (as of December 2024)	45,719	6.4%

Source: HSA

According to HSA, the increased number of hours served is primarily driven by the expansion of Medi-Cal eligibility in May 2022 to include undocumented immigrants ages 50 and older. In addition, as of January 2024, the Medi-Cal program no longer considers applicants' assets and instead relies on income when determining eligibility, which has also increased the number of people eligible for Medi-Cal (and therefore IHSS).

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<sup>2</sup> According to HSA, the 625,000 annual hours detailed in the new grant's scope of services reflects full use of the contingency. The proposed budget excluding the contingency provides funding for 565,949 annual hours.

**Performance and Fiscal Monitoring****FY 2023-24 Performance**

As reflected in Exhibit 2 below, the FY 2023-24 Annual Report showed that Homebridge underperformed in a little over half (five out of nine) service and outcome objectives. According to HSA, Homebridge struggled to meet some of the service and outcome objectives because of the rapid increase in the number of eligible clients, as well as refusal of services by some clients. HSA states that meeting the service objective to serve an annual average of at least 65 percent of total authorized hours was a challenge because some clients refused service or did not answer the door when a provider arrived due to mental and behavioral health issues. HSA noted that Homebridge has worked on improving this measure and has reached an average of 60 percent for the second quarter of FY 2024-25. In addition, meeting the service objective to serve an annual average of at least 95 percent of authorized hours when recipients are available for and accept service was a challenge because of staffing limitations due to the considerable increase in clients and service hours as a result of the expansion in eligibility.

HSA staff completed program monitoring<sup>3</sup> on the existing Homebridge grant for FY 2023-24, which included a desk review and an on-site monitoring visit on August 29, 2024. Based on the monitoring, Homebridge was found in compliance with the terms of the grant, though challenges and potential solutions were discussed for objectives that did not meet targets such as the satisfaction survey response rate. Per the monitoring letter, Homebridge plans to increase the survey response rate for FY 2024-25 through heightened outreach, such as follow-up reminders, flyers, on-site collection boxes, gift card incentives, among other activities.

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<sup>3</sup> According to the September 20, 2024 HSA letter, program monitoring included the review and discussion of documented evidence of compliance in the following areas: quality assurance requirements, quality assurance program, programmatic and physical accessibility, and cultural competence, staffing pattern and job descriptions, program specific administration, HSA required training and meeting requirements, IHSS recipient files, and service objectives.

**Exhibit 2: FY 2023-24 Service and Outcome Objectives<sup>4</sup>**

<b>Service or Outcome Objective</b>	<b>Target</b>	<b>Actual</b>
Grantee will provide an annual average of at least 65% of Total Authorized Hours of IHSS.	65%+ <sup>5</sup>	54%
Grantee will provide an annual average of at least 95% of Authorized Hours of IHSS when recipients are available for and accept service.	95%+	82.2%
Grantee will provide services to new recipients within the DAS-required 5-business day period or 24-hour emergency period, as specified by DAS Social Worker.	100% emergency and 100% non-emergency referrals	88% emergency and 85% non-emergency <sup>6</sup>
Grantee will provide basic Skill Development Training to 100% of its staff providers.	100%	100%
Grantee will provide advanced Skill Development Training to 75% of its staff providers.	75%+	80.5%
Grantee will administer an annual, comprehensive, anonymous written satisfaction survey to 100% of recipients (provided in the language spoken by the recipients) and achieve a response rate of 30% by Year 3	30%+	12.2%
On the annual comprehensive, anonymous written satisfaction survey of recipients (provided in the language spoken by the recipients), 90% of recipients will indicate the following: <ul style="list-style-type: none"> <li>•Services helped them remain living independently at home;</li> <li>•Provider regularly arrived on time;</li> <li>•Provider provided the necessary authorized services;</li> <li>•Provider took instructions well;</li> <li>•Client could communicate to provider staff in language of choice;</li> <li>•Cultural and ethnic needs were met and respected;</li> <li>•Client Services Supervisor returned calls within 24 hours and treated clients with respect;</li> <li>•Client was satisfied with the schedule created by their Service Delivery Supervisor</li> <li>•Problems were resolved in a timely manner</li> </ul>	90%+ for every measure	Average of 82.3% across all measures
Using periodic client assessments conducted in the field, Homebridge will maintain an average score of 4 on a scale of 1 (Poor) to 5 (Excellent) where clients rate their providers in the areas of quality of work, ability to perform all authorized tasks, relationship to recipient, communication skills with recipient, sensitivity to recipient's needs and timeliness.	Average score of 4	Average score of 4.17
Quarterly compilation of 20% of recipient timesheets (Recipient Time Tracking) will show that at least 95% of recipients will have indicated on their timesheets "the Provider came within the time frame needed."	95%+	99.1%

Source: HSA

Note: Gray shading indicates result did not meet performance target.

Under the proposed new grant, Homebridge will be required to track these same service and outcome objectives, as well as administer annual participant satisfaction surveys and annual home care provider evaluations. Homebridge will also be required to track an additional service objective on providing California Mandated Reporter training, on an annual basis, to 100 percent of its staff providers.

#### Fiscal and Compliance Monitoring

HSA staff reviewed Homebridge's financial documents as part of the FY 2023-24 Citywide Fiscal and Compliance Monitoring program. According to the July 2024 final status letter, HSA identified two findings<sup>7</sup> that were addressed by the provider through corrective action.

### **FISCAL IMPACT**

#### **Proposed Amendment to Existing Grant (File 25-0225)**

The proposed first amendment would increase the not-to-exceed amount of the existing Homebridge grant by \$2,419,719, for a total not to exceed \$144,684,989. Actual and projected grant expenditures are shown in Exhibit 3 below.

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<sup>4</sup> The agreement also includes three additional service objectives – two related to timely dispatch of replacement workers and one related to following DAAS protocols to notify IHSS of problems. Actual performance data for these measures are currently unavailable. According to HSA, the objective on following DAAS protocols has not been measurable and is being considered for potential elimination. The other two objectives on timely dispatch of replacement workers have not been tracked yet because the grantee has not established a process to measure them in their system. However, HSA states the grantee is currently working to determine how their system can measure these objectives.

<sup>5</sup> According to HSA, the target was set at 65%+ because some clients may refuse service at the time a provider arrives despite having been assessed for a specific number of hours. Clients may refuse services because of serious mental illness, cognitive impairment, substance use disorder, history of trauma, or for other reasons. HSA states this impacts the ability for the grantee to serve a higher percentage of the total authorized hours.

<sup>6</sup> As noted in the Annual Report, this was indicated as “achieved” in Q4 of FY 2023-24 with 100% for emergency referrals and 99% of non-emergency referrals but the overall yearly average is 88% for emergency referrals and 85% for non-emergency referrals

<sup>7</sup> The two findings included: less than 30 days of operating cash and a working capital ratio of less than one, which indicates that current assets are not sufficient to address current liabilities.

**Exhibit 3: Actual and Projected Grant Expenditures**

	<b>FY 2020-21 (Actual)</b>	<b>FY 2021-22 (Actual)</b>	<b>FY 2022-23 (Actual)</b>	<b>FY 2023-24 (Actual)</b>	<b>FY 2024-25 (Actual and Projected)</b>	<b>Total</b>
<b>Sources</b>						
City General Fund	\$7,601,623	\$7,648,893	\$7,615,802	\$9,946,950	\$10,543,236	\$43,356,504
State	4,814,361	4,844,299	4,823,341	6,299,735	6,677,383	27,459,119
Federal	12,922,759	13,003,118	12,946,863	16,909,816	17,923,501	73,706,056
Contingency (Remaining Budget)				\$163,309		163,309
<b>Total Sources</b>	<b>\$25,338,744</b>	<b>\$25,496,309</b>	<b>\$25,386,006</b>	<b>\$33,319,811</b>	<b>\$35,144,119</b>	<b>\$144,684,989</b>
<b>Uses</b>						
Salaries/Fringe Benefits	\$20,332,374	\$20,106,979	\$20,520,037	\$27,356,394	\$29,407,893	\$117,723,677
Operating Expenses	2,277,173	2,512,393	2,277,173	2,119,937	1,881,555	11,068,231
Subtotal	\$22,609,547	\$22,619,372	\$22,797,210	\$29,476,331	\$31,289,448	\$128,791,908
Indirect Costs (10%)	2,260,955	2,261,937	2,279,721	2,947,633	3,128,945	12,879,191
Heavy Cleaning	468,242	615,000	309,075	732,537	725,726	3,013,890
Remaining Budget				163,309		163,309
<b>Total Uses</b>	<b>\$25,338,744</b>	<b>\$25,496,309</b>	<b>\$25,386,006</b>	<b>\$33,319,811</b>	<b>\$35,144,119</b>	<b>\$144,684,989</b>

Source: Appendix B-1 and HSA

Note: Actual spending is as of February 2025. Operating expenses include rent, utilities, supplies, information technology, training, and other expenses.

Salaries and fringe benefits are for 400 FTE in-home service providers and 25.08 FTE program staff for FY 2024-25. Homebridge was originally projected to serve 514,454 hours in FY 2024-25. However, according to HSA, based on the projected increase in the number of eligible IHSS recipients and expected need, the initial projection was revised to 552,494 hours in FY 2024-25, which is an increase of 7.4 percent. Consequently, the proposed increase of \$2,419,719 will provide for an additional approximately 38,040 hours at the rate of \$63.61 per hour to an estimated 1,007 clients.<sup>8</sup>

Expenditures for FY 2024-25 would be funded approximately 51 percent by Federal funds, 19 by State funds and 30 percent by the City's General Fund.

**Proposed New Grant (File 25-0224)**

The proposed new grant with Homebridge has a not-to-exceed amount of \$158,400,000, including a 10 percent contingency. The proposed annual budget of \$36.0 million remains flat for the four-year grant period. Sources and uses of the proposed grant spending from FY 2025-26 through FY 2028-29 are summarized in Exhibit 4 below.

<sup>8</sup> According to HSA, the approved hourly client service rate is an all-inclusive rate that is meant to include all expenses incurred by Homebridge in the provision of homecare services.

**Exhibit 4: Sources and Uses of Funds for Proposed Homebridge Grant**

	<b>FY 2025-26</b>	<b>FY 2026-27</b>	<b>FY 2027-28</b>	<b>FY 2028-29</b>	<b>Total</b>
<b>Sources</b>					
City General Fund	\$10,800,000	\$10,800,000	\$10,800,000	\$10,800,000	\$43,200,000
State	6,840,000	6,840,000	6,840,000	6,840,000	27,360,000
Federal	18,360,000	18,360,000	18,360,000	18,360,000	73,440,000
<b>Total Sources</b>	<b>\$36,000,000</b>	<b>\$36,000,000</b>	<b>\$36,000,000</b>	<b>\$36,000,000</b>	<b>\$144,000,000</b>
<b>Uses</b>					
Salaries/Fringe Benefits	\$28,955,230	\$28,955,230	\$28,955,230	\$28,955,230	\$115,820,920
Operating Expenses	1,712,160	1,712,160	1,712,160	1,712,160	6,848,640
Subtotal	\$30,667,390	\$30,667,390	\$30,667,390	\$30,667,390	\$122,669,560
Indirect Costs (15%) <sup>9</sup>	4,600,109	4,600,109	4,600,109	4,600,109	18,400,436
Heavy Cleaning (Consultant/Subcontractor) <sup>10</sup>	732,501	732,501	732,501	732,501	2,930,004
<b>Total Uses</b>	<b>\$36,000,000</b>	<b>\$36,000,000</b>	<b>\$36,000,000</b>	<b>\$36,000,000</b>	<b>\$144,000,000</b>
<b>Contingency (10%)</b>					<b>\$14,400,000</b>
<b>Total Not to Exceed</b>					<b>\$158,400,000</b>

Source: Appendix B and HSA

Salaries and fringe benefits are for 389 FTE in-home service providers and 23.65 FTE program staff. The proposed new grant between HSA and Homebridge provides for increased annual service hours compared to the existing grant. According to HSA, the increased service hours are due to the expansion of Medi-Cal eligibility (as previously mentioned), as well as the agency's partnership with the Department of Homelessness and Supportive Housing (HSH) to improve IHSS accessibility for eligible homeless recipients residing in shelter placement.<sup>11</sup> Based on the current rate of \$63.61 per hour, the annual budget of \$36 million provides for 565,949 hours to an estimated 1,100 clients.

Expenditures over the four-year grant term would be funded approximately 51 percent by Federal funds, 19 percent by State funds and 30 percent by the City's General Fund.

<sup>9</sup> Under the existing Homebridge grant, the indirect cost is 10 percent. HSA states that the department's policy on indirect cost allows community-based organizations to submit an indirect rate up to 15 percent, and Homebridge submitted a proposal with a 15 percent indirect rate. According to HSA, although Homebridge included the 15 percent indirect rate, the grant is reimbursed at a client served hourly rate which includes all costs associated to the program.

<sup>10</sup> HSA states that DJ Cleaning Service LLC will be providing specialized heavy cleaning services and was selected by Homebridge, who conducted outreach to vendors and evaluated rates, availability and responsiveness/communication to determine the best candidate.

<sup>11</sup> According to HSA, HSH is launching a new shelter program, "Jerrold Commons" in the Bayview neighborhood in April 2025, which will consist of several beds, RV spaces, and small cabins with ADA accessibility. HSA states that Homebridge will play a role in the shelter program by dispatching trained health care providers and case managers to address complex medical, psychosocial and behavioral health needs of IHSS eligible shelter recipients.



**Maintenance of Effort**

As shown in Exhibit 4 above, the City's General Fund makes up \$43.2 million or 30 percent of Homebridge's proposed new grant funding of \$144 million. The City's General Fund share of IHSS program costs (costs not funded by the federal Medicaid program), including Homebridge grant costs, is determined by the State. Counties pay a base amount (Maintenance of Effort), which was initially set by the State in FY 2012-13 and increased annually. In FY 2019-20, the State reduced the counties' Maintenance of Effort, including setting a lower base and reducing annual increases.

The Maintenance of Effort is fully funded locally and covers both Independent Provider mode IHSS, as well as Contract Mode IHSS services. According to HSA, the City's annual Maintenance of Effort obligation is primarily driven by three factors: 1) mandated four-percent inflation adjustment applied annually to the Maintenance of Effort base; 2) local share of locally negotiated increases to Independent Provider wages and benefits and 3) increases to the hourly rate paid for Contract Mode IHSS services. Counties are unable to reduce the Maintenance of Effort obligation by lowering service rates paid to providers, as rates are reviewed and approved by the State. According to HSA, the City's Maintenance of Effort obligation is projected to be \$178.9 million in FY 2024-25 and \$191.1 million in FY 2025-26.

**RECOMMENDATION**

Approve the proposed resolutions.

<b>Item 7</b> <b>File 25-0332</b>	<b>Department:</b> Office of Contract Administration (OCA)
<b>EXECUTIVE SUMMARY</b>	
<p style="text-align: center;"><b>Legislative Objectives</b></p> <ul style="list-style-type: none"> <li>The proposed resolution would approve the first amendment to the City’s contract with Intervision Systems, LLC, which increases the contract value from \$40 million to \$74.04 million. The five-year term of the contract, which ends January 31, 2027, would not change.</li> </ul> <p style="text-align: center;"><b>Key Points</b></p> <ul style="list-style-type: none"> <li>In February 2022, the Board of Supervisors approved a contract between the Office of Contract Administration (OCA) and Intervision Systems LLC (File 21-1228). The contract was awarded following an Invitation for Bids solicitation in which Intervision provided the lowest responsive bid. The contract has a not-to-exceed value of \$40 million and a five-year term of February 1, 2022 to January 31, 2027.</li> <li>Under the contract, Intervision re-sells Juniper networking products, including switches, routers, and cables. As a re-seller, Intervision provides discounts off the list price ranging from 10% to 80%, depending on the product purchased.</li> <li>The current \$40 million contract value was based on annual spending of approximately \$8 million per year, which was the three-year average annual spending leading up to the current contract’s start date in 2022.</li> <li>In May 2024, the Airport began a two-year project upgrading its network infrastructure. The total cost of the equipment purchases is approximately \$44 million, which was not factored into the projected spending for this contract.</li> </ul> <p style="text-align: center;"><b>Fiscal Impact</b></p> <ul style="list-style-type: none"> <li>The proposed contract amendment increases the contract value from \$40 million to \$74.04 million. The increase is based on (1) the Airport’s \$44 million of spending on network equipment for the NextGen Network Upgrade project, (2) actual spending to date on the contract, and (3) projected remaining spending based on the average monthly spending to the date on the contract (excluding the NextGen project). We reviewed OCA’s calculations to this effect and believe they are conservative and reasonable.</li> <li>Although any City department may purchase from the contract, historically only the Airport and PUC use Juniper networking equipment. To date, there has been no General Fund spending on this contract.</li> </ul> <p style="text-align: center;"><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>Approve the proposed resolution.</li> </ul>	

## 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

### Current Contract

In February 2022, the Board of Supervisors approved a contract between the Office of Contract Administration (OCA) and Intervision Systems LLC (File 21-1228). The contract was awarded following an Invitation for Bids solicitation in which Intervision provided the lowest responsive bid. The contract has a not-to-exceed value of \$40 million and a five-year term of February 1, 2022 to January 31, 2027.

### Equipment

Under the contract, Intervision re-sells Juniper networking products, including switches, routers, and cables. As a re-seller, Intervision provides discounts off the list price ranging from 10% to 80%, depending on the product purchased.

The contract is non-exclusive. The City retains the option of procuring technology using Technology Marketplace vendors. Further, the City can enter into a concurrent agreement with a different re-seller.

### Spending Projection

The current \$40 million contract value was based on annual spending of approximately \$8 million per year, which was the three-year average annual spending leading up to the current contract's start date in 2022. However, as shown below in Exhibit 1, actual spending in 2024 was \$25 million and, as of February 2025, total purchase orders against the contract total \$37.5 million, or \$2.5 million less than the total contract value.

### Exhibit 1: Intervision Contract Purchase Orders

Department	2022	2023	2024	2025	Total
AIR	\$7,609,076	\$3,077,790	\$24,323,563	\$29,708	\$35,040,137
PUC	\$263,716	\$994,510	\$763,805	\$434,521	\$2,456,551
<b>Total</b>	<b>\$7,872,792</b>	<b>\$4,072,300</b>	<b>\$25,087,368</b>	<b>\$464,229</b>	<b>\$37,496,689</b>

Source: OCA

According to OCA, the bulk of the higher than anticipated spending was due to a capital project at the Airport, the NextGen Network Upgrade project. To date, approximately \$20 million of new equipment has been purchased for that project and the Airport plans to spend an additional \$24 million over the next year as it completes the project, totaling \$44 million in new equipment. The

Airport believes the discounts on this citywide contract are the most cost-effective purchasing vehicle available for the project. OCA is proposing to increase the Intervision contract to account for this spending.

### **Airport NextGen Project**

The purpose of the NextGen Network Upgrade project is to modernize the Airport's public and secure local area networks. According to the Airport, this upgrade enhances cybersecurity, supports increased data requirements from capital projects, expands security infrastructure, and improves cellular service to enhance the overall airport experience. The project began design and planning work in May 2024 and is expected to be completed in September 2026. The total project budget is \$93.6 million and is funded by the Airport, not the General Fund.

### **DETAILS OF PROPOSED LEGISLATION**

The proposed resolution would approve the first amendment to the City's contract with Intervision Systems, LLC, which increases the contract value from \$40 million to \$74.04 million. The five-year term of the contract, which ends January 31, 2027, would not change.

### **FISCAL IMPACT**

The proposed contract amendment increases the contract value from \$40 million to \$74.04 million. The increase is based on (1) the Airport's \$44 million of spending on network equipment for the NextGen Network Upgrade project, (2) actual spending to date on the contract, and (3) projected remaining spending based on the average monthly spending to the date on the contract (excluding the NextGen project). We reviewed OCA's calculations to this effect and believe they are conservative and reasonable.

Although any City department may purchase from the contract, historically only the Airport and PUC use Juniper networking equipment. To date, there has been no General Fund spending on this contract.

### **RECOMMENDATION**

Approve the proposed resolution.

<b>Item 9</b> <b>File 25-0182</b>	<b>Department:</b> Public Health
<b>EXECUTIVE SUMMARY</b>	
<p style="text-align: center;"><b>Legislative Objectives</b></p>	
<ul style="list-style-type: none"> <li>The proposed resolution approves Amendment No. 4 to the agreement between the Department of Public Health (DPH) and Community Forward SF, extending the contract term by three years, from June 30, 2025, to June 30, 2028, resulting in a total contract duration from July 1, 2018, through June 30, 2028, and increasing the not-to-exceed amount by \$19,754,516 to \$42,052,558.</li> </ul>	
<p style="text-align: center;"><b>Key Points</b></p>	
<ul style="list-style-type: none"> <li>This contract funds A Woman’s Place, which includes (1) a Transitional Housing &amp; Recovery Program, (2) an Outpatient Clinic, and (3) a Drop-In Center, designed to provide treatment services to people who identify as a woman and with a focus on those experiencing homelessness, trauma, and co-occurring disorders in San Francisco.</li> <li>DPH’s FY 2023-24 program monitoring rated Transitional Housing and Drop-In programs “Commendable” (with an overall rating of 4/4) and Outpatient “Acceptable” (with an overall rating of 3/4). However, certain elements of each program were not monitored.</li> <li>On June 12, 2024, fiscal monitoring found the contractor had only nine days of operating cash on hand, under the 30-day reserve standard for a second straight year, due to delayed City payment. In addition, Community Forward SF’s multi-year fundraising plan boosted nongovernmental revenue to \$675k in FY 2023-24 and targets \$1.2 million in FY 2024-25, to diversify revenue sources for the organization.</li> </ul>	
<p style="text-align: center;"><b>Fiscal Impact</b></p>	
<ul style="list-style-type: none"> <li>This amendment authorizes an additional \$19,754,516 in funding, bringing the total contract amount from \$22,298,042 to \$42,052,558.</li> <li>The contract is funded through a combination of federal, state, and local sources. 82 percent of funding comes from the General Fund. Federal Medi-Cal contributions account for 8.3 percent of contract funding. A Bridge Housing State Grant provides 9.4 percent in State funding specifically for housing-linked behavioral health services.</li> </ul>	
<p style="text-align: center;"><b>Recommendation</b></p>	
<ul style="list-style-type: none"> <li>Approve the proposed resolution.</li> </ul>	

**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****Community Forward SF**

Community Forward SF is a San Francisco-based non-profit that provides behavioral health and supportive housing programs. This contract funds A Woman's Place, which includes a transitional housing program, drop-in center, and substance use outpatient treatment program designed to provide treatment services to people who identify as a woman and with a focus on those experiencing homelessness, trauma, and co-occurring disorders in San Francisco.

**Previous Amendments**

On July 1, 2018, the Department of Public Health (DPH) and Community Forward SF entered into an agreement for mental health and substance abuse treatment services with a term of July 1, 2018, through June 30, 2022, and a not-to-exceed amount of \$9,548,108.

On June 1, 2022, The Board of Supervisors authorized Amendment No.1 to extend the term by one year, through June 30, 2023, and to increase the maximum expenditure by \$3,551,892 to \$13,100,000 (File 22-0443).

On February 1, 2023, the DPH authorized Amendment No. 2 to increase the maximum expenditure by \$500,000 to \$13,600,000.

On June 7, 2023, the Board of Supervisors authorized the third amendment to extend the contract by two years, through June 30, 2025, and increase the total contract funding by \$8,698,042 to \$22,298,042 (File 23-0572).

**DETAILS OF PROPOSED LEGISLATION**

The proposed resolution approves Amendment No. 4 to the agreement between the Department of Public Health (DPH) and Community Forward SF, extending the contract term by three years, from June 30, 2025, to June 30, 2028, resulting in a total contract duration from July 1, 2018, through June 30, 2028, and increasing the not-to-exceed amount by \$19,754,516 to \$42,052,558.

**Scope of Work**

Under this amendment, Community Forward SF will continue operating A Woman's Place centered at 1049 Howard Street and the associated Drop-In Center located at 211 13<sup>th</sup> Street. The program has three components: (1) a Transitional Housing & Recovery Program, (2) an Outpatient Clinic, and (3) a Drop-In Center. While there are no restrictions on ethnicity or

populations, the focus of the program is to provide mental-health, substance-use, and housing services to adults who identify as women and with co-occurring disorders, histories of violence, or prolonged street exposure in the Tenderloin, South of Market, and Mission Districts. Clients are admitted regardless of income or active drug use so long as substances are not used on-site. The program's three components are:

1. A Woman's Place: Substance Abuse - Transitional Housing & Recovery Program

The Transitional Housing & Recovery Program annually serves at least 55 unduplicated adults and is funded with 8.8 full-time equivalent (FTE) employees. The Wellness & Recovery program offers dorm-style shelter and up to twelve months of transitional housing. Patients enter through referral or short stabilization beds (five to fourteen days). During their stay, clients attend weekly individual therapy and three group sessions, and contribute up to 30 percent of income when available. Services include clinical assessment, medication-assisted treatment, nursing care, case management, and referrals to primary care, psychiatry, and permanent housing. Clients exit when they obtain stable housing, reunify with family, or transfer to another level of care, and may continue outpatient services after discharge.

2. A Woman's Place: Mental Health - Outpatient Clinic

The Mental Health Outpatient Clinic annually serves at least 75 unduplicated adults and is funded with 12.97 FTE employees. Women are brought in through community outreach or a referral from another program. They are provided with a clinical assessment and collaborate with staff to build a treatment plan at intake. Participants commit to at least one weekly therapy session and three support groups and may access on-site nursing care, case management, medical and psychiatric referrals, and daily wellness activities. When a client no longer meets medical-necessity criteria or requests transfer, staff coordinate placement in another program or external service and maintain follow-up to support continuity of care.

3. A Woman's Place: Drop-In Center

A Woman's Place Drop-In Center annually serves at least 230 unduplicated adults, up to 45 at a time, and is funded with 19.21 FTE employees. Services include trauma-informed assessments by clinicians, motivational interviewing, cognitive behavioral therapy, creative therapies such as art, music, and movement. The 24-hour facility also meets immediate needs with meals, showers, laundry, and safe resting areas. Retention is pursued through recreational community-building activities that encourage deeper engagement in individual and group therapy. Clients exit by placement in another program, brief safety-related service denial (always under 90 days to-date), or voluntary discharge.

Between the three programs, the DPH estimates that Community Forward serves at least 360 clients per year. The contract funds 40.98 FTE employees.

**Performance**

The DPH completed its most recent programmatic review of Community Forward SF's Mental Health Outpatient Clinic and its Transitional Housing & Recovery Program for FY 2023-24. An on-site visit occurred on January 30, 2025, followed by a remote file review on March 27, 2025.

The DPH evaluated four areas: (1) Program Performance, (2) Program Deliverables, (3) Program Compliance, and (4) Client Satisfaction.<sup>1</sup> The detailed results are shown below in Exhibit 1.

<b>Exhibit 1: FY 2023-24 Program Results</b>	<b>Transitional Housing &amp; Recovery</b>	<b>Outpatient</b>	<b>Drop-In Center</b>
Overall Program Rating (1-4)	4	3	4
Performance Score	Not Rated	60%	100%
Compliance Score	100%	100%	100%
Actual/Budgeted Clients	100%	88%	100%
Actual/Budgeted Units of Service	100%	No Data	100%
Plan of Action Required	No	Yes - staff training for emergencies & opioid overdose	No
Client Satisfaction	100%	67%	Did not assess client satisfaction

Source: DPH

Note: According to DPH, the low client count for the Outpatient program was partially due to incomplete client data resulting in the department-wide transition of systems from Avatar to Epic.

As shown above, DPH rated the Transitional Housing and Drop-In Center programs as either a “4 - Commendable/Exceeds Standards” and the Outpatient program as “3 – Acceptable/Meets Standards. The Outpatient program did not meet certain performance objectives, such as completing client intakes on a timely basis. DPH also noted that the Outpatient program staff did not complete all required trainings related to emergencies and opioid overdoses and required a Plan of Action for the provider to complete the trainings by June 30, 2025.

Certain elements of DPH’s program review were not completed. Although the program has been in place since 2018, DPH did not assess the performance of the Transitional Housing program because DPH’s standard objectives were not applicable to this program. DPH reports this was an oversight and a newly hired Compliance Manager is developing new performance metrics, such as percentage of clients attending group and clinical meetings, which would be monitored during FY 2024-25. In prior years, DPH evaluated all three programs’ performance as a whole. In addition, DPH was not able to review the units of service and client satisfaction surveys for the Outpatient program because the data was not available at the time of DPH’s review. During our reporting process, DPH reported that client satisfaction with the Outpatient program was 67 percent and that they did not reassess units of service or client satisfaction after the program monitoring process was complete due to staffing constraints. The client surveys for the Drop-In

<sup>1</sup> **Program Performance** is component of overall contract performance and includes service and outcome goals, such as establishing targets for treatment, reducing the ongoing need for the same level of care, or successful exits from the program. **Program Compliance** refers to the program’s orderly maintenance of client data and compliance with health regulations.



center did not obtain input on client satisfaction (but instead were asked about client demographics and needs).

### Fiscal and Compliance Monitoring

The latest Fiscal and Compliance Monitoring Report was issued on June 12, 2024, for the FY 2023-24 cycle. Fiscal monitoring identified one finding. As of June 30, 2023, the agency held only nine days of operating cash in reserves. This was the second consecutive year with an instance of the reserve balance being below the thirty-day reserve standard. Community Forward SF attributed the shortfall to delayed payments from several City contracts and outlined a multi-year fundraising strategy that increased revenue from non-governmental sources to \$675,000 in FY 2023-24, with a target of \$1.2 million in FY 2024-25.

### FISCAL IMPACT

The proposed contract amendment authorizes an additional \$19,754,516 in funding, bringing the total contract amount from \$22,298,042 to \$42,052,558. The breakdown for the extension period is detailed below in Exhibit 2.

#### Exhibit 2: A Woman's Place Budget and Sources FY 2025-26 – FY 2027-28

Program	FY2025-26	FY2026-27	FY2027-28	Total
Mental Health Outpatient Clinic	1,094,707	1,094,707	1,094,707	3,284,121
Transitional Housing	1,955,580	1,955,580	1,955,580	5,866,740
Drop-In Center	2,374,780	2,374,780	2,374,780	7,124,340
CODB	232,564	353,225	476,902	1,062,691
<b>Subtotal</b>	<b>5,657,631</b>	<b>5,778,292</b>	<b>5,901,969</b>	<b>17,337,892</b>
Contingency (12%)	678,916	693,395	708,236	2,080,547
<b>Proposed Extension</b>				<b>19,418,439</b>

Source: DPH

Notes: Cost of Doing Business (COBD) is an inflationary adjustment to the program budget at a rate of 2.5 percent over the extended contract term.

### Total Contract Value

Exhibit 3 below shows the basis for the contract's total not-to-exceed value.

**Exhibit 3: Total Contract Value**

<b>Current Contract</b>	
FY 2018-19	717,016
FY 2019-20	2,453,884
FY 2020-21	2,827,870
FY 2021-22	3,141,589
FY 2022-23	3,078,287
FY 2023-24	4,875,559
FY 2024-25	5,539,914
Subtotal, Actual and Projected	22,634,118
<b>Proposed Amendment</b>	
FY 2025-26	5,657,631
FY 2026-27	5,778,292
FY 2026-27	5,901,969
Subtotal, Proposed Spending	17,337,892
Contingency (12%)	2,080,547
<b>Not-To-Exceed Amount</b>	<b>42,052,558</b>

Source: DPH

The contract spending increased from \$3.1 to \$4.9 million between FY 2022-23 and FY 2023-24 due to higher leases costs and 15 additional transitional housing beds. This higher level of spending is why the overall \$19,754,516 increase in contract value exceeds the \$19,418,439 spending and contingency for the proposed extension period.

**Source of Funds**

The contract is funded through a combination of federal, state, and local sources. 82 percent of funding comes from the General Fund. Federal Medi-Cal contributions account for 8.3 percent. A Bridge Housing State Grant provides 9.4 percent in State funding specifically for housing-linked behavioral health services.

**RECOMMENDATION**

Approve the proposed resolution.

<b>Item 10</b> <b>File 25-0339</b>	<b>Department:</b> Department of Public Health
<b>EXECUTIVE SUMMARY</b>	
<p style="text-align: center;"><b>Legislative Objectives</b></p> <ul style="list-style-type: none"> <li>The proposed resolution would approve the second amendment to the agreement between the Department of Public Health (DPH) and HealthRight 360 to provide substance abuse and mental health services to extend the term by three years from June 30, 2025 to June 30, 2028 for a total term of 10 years, and to increase the amount by \$141,427,165 for a total amount not to exceed \$305,358,044.</li> </ul> <p style="text-align: center;"><b>Key Points</b></p> <ul style="list-style-type: none"> <li>Under an existing agreement, HealthRight 360 provides residential substance use disorder services and outpatient substance use disorder and mental health services under eight programs. In May 2022, the Board of Supervisors approved the first amendment to the agreement to extend the term by three years from June 30, 2022 to June 30, 2025 and to increase the amount by \$79.9 million for a total amount not to exceed \$163.9 million.</li> <li>Program monitoring reports showed that the contractor generally met performance objectives and contracted units of service. Three of the eight programs have plan of action reports to improve data recording. Residential treatment services and residential step-down services are expanded under the proposed agreement to serve more clients.</li> </ul> <p style="text-align: center;"><b>Fiscal Impact</b></p> <ul style="list-style-type: none"> <li>The proposed increase of \$141.4 million includes funding for the three-year term extension (\$112.9 million), a 12 percent contingency (\$13.5 million), and \$15.0 million for the remainder of FY 2024-25 due to expansion of residential treatment and residential step-down services since the last contract amendment.</li> <li>The FY 2025-26 budget is \$36.8 million and supports 292.64 full-time equivalent positions.</li> <li>Funding for the proposed amended contract comes from various state and federal funding sources for mental health and substance use disorders, as well as local sources. Local funding in FY 2025-26 includes \$2.8 million in Opioid Settlement funds, \$2.7 million in Proposition C revenues, and \$15.9 million from the General Fund.</li> </ul> <p style="text-align: center;"><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>Approve the proposed resolution.</li> </ul>	

**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**

Under an existing agreement with the Department of Public Health (DPH), HealthRight 360 provides residential substance use disorder and mental health outpatient services. In October 2018, the Board of Supervisors retroactively approved the original agreement between DPH and Health Right 360 with a four-year term from July 1, 2018 through June 30, 2022 in an amount not to exceed \$84,064,915 (File 18-0829).<sup>1</sup> In May 2022, the Board of Supervisors approved the first amendment to the agreement to extend the term by three years from June 30, 2022 to June 30, 2025 and to increase the amount by \$79,865,964 for a total amount not to exceed \$163,930,879 (File 22-0415).

**DETAILS OF PROPOSED LEGISLATION**

The proposed resolution would approve the second amendment to the agreement between DPH and HealthRight 360 to provide substance use and mental health services to extend the term by three years from June 30, 2025 to June 30, 2028 for a total term of 10 years, and to increase the amount by \$141,427,165 for a total amount not to exceed \$305,358,044.

Under the amended contract, HealthRight 360 will provide a variety of services to DPH clients through eight programs as summarized in Exhibit 1 below.<sup>2</sup>

Contracted client counts are increasing at the Residential Treatment Services program and the Residential Perinatal Services program because the budgeted occupancy rate was increased from 80 percent to 90 percent. As a result, the demand and client counts have also increased for Residential Step-down Services. In addition, DPH reports it is working to improve the flow from Withdrawal Management to residential treatment.

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<sup>1</sup> The Department of Public Health (DPH) selected HealthRight 360 to provide mental health outpatient and substance use disorder treatment services based on the organization's responses to two Requests for Proposals (RFP) issued in August 2016 and August 2017. The RFPs stipulated a maximum contract term of 10 years.

<sup>2</sup> Two programs under the existing agreement are not continuing under the proposed amendment. These programs supported a primary care clinic focused on services to women, and the clinic is no longer affiliated with HealthRight 360. DPH staff report that DPH now contracts directly with the new vendor for the clinic.

**Exhibit 1: Health Right 360 Programs under Amendment No. 1**

<b>Program</b>	<b>Location(s)</b>	<b>Unduplicated Clients</b>	<b>Description</b>
Residential Treatment Services	890 Hayes St 815 Buena Vista West	471 <i>(increase from 350)</i>	Short-term residential stays of 30 to 90 days for adults with substance use disorders
Residential Step-down Services	214 Haight St	162 <i>(increase from 92)</i>	Residential setting in which peers in recovery support each other's recovery while continuing outpatient treatment and related services, such as case management, to achieve treatment goals. Clients are eligible for up to 9-month stays.
Residential Perinatal Services	2261 Bryant St	63 <i>(increase from 42)</i>	Short-term residential stays of 30 to 90 days for pregnant and post-partum women with substance use disorders.
Residential Withdrawal Management	815 Buena Vista West	761 <sup>3</sup>	Short-term residential stays of 7 to 14 days for withdrawal management (detoxification) provided in a safe, recovery-oriented environment with supportive staff during the initial days after stopping substance use.
Outpatient Drug Free (ODF) and Intensive Outpatient Treatment (IOT)	1563 Mission St 1601 Donner Ave 2020 Hayes St	1563 Mission: 418 1601 Donner: 120 2020 Hayes: 165	Substance use disorder services for clients not needing or desiring residential treatment or those stepping down from more intensive levels of care and clients maintaining stability in managing their behavioral health disorders. Services include individual and group counseling, relapse prevention, vocational and educational classes, social services, and family reunification. Services are provided for less than 9 hours/week for ODF and 9 to 19 hours/week for IOT. Two of these locations also provide contingency management services.
Representative Payee Services	1016 Howard St	75	Financial case management services focused on stabilizing basic needs of housing, medical, mental health, and substance misuse care

<sup>3</sup> The proposed amendment shows a decrease in clients for the Residential Withdrawal Management program, from 761 to 451. DPH reports this is an error and that the program will continue to serve 761 clients per year.

Program	Location(s)	Unduplicated Clients	Description
Adult Outpatient Mental Health Services	1563 Mission St 2020 Hayes St	35	Outpatient mental health and substance use disorder services for individuals with co-occurring psychiatric and substance use disorders.
Asian Drug and Alcohol Prevention and Treatment (ADAPT) Mental Health Services	2020 Hayes St	19	Outpatient mental health and substance use disorder services for individuals with co-occurring psychiatric and substance use disorders. Provides integrated Western therapies and Eastern healing practices and culturally sensitive counseling in English, Cantonese, and Mandarin.

Source: Proposed Amendment No. 2

### Performance Monitoring

DPH has completed contract monitoring for FY 2023-24 for six out of eight programs. We reviewed monitoring reports for six programs for FY 2023-24 and for the remaining two programs for FY 2022-23. Detailed performance results are shown in Attachment 1.

Program monitoring reports showed that the contractor generally met performance objectives and contracted units of service. The notable exceptions include:

- In FY 2022-23, the ADAPT Mental Health Services program provided 62.8 percent of contracted units of service. In FY 2023-24, the program provided 57 percent of contracted units of service according to DPH staff. The program had one of three positions filled, which contributed to the low units of service delivered, however, DPH reports that the positions are now filled.
- In FY 2023-24, the Outpatient Drug Free and Intensive Outpatient Treatment program met 70.0 percent of its contracted performance objectives but provided 91.0 percent of contracted units of service. The program did not fully meet performance objectives related to clients maintaining abstinence or showing a reduction of alcohol and other drug use and administrative discharge rates at all program locations. Between 15 and 52 percent of clients (depending on the location) maintained abstinence or showed a reduction in alcohol and other drug use compared to a goal of 70 percent. In addition, at two of the locations, the administrative discharge rate (which is a code used when a client stops attending programming and is discharged) was 76 percent and 53 percent, which is greater than the objective of no more than 40 percent.

According to DPH staff, technical assistance is being provided to the provider to reduce the use of “administrative discharges” when a different discharge code may be more appropriate (i.e., left before treatment completed). When the “administrative discharge” code is used, providers cannot enter outcome data points into the data system, including the question on maintaining abstinence or reduced alcohol and drug use, which impacts the accuracy of these measures. In addition to the data accuracy issue due to relatively

high levels of administrative discharges, some clients may not be maintaining abstinence or reduced alcohol and drug use because substance use disorder is a chronic, relapsing condition according to DPH staff.

- Three programs did not meet performance objectives related to recording all initial requests for services appropriately to ensure timely access to services could be measured. The three programs include Residential Treatment Services, Residential Perinatal Services, and Outpatient and Intensive Outpatient. According to DPH staff, recording requests for services is required for state reporting and for DPH monitoring of service availability, and it does not indicate that services were not provided. In FY 2024-25, DPH updated the process and policy for submitting timely access requests for its providers and provided technical assistance to HealthRight 360 to improve reporting. Submission rates are now meeting standards since the interventions according to DPH staff.

In addition to existing performance objectives, DPH has added additional objectives to enhance client safety and quality of care, including the following:

#### Withdrawal Management

- 90 percent of clients admitted with an opioid use diagnosis will receive a Medication for Opioid Use Disorder evaluation, with measurement conducted weekly.

#### Residential Treatment Services

- At least four client safety checks per night will be recorded.
- 90 percent of clients will engage in at least 15 hours of service per week, including clinical groups, individual sessions, and therapeutic activities.
- 100 percent of overdoses will continue to be recorded through the Behavioral Health System Quality of Care Reporting mechanism. Within one week of the incident, the provider will conduct an analysis of the root cause to identify gaps, remediating steps, and program recommendations and submit to DPH for review and approval.

#### **Fiscal Monitoring**

DPH conducted FY 2023-24 Citywide Nonprofit Fiscal and Compliance Monitoring for the grantee and identified no findings. In addition, in August 2024, the DPH Business Office of Contract Compliance reviewed the grantee's historical audited financial statements and rated the agency as a "low risk" agency.

#### **FISCAL IMPACT**

The proposed increase of \$141.4 million includes funding for the three-year term extension (\$112.9 million), a 12 percent contingency (\$13.5 million), and \$15.0 million for the remainder of FY 2024-25. According to DPH staff, the proposed amendment includes \$15.0 million for the existing term because the provider has expanded residential treatment and residential step-down services since the last contract amendment and because DPH must maintain some unspent funds that are encumbered for FY 2020-21 through FY 2022-23 pending cost settlement with the

State. Exhibit 2 below shows the proposed funding by fiscal year and the proposed not to exceed amount.

**Exhibit 2: Proposed Contract Budget and Not to Exceed Amount**

Year	Actual Expenditures	Projected Expenditures	Total
FY 2018-19	\$17,238,740		\$17,238,740
FY 2019-20	22,055,669		22,055,669
FY 2020-21	20,954,578	1,055,052	22,009,630
FY 2021-22	20,537,316	2,821,629	23,358,945
FY 2022-23	24,614,890	1,511,609	26,126,499
FY 2023-24	29,374,528	3,378,729	32,753,256
FY 2024-25	17,280,544	18,142,344	35,422,888
Subtotal, Existing Term	\$152,056,264	\$26,909,363	\$178,965,627
FY 2025-26		36,798,274	36,798,274
FY 2026-27		37,610,026	37,610,026
FY 2027-28		38,442,072	38,442,072
Subtotal, Extended Term		\$112,850,372	\$112,850,372
Contingency (12%)			13,542,045
<b>Total Not to Exceed</b>			<b>\$305,358,044</b>

Source: DPH

The contract budget supports 269.09 full-time equivalent (FTE) positions for the eight programs and an additional 23.55 FTE support staff for a total of 292.64 FTE. Exhibit 3 below shows the proposed FY 2025-26 budget by program.

**Exhibit 3: FY 2025-26 Budget by Program**

Program	Amount	Clients	Amount per Client	FTE
Residential Treatment	\$14,469,876	471	\$30,722	106.01
Residential Step-Down	8,021,563	162	49,516	64.75
Perinatal Residential	2,064,125	63	32,764	16.76
Residential Withdrawal Management	3,260,964	451	7,231	26.17
Outpatient / Intensive Outpatient	6,728,008	703	9,570	48.40
Representative Payee Program	188,196	75	2,509	2.00
Adult Outpatient	431,328	35	12,324	3.10
ADAPT Mental Health	258,828	19	13,623	1.90
CODB (3.9%)	1,375,386			
<b>Total</b>	<b>\$36,798,274</b>	<b>1,979</b>	<b>\$18,594</b>	<b>292.64*</b>

Source: DPH

\*Includes 269.09 FTE program staff shown above and 23.55 FTE support staff



**Funding Sources**

Funding for the proposed amended contract comes from various state and federal funding sources for mental health and substance use disorders, as well as local General Fund and Proposition C monies. The proposed FY 2025-26 budget is funded by \$11.4 million in federal funding (31 percent), \$4.0 million in state funding (11 percent), and \$21.4 million in local funding (58 percent). Local funding in FY 2025-26 includes \$2.8 million in Opioid Settlement funds, \$2.7 million in Proposition C revenues, and \$15.9 million from the General Fund.

**RECOMMENDATION**

Approve the proposed resolution.

**Attachment 1: HealthRight 360 Performance Summary**

<b>Fiscal Year</b>	<b>Program</b>	<b>Overall Program Score</b>	<b>Plan of Action Required</b>	<b>Contracted performance objectives</b>	<b>Contracted Units of Service</b>	<b>Contracted Clients Served</b>
FY23-24	Residential Treatment	4 - Commendable/Exceeds Standards	Yes - Timely Access	72.5%	100.9%	153.5%
FY23-24	Residential Step-Down	3 - Acceptable/Meets Standards	No	77.8%	100.0%	267.9%
FY23-24	Perinatal Residential	4 - Commendable/Exceeds Standards	Yes - Timely Access	70.0%	81.8%	54.0%
FY23-24	Residential Withdrawal Management	4 - Commendable/Exceeds Standards	No	100.0%	97.9%	85.2%
FY23-24	Outpatient / Intensive Outpatient	4 - Commendable/Exceeds Standards	Yes - Timely Access & Admin Discharge	70.0%	91.0%	232.8%
FY23-24	Representative Payee Program	4 - Commendable/Exceeds Standards	No	100.0%	158.0%	100.0%
FY22-23	Adult Outpatient	3 - Acceptable/Meets Standards	No	92.0%	77.1%	107.9%
FY22-23	ADAPT Mental Health	3 - Acceptable/Meets Standards	No	100.0%	62.8%	90.5%

Source: DPH

<b>Items 11 &amp; 12</b> <b>Files 25-0251, 25-0252</b>	<b>Department:</b> San Francisco International Airport (Airport)
<b>EXECUTIVE SUMMARY</b>	
<p style="text-align: center;"><b>Legislative Objectives</b></p> <ul style="list-style-type: none"> <li>The proposed resolutions would approve Automated Teller Machines (ATMs) leases between the San Francisco International Airport (Airport) and (1) Bank of America, for Lease A, with Minimum Annual Guaranteed (MAG) rent of \$250,000 (File 25-0252); and (2) Wells Fargo, for Lease B, with MAG rent of \$350,000 (File 25-0251). Each lease would have an initial three-year term with a two-year option to extend.</li> </ul> <p style="text-align: center;"><b>Key Points</b></p> <ul style="list-style-type: none"> <li>The Airport has two ATM leases that each designate 12 ATM locations. In 2023, the Airport released a Request for Bids (RFB) to award new ATM leases, which specified a minimum MAG rent bid amount of \$500,000 for each lease, but the Airport received no bids. In August 2024, the Airport reissued the RFB, which reduced the minimum MAG rent bid amount to \$250,000. Bank of America and Wells Fargo, the two current tenants, were the respectively lone bidders for Leases “A” and “B” and were awarded new leases.</li> <li>Under the proposed leases, the tenants would pay MAG rent, which is \$250,000 for Bank of America and \$350,000 for Wells Fargo, or 70 percent of gross revenues, which are transaction fees (capped at \$3) for customers using cards from other banks. The MAG rent would be adjusted annually to the greater of the existing MAG rent or 85 percent of base rent for the previous lease year. The Airport anticipates to receive MAG rent, which has historically been greater than the ATM revenues.</li> </ul> <p style="text-align: center;"><b>Fiscal Impact</b></p> <ul style="list-style-type: none"> <li>Under the five-year term of the leases, the Airport would receive at least \$1,800,000 in MAG rent. If the two-year options to extend are exercised, the Airport would receive at least an additional \$1,200,000 in MAG rent over the extension term, for total MAG rent of at least \$3,000,000 over five years.</li> </ul> <p style="text-align: center;"><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>Approve the proposed resolution.</li> </ul>	

**MANDATE STATEMENT**

City Charter Section 9.118(a) states that contracts entered into by a department, board, or commission that (i) have anticipated revenues of \$1 million or more, or (ii) have anticipated revenues of \$1 million or more and require modifications, are subject to Board of Supervisors approval.

**BACKGROUND**

The San Francisco International Airport (Airport) has two automated teller machine (ATM) leases that each designate 12 ATM locations. In 2017 and 2018, the Board of Supervisors approved leases for Lease “A” with Bank of America (File 17-1179) and Lease “B” with Wells Fargo Bank (File 17-1079). The Lease “A” expires on August 31, 2025 and Lease “B” expired on January 31, 2025 and remains in holdover status.

In 2023, the Airport released a Request for Bids (RFB) to award new ATM leases, which specified a Minimum Annual Guaranteed (MAG) rent bid amount of \$500,000 for each lease, but the Airport received no bids. In August 2024, the Airport reissued the RFB which reduced the Minimum Annual Guaranteed (MAG) rent bid amount for each lease to \$250,000. The Airport received one bid for each lease:

- Bank of America, for Lease “A,” with initial MAG rent of \$250,000; and
- Wells Fargo Bank, for Lease “B,” with initial MAG rent of \$350,000.

Each bidder was deemed to meet the minimum qualifications and was awarded a lease. In March 2025, the Airport Commission approved the leases.

**DETAILS OF PROPOSED LEGISLATION**

The proposed resolutions would approve ATM leases between the Airport and (1) Bank of America, for Lease “A,” with initial MAG rent of \$250,000 (File 25-0252); and (2) Wells Fargo, for Lease “B,” with initial MAG rent of \$350,000 (File 25-0251). Each lease would have an initial term of three years with a two-year option to extend.

The leases each have 12 placements in the following locations:

Lease A (Bank of America):

- Three locations in Terminal 1, of which one is pre-security and two are post-security;
- Three locations in Terminal 2, of which two are pre-security and one is post-security;
- Three locations in Terminal 3, of which all are post-security (including one future location); and
- Three locations in the International Terminal, of which one is pre-security and two are post-security.

Lease B (Wells Fargo):

- Three locations in Terminal 1, of which one is pre-security and two are post-security;
- Two locations in Terminal 2, of which one is pre-security and one is post-security;
- Four locations in Terminal 3, of which one is pre-security and three are post-security (including one future location);
- Two locations in the International Terminal, of which one is pre-security and one is post-security; and
- One location in the Rental Car Center.

The key terms of the leases are shown in Exhibit 1 below.

**Exhibit 1: Key Terms of Proposed Leases**

	<b>Bank of America (Lease A)</b>	<b>Wells Fargo (Lease B)</b>
<b>Premises</b>	12 Locations (as Shown Above)	12 Locations (as Shown Above)
<b>Initial Term</b>	3 Years	3 Years
<b>Options to Extend</b>	One 2-Year Option to Extend	One 2-Year Option to Extend
<b>MAG Rent</b>	\$250,000	\$350,000
<b>Percentage Rent</b>	70% of Gross Revenues	70% of Gross Revenues
<b>MAG Adjustment</b>	Adjusted annually to the greater of the existing MAG rent or 85% of base rent for the previous lease year	Adjusted annually to the greater of the existing MAG rent or 85% of base rent for the previous lease year
<b>Maximum Transaction Fee</b>	\$3	\$3
<b>Deposit Amount</b>	Equal to 50% of initial MAG (\$125,000)	Equal to 50% of initial MAG (\$175,000)
<b>Minimum Investment Amount</b>	An amount satisfactory to meet requirements of Design Review Committee and Tenant Design Guidelines	An amount satisfactory to meet requirements of Design Review Committee and Tenant Design Guidelines

Source: Proposed Leases

The base rent for the leases is the greater of the MAG amount or 70 percent of gross revenues. The MAG would be adjusted annually to the greater of the existing MAG rent or 85 percent of base rent for the previous lease year (but in no event would be reduced). Gross revenues are transaction fees assessed to customers using cards from other banks. The maximum transaction fee allowed under the proposed leases is \$3, which is an increase over the current maximum fee of \$2.50. According to Cheryl Brennan, Director of Airport Revenue Development and Management, the Airport expects to continue receiving the MAG amount, which has historically been greater than the gross revenues generated from transaction fees.

The leases do not specify a minimum investment amount, but according to Director Brennan, the tenants will be installing new ATM machines for Terminal 3 West after construction completion. Initially, Tenants will use the same machines for their existing locations and remove machines that are not part of Lease Premises. The anticipated lease commencement date is September 1, 2025.

**FISCAL IMPACT**

The leases would have initial MAG rents of \$250,000 for Bank of America and \$350,000 for Wells Fargo, for total annual MAG rent of \$600,000. Over the initial three-year terms of the leases, the Airport would receive at least \$1,800,000 in MAG rent. If the two-year options to extend are exercised, the Airport would receive at least an additional \$1,200,000 in MAG rent over the extension term, for total MAG rent of at least \$3,000,000 over five years. The rent paid for each lease is shown in Exhibit 2 below.

**Exhibit 2: MAG Rents for ATM Leases**

	<b>Bank of America (Lease A)</b>	<b>Wells Fargo (Lease B)</b>	<b>Total</b>
Initial MAG Rent	\$250,000	\$350,000	\$600,000
MAG Rent, Initial Term	750,000	1,050,000	1,800,000
MAG Rent, Extension Term	500,000	700,000	1,200,000
<b>Total MAG Rent, 5 Years</b>	<b>\$1,250,000</b>	<b>\$1,750,000</b>	<b>\$3,000,000</b>

Source: Proposed Leases

As noted above, the RFB set the minimum bid for the MAG at \$250,000, which is greater than the initial MAG rent of \$211,000 for Bank of America and less than the initial MAG rent of \$475,000 for Wells Fargo in the existing leases. In the period of March 2024 through February 2025, Bank of America collected \$133,479 in gross revenues and Wells Fargo collected \$78,173 from gross revenues from the ATMs. Although the leases are generally not profitable for the banks, they have existing relationships with the Airport and use the leases as a marketing and visibility tool for Airport travelers.

**RECOMMENDATION**

Approve the proposed resolutions.