

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

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

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TO: Homelessness & Behavioral Health Select Committee 
FROM: Budget and Legislative Analyst
SUBJECT: May 12, 2023 Homelessness & Behavioral Health Select Committee Meeting

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Item 1 File 23-0416	Department: Department of Homelessness and Supportive Housing (HSH)
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would approve the First Amendment to the grant agreement between the Department of Homelessness and Supportive Housing (HSH) and Third Street Youth Center and Clinic (Third Street) for services at the Transitional Aged Youth (TAY) Navigation Center, extending the grant term by three years through June 2026, and increasing the not-to-exceed amount by \$10,772,423, for a total not to exceed \$20,703,760. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • In July 2021, the Board of Supervisors approved a purchase and sale agreement for 888 Post Street for \$29 million. Using Administrative Code Chapter 21B authority to enter into homeless service contracts without competitive bidding, HSH entered into a grant agreement in 2020 with Third Street to operate a TAY navigation center at 888 Post Street for an initial term of December 2020 through June 2023, and an amount not to exceed \$9,931,337. The navigation center opened in February 2021 with a reduced capacity of 43 beds and expanded to 75 beds in Fall 2022, as COVID restrictions receded. • Under the grant agreement, Third Street’s scope of services includes intake, assessment and individual service plans, engagement, case management, benefits navigation, wellness checks, support groups and activities, referrals and coordination of services, and exit planning. Third Street also provides emergency services, consisting of operating the navigation center 24 hours a day by providing clean and safe sleeping accommodations with amenities and maintaining the facility. The navigation center has a 75-bed capacity in a congregate setting. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The proposed First Amendment would increase the not-to-exceed amount of the grant agreement by \$10,772,423, for a total not to exceed \$20,703,760. HSH projects annual expenditures of approximately \$3,679,937 based on FY 2022-23 projected expenditures, as well as a 15 percent contingency to account for escalation and/or fund expanded services. • Over the extension term, approximately 87 percent of expenditures are funded by Proposition C funds and approximately 13 percent of expenditures are funded by the City’s General Fund. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolution. 	

MANDATE STATEMENT

City Charter Section 9.118(b) states that any contract entered into by a department, board or commission that (1) has a term of more than ten years, (2) requires expenditures of \$10 million or more, or (3) requires a modification of more than \$500,000 is subject to Board of Supervisors approval.

BACKGROUND

888 Post Street

In July 2019, the Board of Supervisors approved a resolution urging the City's Real Estate Division (RED) to pursue a financially feasible option to lease or purchase 888 Post Street for use as a navigation center and/or workforce development and multi-use center serving homeless and/or formerly homeless individuals (File 19-0738). In February 2020, the Board of Supervisors approved a lease of 888 Post Street for use as a navigation center, with an option to purchase the property for \$29 million prior to August 2022 (File 20-0043). In July 2021, the Board of Supervisors approved a purchase and sale agreement for 888 Post Street for \$29 million, as well as \$50,000 for insurance and associated transaction costs (File 21-0772).

Procurement & Current Agreement

In April 2019, the Board of Supervisors approved an ordinance establishing Administrative Code Chapter 21B, authorizing the Department of Homelessness and Supportive Housing (HSH) to enter into contracts for homeless services without competitive bidding (File 19-0047).¹ Using this authority, HSH entered into a grant agreement in 2020 with Third Street Youth Center and Clinic (Third Street) to operate a navigation center for transitional aged youth (TAY) at 888 Post Street for an initial term of two years and seven months, from December 2020 through June 2023, and an amount not to exceed \$9,931,337. The navigation center opened in February 2021 with a reduced capacity of 43 beds and expanded to 75 beds in Fall 2022 as COVID restrictions receded. HSH and Third Street have agreed to extend the grant agreement for an additional three years.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the First Amendment to the grant agreement between HSH and Third Street to operate the TAY Navigation Center, extending the grant term by three years through June 2026, and increasing the not-to-exceed amount by \$10,772,423, for a total not to exceed \$20,703,760. The resolution would also authorize HSH to enter into further immaterial amendments to the grant agreement.

Services

Under the grant agreement, Third Street's scope of services includes intake, assessment and individual service plans,² engagement, case management, benefits navigation, wellness checks,

¹ Administrative Code Chapter 21B sunsets on the earlier of March 1, 2024 or if the Homeless Point in Time Count population falls below 5,250.

² A service plan is list of actions developed by guests and the provider to address guests' housing status.

support groups and activities, referrals and coordination of services, and exit planning. Third Street also provides emergency services, consisting of operating the navigation center 24 hours a day by providing clean and safe sleeping accommodations with amenities and maintaining the facility. The navigation center has a 75-bed capacity in a congregate setting. The grant annually funds approximately 21.1 full-time equivalent (FTE) employees.

Subcontractors

The proposed grant amendment includes the following subcontractors: Bowdry & Bowdry for janitorial services, Special Police Officers Association and Citiguard for security, TATO for meals, and a line-item for temporary staffing, which together is budgeted for approximately \$1.3 million.

System of Care

According to the 2022 Point in Time count, there were 4,397 unsheltered residents in San Francisco, a decrease from the 5,180 in 2019. According to HSH staff, there were 3,060 shelter beds or units as of May 2023, of which 261 are dedicated to TAY, including the 75 beds in the proposed grant.

Fiscal and Performance Monitoring

The proposed First Amendment to the grant agreement lists five performance objectives for Third Street: (1) provide intake and program orientation to 100 percent of all participants; (2) utilize intake and assessment information to identify options and create a housing-focused service plan for 95 percent of participants; (3) offer referral for problem-solving and/or assessment via Coordinated Entry within one week of placement for 90 percent of participants; (4) provide referrals to benefits, employment, health, and transportation support to 90 percent of participants with referral needs; and (5) support 100 percent of Housing Referral Status participants to gather documents required to move into housing.

In addition, the proposed amended grant agreement includes three outcome objectives: (1) 80 percent of Housing Referral Status participants meet document readiness standards within six months of initial intake; (2) 100 percent of all staff complete the required annual trainings; and (3) 75 percent of those completing the quarterly satisfaction survey strongly agree or agree that they are satisfied with the services on site.

FY 2021-22 performance monitoring, which included a site visit in June 2022, indicates that Third Street met its contracted units of service, which entailed operating the facility daily at 43 (now 75) bed capacity. However, Third Street met only two of the five performance objectives that were reviewed.³ Due to the COVID-19 pandemic, Third Street did not conduct quarterly surveys until the final quarter of the fiscal year, and therefore did not meet the requirement that 75

³ The original grant agreement included a performance objective related to exit planning for time-limited stay guests that is no longer included in the proposed grant. Outcome objectives 1 and 2 noted above are new in the proposed grant amendment. According to Bryn Miller, HSH Senior Administrative Analyst, HSH did not review two of the performance objectives pertaining to guests in a “time-limited stay.” According to the original grant agreement, time-limited stays are 30 days or less and intended to provide respite from living on the street. These kinds of stays have not been offered since the COVID-19 pandemic started. Time-limited stays are not included in the proposed grant amendment.

percent of those completing the survey strongly agree or agree that they are satisfied with the services on site.⁴ Additionally, monitoring identified that Third Street had not created written service plans for its participants. Administrative Analyst Miller reports that Third Street has developed service plan documentation, and that Third Street has met its survey requirements each quarter to date in FY 2022-23.

The Department of Public Health (DPH) reviewed Third Street's financial documents as part of the FY 2021-22 Citywide Fiscal and Compliance Monitoring Process and identified no findings.

FISCAL IMPACT

The proposed First Amendment would increase the not-to-exceed amount of the grant agreement between HSH and Third Street by \$10,772,423, for a total not to exceed \$20,703,760. HSH projects annual expenditures of approximately \$3,679,937 based on FY 2022-23 projected expenditures, which are shown in Exhibit 1 below.

Exhibit 1: FY 2022-23 Projected Grant Agreement Expenditures

Expenditures	Amount
Salaries and Benefits	\$1,644,300
Operating Expenses ⁵	394,756
<i>Subtotal</i>	<i>\$2,039,056</i>
Indirect Costs (15%)	305,859
Other Expenses ⁶	1,335,022
Total Projected Expenditures	\$3,679,937

Source: Proposed grant agreement amendment

The \$3.7 million FY 2022-23 grant budget in the proposed amendment shown above in Exhibit 1 is higher than the FY 2022-23 grant budget of \$3.2 million in the original agreement primarily due to an increase from 13.00 FTE to 21.10 FTE to operate the site and higher wages for those positions. HSH has been increasing staffing and compensation across its shelter and housing portfolio to improve guest experience and outcomes.

Actual and projected expenditures by year are shown in Exhibit 2 below.

⁴ In the quarter that they were surveyed, 85.71 percent of respondents reported that they were satisfied with services. The survey had a 68.12 percent response rate.

⁵ Operating expenses include utilities, supplies, maintenance and repair, insurance, training, garbage, IT, and laundry, as well as janitorial, security, and meals/catering services (for \$25,000 each). According to Administrative Analyst Miller, these services are included under both operating expenses and other expenses because of Controller's Office guidelines that caps the indirect charge on subcontractors to the first \$25,000 of the subcontractor's budget.

⁶ Other expenses include janitorial, security, meals/catering, and temporary staffing.

Exhibit 2: Actual and Projected Expenditures by Year

Year	Amount
Year 1 (FY 2020-21, Actual, 7 Months)	\$1,292,359
Year 2 (FY 2021-22, Actual)	3,035,682
Year 3 (FY 2022-23, Projected)	3,679,937
<i>Subtotal, Original Grant Term</i>	<i>\$8,007,977</i>
Year 4 (FY 2023-24, Projected)	3,679,937
Year 5 (FY 2024-25, Projected)	3,679,937
Year 6 (FY 2025-26, Projected)	3,679,937
<i>Subtotal, Extension Term</i>	<i>\$11,039,811</i>
Contingency (15% of Extension Term Amount)	1,655,972
Total Not-to-Exceed	\$20,703,760

Source: Proposed grant agreement amendment

The grant agreement includes a 15 percent contingency to account for cost escalation and/or fund expanded services at the navigation center.

Funding Source

The first two years of the grant agreement were funded by state Homeless Housing, Assistance, and Prevention (HHAP) funding. For Years 3 through 6, approximately \$12.8 million, or 87 percent of expenditures, are funded by Proposition C funds, and approximately \$1.9 million, or 13 percent of expenditures, are funded by the City's General Fund.

RECOMMENDATION

Approve the proposed resolution.

Item 2 File 23-0406	Department: Department of Public Health (DPH)
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would approve Amendment No. 2 to the behavioral health services contract for women, children, and families between the Department of Public Health (DPH) and Mount St. Joseph-St. Elizabeth (also known as Epiphany Center), extending the contract term by four years through June 2027, and increasing the not-to-exceed amount by \$11,169,510, for a total not to exceed \$20,541,061. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • In 2016 and 2017, the DPH issued Requests for Proposals (RFPs) for Substance Use Disorder Treatment Services and Children, Youth and Family System of Care Mental Health Outpatient Treatment Services. Based on the solicitations, DPH awarded a contract to Epiphany Center for a term of four years and six months from January 2018 through June 2022 and an amount not to exceed \$4,117,075. In April 2020, DPH executed Amendment No. 1 to the contract, extending the term by one year through June 2023, and increasing the not-to-exceed amount by \$5,254,476, for a total not to exceed \$9,371,551. • Under the contract, Epiphany Center provides the Residential Step Down, Residential, and Family Treatment programs. Between the three programs, DPH estimates that Epiphany Center serves approximately 117 unduplicated clients. • The Residential and Residential Step Down programs required Plans of Action in the FY 2021-22 program monitoring reviews, due to lack of administrative documentation and low units of service due to staffing constraints, which have since been resolved, according to DPH staff. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • Annual program costs are \$2.7 million in FY 2023-24. The total not-to-exceed amount is funded approximately 54 percent by federal sources, 11 percent by state sources, and 35 percent by the City's General Fund. <p style="text-align: center;">Policy Consideration</p> <ul style="list-style-type: none"> • DPH continues to pay Epiphany Center for a full reimbursement of its costs to operate the Residential program, rather than per unit of service billed. The cost reimbursement model became more common for DPH contracts during the COVID-19 pandemic, but it divorces the value of services provided from the costs paid by DPH. Many outpatient programs funded by the State will be required to shift to fee-for-service billing in FY 2023-24, which may create financial stress on providers accustomed to cost reimbursement billing. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolution. 	

MANDATE STATEMENT

City Charter Section 9.118(b) states that any contract entered into by a department, board or commission that (1) has a term of more than ten years, (2) requires expenditures of \$10 million or more, or (3) requires a modification of more than \$500,000 is subject to Board of Supervisors approval.

BACKGROUND

In 2016 and 2017, the Department of Public Health (DPH) issued Requests for Proposals (RFPs) for Substance Use Disorder Treatment Services (RFP 26-2016), which included Recovery Residential and Residential programs, and Children, Youth and Family System of Care Mental Health Outpatient Treatment Services (RFP 1-2017), which included Outpatient Treatment. Evaluation panels reviewed the proposals and scored them, as shown in Exhibit 1 below.¹

Exhibit 1: Proposals and Scores from RFPs**RFP 26-2016: Recovery Residence**

Proposer	Score (Out of 100 Points)
Epiphany Center	96.27
HealthRight 360	87.27
CATS	76.00

RFP 26-2016: Residential

Proposer	Score (Out of 100 Points)
Baker Places	93.81
HealthRight 360	88.88
Epiphany Center	88.65
CATS Golden Gate for Seniors	85.96
Latino Commission	84.36
Latino Commission	83.33
Bayview Hunters Point Foundation	80.67
Friendship House	74.49

¹ The evaluation panel for the RFP 26-2016 Recovery Residence category included a Vice President from Dignity Health St. Francis Hospital, a self-employed Community Organizer and Consultant, a Family Treatment Court Coordinator from San Francisco Superior Court, a Deputy Director of Community Behavioral Health Services from DPH, a Health Services Manager from San Mateo County Behavioral Health, and a Housing Case Manager from San Francisco AIDS Foundation. The evaluation panel for the RFP 26-2016 Residential category included an Intake Representative from Glide Foundation, a Behavioral Health Clinician from Southeast Clinic, an Analyst from DPH, an Executive Director from the California Society of Addiction Medicine, a Representative from the Drug Users Union, and a Manager of Client Health Services from the Human Services Agency (HSA). The evaluation panel for RFP 1-2017 included a Deputy Director from DPH, a Deputy Director from the Department of Children, Youth, and their Families (DCYF), a Program Manager from Contra Costa County Health Services, a Supervisor of Psychological Services from San Francisco Unified School District (SFUSD), a Supervisor of the Office of Pupil Services from SFUSD, and a Consultant/Independent Contractor from HSA.

RFP 1-2017: Mental Health Outpatient Treatment Services

Proposer	Score (Out of 230 Points)
UCSF Infant Parent Program (IPP)	213.17
Homeless Children's Network	213.00
Community Youth Center (CYC)	210.17
A Better Way	208.50
Huckleberry Youth Programs	205.33
Mt. St. Joseph's St. Elizabeth's (Epiphany Center)	205.33
Alternative Family Services	204.00
HealthRight 360	203.50
SF Child Abuse Prevention	202.17
Center on Juvenile and Criminal Justice	198.33
UCSF Child and Adolescent Services (CAS)	198.17
Jewish Family and Children Center	188.75
Bayview Hunters Point Foundation	175.17
West Coast Children's Clinic	175.17
Instituto Familiar de la Raza (IFR)	169.67
Boys & Girls Club of SF*	157.00
APA Family Support Services*	124.50
Westside Community Mental Health*	96.50

Source: DPH

Note: Bidders marked with asterisk (*) were not recommended for funding.

Based on the solicitations, DPH awarded a contract to Mount St. Joseph-St. Elizabeth (also known as Epiphany Center) for a term of four years and six months from January 2018 through June 2022 and an amount not to exceed \$4,117,075. In April 2020, DPH executed Amendment No. 1 to the contract, extending the term by one year through June 2023, and increasing the not-to-exceed amount by \$5,254,476, for a total not to exceed \$9,371,551.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve Amendment No. 2 to the behavioral health services contract for women, children, and families between DPH and Epiphany Center, extending the contract term by four years through June 2027, and increasing the not-to-exceed amount by \$11,169,510, for a total not to exceed \$20,541,061. The proposed resolution would also authorize DPH to enter into further immaterial amendments to the contract.

Under the contract, Epiphany Center provides the following services:

1. **Epiphany Residential Step Down:** Supportive transitional housing program for women who have completed at least 30 days in a residential treatment program, with the objective to grow in their recovery skills and live independently. Priority is given to perinatal clients, perinatal drug users, high utilizers of behavioral health services, and others on the substance use disorder priority list for residential step-down. Includes capacity for 12 women and 10 children (ages 0-4) at a time. (17 clients per year).

2. Epiphany Residential: Residential drug treatment program for women with individual and group sessions, case management, crisis intervention, drug education and relapse prevention information, life skills training, parenting support, referrals for housing or transitional programs, referrals to medication assisted treatment, psychiatric medication management and consultation, and referrals to various medical services. Includes capacity for 26 women and 20 children (ages 0-3) at a time. (80 clients per year).
3. Epiphany Family Treatment: Outpatient mental health program for children and adolescents (ages 0-21) and their families, with a targeted population of clients affected by parental substance abuse, separation, in the process of reunification, or have experienced trauma or other family stressors. Modalities include short-term (up to one year) individual and family therapeutic services, crisis intervention, case management, and case conferences. (20 clients per year).

Between the three programs, DPH estimates that Epiphany Center serves approximately 117 unduplicated clients per year. The contract funds approximately 22.63 full-time equivalent (FTE) employees, including indirect administrative positions.

Fiscal and Performance Monitoring

In FY 2021-22, DPH program monitoring for each of the three programs indicated that (1) Epiphany Residential Step-Down achieved an overall program rating of 4-Commendable/Exceeds Expectations, (2) Epiphany Residential achieved an overall program rating of 3-Acceptable/Meets Standards, and (3) Epiphany Family Treatment achieved an overall program rating of 4-Commendable/Exceeds Expectations. Each program is rated in four categories that roll up to a single overall score, including Program Performance, Program Deliverables, Program Compliance and Client Satisfaction. Within the category of Program Compliance, the Epiphany Residential Step-Down program is required to submit a Plan of Action to ensure proper administrative documentation and timely submission of year-end reports. Epiphany Residential Program is required to submit a Plan of Action (POA) to address missing administrative documentation because the program provided 67 percent of its contracted units of service (patient treatment days).² Finally, Epiphany Family Treatment is required to submit a Plan of Action to address one performance measure where they received a score of two points. The agency has submitted a POA to resolve the issues identified for each program.

The Human Services Agency (HSA) reviewed Epiphany Center's financial documents as part of the FY 2021-22 Citywide Fiscal and Compliance Monitoring process and identified no findings, which exempted the organization from fiscal monitoring in FY 2022-23. According to Wasim Samara, Financial Analyst at the DPH Business Office of Contract Compliance, the provider is considered low risk based on its historical financial condition.

² Jose-Luis Guzman, BHS Substance Abuse Disorder Program Manager advises that in FY 2021-22, the agency was required to close the second floor of the Epiphany Residential program, due to a lack of staffing, impacting approximately six beds. As a result, they served 75 percent of their projected unduplicated client count (61 out of 80) but experienced a reduction in units of service (patient treatment days). As of the writing of this report, the second floor has been reopened.

FISCAL IMPACT

The proposed Amendment No. 2 would increase the not-to-exceed amount of the Epiphany Center contract by \$11,169,510, for a total not to exceed \$20,541,061. The estimated annual sources and uses of funds by program for the four-year contract extension term are shown in Exhibit 2 below.

Exhibit 2: Estimated Sources and Uses of Funds

Sources	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	Total
Federal Sources	\$1,277,613	\$1,277,613	\$1,277,613	\$1,277,613	\$5,110,452
State Sources	266,456	266,456	266,456	266,456	1,065,824
City General Fund	839,942	935,302	1,034,477	1,137,619	3,947,340
<i>Subtotal</i>	<i>\$2,384,011</i>	<i>\$2,479,371</i>	<i>\$2,578,546</i>	<i>\$2,681,688</i>	<i>\$10,123,616</i>
Contingency (12%)	286,081	297,525	309,426	321,803	1,214,834
Total Sources	\$2,670,092	\$2,776,896	\$2,887,972	\$3,003,490	\$11,338,450
Uses	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	Total
Residential Step Down	\$354,259	\$354,259	\$354,259	\$354,259	\$1,417,036
Residential	1,657,753	1,657,753	1,657,753	1,657,753	6,631,012
Family Treatment	210,501	210,501	210,501	210,501	842,004
Cost of Doing Business	161,498	256,858	356,033	459,175	1,233,564
<i>Subtotal</i>	<i>\$2,384,011</i>	<i>\$2,479,371</i>	<i>\$2,578,546</i>	<i>\$2,681,688</i>	<i>\$10,123,616</i>
Contingency (12%)	286,081	297,525	309,426	321,803	1,214,834
Total Uses	\$2,670,092	\$2,776,896	\$2,887,972	\$3,003,490	\$11,338,450
Actual Expenditures (through FY 2022-23) ³					9,202,612
Total Not-to-Exceed					\$20,541,061

Source: DPH. Totals may not add due to rounding.

The contract includes a 12 percent contingency to account for cost escalation, new programs, and/or expansions of existing programs. The not-to-exceed amount also includes annual four percent cost of doing business increases.

The total not-to-exceed amount is funded approximately 54 percent by federal sources, 11 percent by state sources, and 35 percent by the City's General Fund.

POLICY CONSIDERATION

There are three programs funded by the proposed grant agreement: Residential, Residential Step Down, and Family treatment. Under the existing contract and proposed Amendment No. 2, DPH continues to pay Epiphany Center for a full reimbursement of its costs to operate the Residential program, rather than per unit of service billed, to ensure that during the COVID-19 pandemic,

³ This amount includes actual expenditures of \$6,910,284 through FY 2021-22 and projected expenditures of \$2,292,318 in FY 2022-23.

and then during the period where the agency was required to close a floor of the Epiphany Residential program, that the agency could continue to cover baseline operating expenses. The cost reimbursement model became more common for DPH contracts during the COVID-19 pandemic, but it divorces the value of services provided from the costs paid by DPH. Many outpatient programs funded by the State will be required to shift to fee-for-service billing in FY 2023-24, which may create financial stress on providers accustomed to cost reimbursement billing.

DPH staff advise that the Epiphany Residential Program and the Epiphany Step-Down program are expected to shift to fee-for-service in FY 2023-24. The proposed grant amendment continues to bill the Family Treatment program on a fee-for-service basis.

RECOMMENDATION

Approve the proposed resolution.