

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

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TO: Budget and Finance Sub-Committee
FROM: Budget and Legislative Analyst 
SUBJECT: May 20, 2015 Budget and Finance Sub-Committee Meeting

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<p>Item 1 File 15-0108 <i>(Continued from May 13, 2015)</i></p>	<p>Department: Human Services Agency (HSA)</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p>	
<p>The proposed resolution would: (1) approve the San Francisco Human Services Agency’s continued membership in the 18 County CalWIN Consortium (Consortium) and approve a new contract between the CalWIN Consortium and Hewlett-Packard, and (2) retroactively authorize an increase to HSA's expenditure authority of \$26,299,281, from \$53,019,909 to \$79,319,190. The term of the contract between the Consortium and Hewlett-Packard is five years, from February 1, 2015 through January 31, 2020, with one three-year option and one two-year option to extend the contract through January 31, 2025, for a total contract term of 10 years.</p>	
<p style="text-align: center;">Key Points</p>	
<ul style="list-style-type: none"> • The CalWIN data management system is collectively managed by the 18 County CalWIN Consortium (the CalWIN Consortium) that shares costs associated with the continued development, implementation, maintenance, and operation of the CalWIN data management system. • In 1999, the Board of Supervisors approved the San Francisco Human Services Agency’s (HSA) membership in the CalWIN Consortium for an amount not-to-exceed \$29,419,538. In 2009, the Board of Supervisors authorized HSA's continued membership in the Consortium and increased HSA's expenditure authority by \$13,110,600 from \$29,419,538 to \$42,530,138. In 2013, the Board of Supervisors authorized HSA's continued membership in the Consortium from July 1, 2013 through August 1, 2015 and increased HSA's expenditure authority by \$10,489,771 from \$42,530,138 to \$53,019,909. • In 2014, the CalWIN Consortium negotiated a new contract with Hewlett-Packard to implement a new computer data management system. The new contract is for five years from February 1, 2015 through January 31, 2020 with one three-year and one two-year option to extend, for a total contract term of ten years, through January 31, 2025. 	
<p style="text-align: center;">Fiscal Impact</p>	
<ul style="list-style-type: none"> • San Francisco’s share of the contract cost is 4.95 percent, or \$29,551,554. Of the \$29,551,554, approximately \$1,773,094 (six percent) is funded by the City’s General Fund, \$11,820,621 (40 percent) by State monies, and \$15,957,839 (54 percent) by Federal monies. 	
<p style="text-align: center;">Recommendations</p>	
<ul style="list-style-type: none"> • Amend the resolution to reflect the correct increased contract of \$29,551,554, and not \$26,299,281. • Approve the proposed resolution, as amended. 	

MANDATE STATEMENT

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

BACKGROUND

Sections 10823 through 10824 of the California Welfare and Institutions Code require counties to use computer data management systems to administer public benefit programs, join a consortium, and provide funding to maintain and operate the California Work Opportunity and Responsibility to Kids Information Network (CalWIN), which is a central State data management system.

The CalWIN data management system is collectively managed by the 18 County CalWIN Consortium (the CalWIN Consortium) that shares costs associated with the continued development, implementation, maintenance, and operation of the CalWIN data management system. Hewlett-Packard Enterprise Services, LLC, (Hewlett-Packard) provides maintenance and operation of CalWIN under a Statewide master contract established by the Consortium.

In 1999, the Board of Supervisors approved the San Francisco Human Services Agency's (HSA) membership in the CalWIN Consortium for an amount not-to-exceed \$29,419,538. In 2009, the Board of Supervisors authorized HSA's continued membership in the Consortium and increased HSA's expenditure authority by \$13,110,600 from \$29,419,538 to \$42,530,138. In 2013, the Board of Supervisors authorized HSA's continued membership in the Consortium from July 1, 2013 through August 1, 2015 and increased HSA's expenditure authority by \$10,489,771 from \$42,530,138 to \$53,019,909.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would: (1) approve HSA's continued membership in the 18 County CalWIN Consortium (Consortium) and approve a new contract between the CalWIN Consortium and Hewlett-Packard, and (2) retroactively authorize an increase to HSA's expenditure authority of \$26,299,281, from \$53,019,909 to \$79,319,190. The term of the contract between the Consortium and Hewlett-Packard is five years, from February 1, 2015 through January 31, 2020, with one three-year option and one two-year option to extend the contract through January 31, 2025, for a total contract term of 10 years.

The proposed resolution should be amended to correctly state that HSA's expenditure authority will increase by \$29,551,554 (see Table 1 below) from \$53,019,909 to \$82,571,463.

New Hewlett-Packard Contract

In 2014, the CalWIN Consortium negotiated a new contract with Hewlett-Packard to implement a new computer data management system. The new contract is for five years from February 1, 2015 through January 31, 2020 with one three-year and one two-year option to extend, for a total contract term of ten years, through January 31, 2025.

The new contract with Hewlett-Packard adds functionality compared to the old system, including:

- Improved project and portfolio management tools;
- Document management services;
- 8,500 hours per year of system enhancements;
- Fixed-price billing

According to Mr. David Curto, HSA Director of Contracts and Facilities, the new feature of a fixed-price billing under the proposed new contract with Hewlett-Packard is different than the previous contract with Hewlett-Packard, where billing was based on the case load of each county. Under the previous agreement, the City of San Francisco was invoiced for its participation in the CalWIN contract for \$.75 for each case utilized in the system. Mr. Curto states that under the proposed fixed-price billing system, the City will have lower costs and greater budget stability because its costs will be known, rather than face fluctuations depending on how many cases are processed each month.

FISCAL IMPACT

The overall contract amount between the CalWIN Consortium and Hewlett-Packard is \$597,498,634 over the 10-year term from February 1, 2015 through January 31, 2025. San Francisco's share of the contract cost is 4.95 percent, or \$29,551,554. Of the \$29,551,554, approximately \$1,773,094 (six percent) is funded by the City's General Fund, \$11,820,621 (40 percent) by State monies, and \$15,957,839 (54 percent) by Federal monies, as shown in Table 1 below.

**Table 1: San Francisco's Estimated Annual Payments
Under CalWIN Contract with Hewlett-Packard**

Year	Contract Period	San Francisco Estimated Share 6%	State Share 40%	Federal Share 54%	Total Estimated Annual Cost
2015	Original Period	\$181,612	\$1,210,748	\$1,634,509	\$3,026,869
2016	Original Period	181,612	1,210,748	1,634,509	3,026,869
2017	Original Period	181,612	1,210,748	1,634,509	3,026,869
2018	Original Period	181,612	1,210,748	1,634,509	3,026,869
2019	Original Period	181,612	1,210,748	1,634,509	3,026,869
2020	1st Extension Period	175,336	1,168,907	1,578,025	2,922,268
2021	1st Extension Period	175,336	1,168,907	1,578,025	2,922,268
2022	1st Extension Period	175,336	1,168,907	1,578,025	2,922,268
2023	2nd Extension Period	169,512	1,130,081	1,525,609	2,825,202
2024	2nd Extension Period	169,512	1,130,081	1,525,609	2,825,202
Total		\$1,773,094	11,820,621	\$15,957,839	\$29,551,554

San Francisco's estimated total annual payment of \$3,026,869 in the first year of the contract between the CalWIN Consortium and Hewlett-Packard is \$1,973,284 or 39.5 percent less than San Francisco's budgeted payment of \$5,000,153 in FY 2014-15 under the prior contract between the CalWIN Consortium and Hewlett-Packard.

RECOMMENDATIONS

1. Amend the proposed resolution to reflect the correct increased contract of \$29,551,554, and not \$26,299,281.
2. Approve the proposed resolution, as amended.

<p>Item 4 File 15-0184 <i>(Continued from April 29, 2015)</i></p>	<p>Department: Department of Public Health (DPH)</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p> <p>The proposed ordinance would amend San Francisco Health Code Section 128 to retroactively increase patient rates charged by the County of San Francisco to the State Department of Health Care Services (DHCS) for mental health services provided by DPH to Short-Doyle Medi-Cal beneficiaries in FY 2014-15 and FY 2015-16.</p> <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • The State of California reimburses San Francisco for the Department of Public Health’s expenditures for outpatient mental health services provided to Short-Doyle Medi-Cal beneficiaries. At the beginning of each fiscal year, the State publishes the maximum allowable reimbursement rates paid to each county to provide these mental health services, based on service costs incurred by each county in the prior fiscal year. • Several of San Francisco’s FY 2014-15 patient rates are less than the State’s FY 2014-15 maximum allowable reimbursement rates, which results in San Francisco receiving reimbursement revenues from the State that are less than San Francisco could have received. To ensure that San Francisco receives the maximum allowable reimbursement rates from the State, DPH proposes an amendment to the San Francisco Health Code Section 128, adopting revised FY 2014-15 patient rates, retroactive to July 1, 2014, and revised FY 2015-16 patient rates. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • Approval of the proposed ordinance would result in additional estimated net reimbursements from the State in Fiscal Year 2014-15 of \$308,191. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolution. 	

MANDATE STATEMENT

In accordance with Section 2.105 of the City's Charter, any amendments to the City's Health Code are subject to approval by ordinance of the Board of Supervisors.

BACKGROUND

The State of California reimburses San Francisco for the Department of Public Health's (DPH) expenditures for outpatient mental health services provided to Short-Doyle Medi-Cal beneficiaries¹. At the beginning of each fiscal year, the State publishes interim reimbursement rates paid to each county to provide these mental health services. The State sets these interim reimbursement rates based on service costs incurred by each county in the prior fiscal year and reported to the State after the close of the fiscal year.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would amend San Francisco Health Code Section 128 to retroactively increase patient rates charged by the Department of Public Health (DPH) to the maximum authorized rates allowed to be charged by the State Department of Health Care Services (DHCS) for mental health services provided by DPH to Short-Doyle Medi-Cal beneficiaries in FY 2014-15 and FY 2015-16.

The Board of Supervisors amended Health Code Section 128 on July 31, 2014 to adopt FY 2014-15 rates charged by DPH to patients and other third party payors, including the State, for health and mental health services. According to Ms. Anne Okubo, DPH Deputy Financial Officer, DPH submitted San Francisco's FY 2014-15 patient rates to the Board of Supervisors for approval before the State DHCS published the FY 2014-15 maximum allowable reimbursement rates. Several of San Francisco's FY 2014-15 patient rates are less than the State's FY 2014-15 maximum allowable reimbursement rates, as shown in Table 1 below, which results in San Francisco receiving reimbursement revenues from the State that are less than San Francisco could have received.

¹ The State enacted the Short-Doyle Act in 1956. As a result, local governments are eligible for a 50 percent reimbursement on costs of providing services to people with mental health issues. The State reimburses the City using Medi-Cal funds, which is the State's Medicaid pass-through program. The overall effect is a Federal reimbursement to local governments for mental health service costs.

Table 1: San Francisco's Adopted FY 2014-15 Patient Rates Charged to the State Compared to the State's FY 2014-15 Maximum Allowable Reimbursement Rates Paid to San Francisco

Service	Rates per Minute of Service		
	FY 2014-15 State Maximum Allowable Reimbursement Rates Paid to San Francisco	FY 2014-15 San Francisco Patient Rates	San Francisco Patient Rates Greater Than/ (Less Than) the State Maximum Allowable Reimbursement Rate
Case Management/Brokerage*	\$3.32	\$3.50	\$.18
Mental Health Services	4.41	4.30	(.11)
Therapeutic Behavioral Services	4.41	4.30	(.11)
Medication Support	8.72	8.45	(.27)
Crisis Intervention	6.32	6.20	(.12)

* Case Management/Brokerage are services that assist a beneficiary to access needed medical, educational, social, prevocational, vocational, rehabilitative, or other community services.

To ensure that San Francisco receives the maximum allowable reimbursement revenues from the State, DPH proposes an amendment to the San Francisco Health Code Section 128, adopting revised FY 2014-15 patient rates, retroactive to July 1, 2014, and revised FY 2015-16 patient rates, as shown in Table 2 below.

Table 2: Proposed Increase in San Francisco's FY 2014-15 and FY 2015-16 Patient Rates

Service	Fiscal Year 2014-15		Fiscal Year 2015-16	
	Current Rate	Proposed Rate	Current Rate	Proposed Rate
Case Management/Brokerage	\$3.50	\$4.00	\$3.65	\$4.80
Mental Health Services	4.30	5.30	4.50	6.35
Therapeutic Behavioral Services	4.30	5.30	4.50	6.35
Medication Support	8.45	10.50	8.75	12.60
Crisis Intervention	6.20	7.60	6.45	9.10

*All services are invoiced at a rate per minute

FISCAL IMPACT

As shown in Table 3 below, approval of the proposed ordinance would result in additional estimated net reimbursements from the State in Fiscal Year 2014-15 of \$308,191.

Table 3: Additional Estimated Net Revenues to DPH

Service	Units Served	San Francisco		State		State Amount More/ (Less) than SF Charge
		Rate	Amount	Rate	Amount	
Mental Health Services	1,359,336	\$4.30	5,845,145	\$4.41	5,994,672	\$149,527
Medication Support	540,035	\$8.45	4,563,296	\$8.72	4,709,105	145,809
Crisis Intervention	107,123	\$6.20	664,163	\$6.32	677,017	12,855
Subtotal Other Services	2,712,783		\$11,072,603		\$11,380,794	\$308,191

RECOMMENDATION

Approve the proposed ordinance.

<p>Item 5 File 15-0362</p>	<p>Department: Public Utilities Commission (PUC)</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p> <p>The proposed legislation would amend the prior ordinance, authorizing the PUC to issue \$819,035,941 in wastewater revenue bonds, to allow the PUC to use State Water Resources Control Board loans to fund a portion of the \$819,035,941.</p> <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • In June 2014, the Board of Supervisors authorized the Public Utilities Commission (PUC) to issue and sell wastewater revenue bonds in the aggregate principal not-to-exceed amount of \$819,035,941 to fund various capital projects in the Wastewater Enterprise capital improvement plan (File 14-0483). • Since the authorization to issue wastewater revenue bonds, an additional funding source has become available to finance the PUC wastewater projects. The Clean Water State Revolving Loan Fund Program, administered by the State Water Resources Control Board, provides low interest loans (SRF Loans) and other financing mechanisms to fund water quality projects. • SRF Loans would be secured by wastewater revenue and their interest rate is set at half of the prevailing State of California’s General Obligation bond rate. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • Based on current market interest rates, PUC estimates that every \$100,000,000 financed with SRF Loans instead of revenue bonds results in a debt service savings of approximately \$1,900,000 each year over the life of a 30-year loan. • Any interest savings generated by the SRF Loan financing will be passed onto ratepayers to offset future rate increases. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed ordinance. 	

MANDATE STATEMENT / BACKGROUND**Mandate Statement**

City Charter Section 8B.124 states that the Public Utilities Commission (PUC) may issue revenue bonds and other forms of indebtedness when authorized by ordinance approved by a two-thirds vote of the Board of Supervisors, for the purpose of reconstructing, replacing, expanding, repairing or improving water facilities or clean water facilities or combinations of water and clean water facilities under the jurisdiction of the Public Utilities Commission.

Background

In June 2014, the Board of Supervisors authorized the Public Utilities Commission (PUC) to issue and sell wastewater revenue bonds in the aggregate principal not-to-exceed amount of \$819,035,941 to fund various capital projects in the Wastewater Enterprise capital improvement plan (File 14-0483). At the recommendation of the Budget and Legislative Analyst, the PUC's requested amount of \$846,906,000 was reduced by \$27,870,059 to \$819,035,941. In addition, the Board of Supervisors simultaneously (1) appropriated \$950,906,000 in revenues from revenue bond proceeds, wastewater revenues, and capacity fee fund balance to fund various projects in the wastewater ten-year capital plan; and (2) placed \$846,906,000 in bond proceeds on Controller's reserve, pending PUC and Board of Supervisors' approval of environmental review for wastewater projects under the California Environmental Quality Act (CEQA) and receipt of bond proceeds, as certified by the Controller (File 14-0481).

Since the authorization to issue wastewater revenue bonds, an additional funding source has become available to finance the PUC wastewater projects. The Clean Water State Revolving Loan Fund Program, administered by the State Water Resources Control Board, provides low interest loans (SRF Loans) and other financing mechanisms to fund water quality projects. In early 2014, the State Water Resources Control Board revised the SRF loan program to extend the amortization term of the loans to 30 years and allow for debt parity.¹ With these changes, the PUC determined that borrowing from the SRF Loan program is a viable and more cost-effective alternative to revenue bond financing. SRF Loans would be secured by wastewater revenue and their interest rate is set at half of the prevailing State of California's General Obligation bond rate. Based on current market interest rates, PUC estimates that every \$100,000,000 financed with SRF Loans instead of revenue bonds results in a debt service savings of approximately \$1,900,000 each year over the life of a 30-year loan.

¹ Debt parity refers to a condition in which different bond issues have equal rights to a repayment claim. In this case, the SRF Loans, although issued after the original wastewater revenue bonds, would have an equal claim on wastewater revenues for the purposes of repaying the loans.

DETAILS OF PROPOSED LEGISLATION

The proposed legislation would amend the ordinance authorizing the PUC to issue \$819,035,941 in wastewater revenue bonds to allow the PUC to use SRF Loans to fund a portion of the \$819,035,941 in authorized borrowing for the Wastewater Enterprise.

FISCAL IMPACT

The PUC submitted an application for SRF Loans to the State Water Resources Control Board and is awaiting its determination of the amount of SRF Loans for which the PUC will be approved. The PUC intends to use SRF Loan proceeds to supplant a portion of the \$819,035,941 in wastewater revenue bonds previously authorized by the Board of Supervisors. As stated above, based on current market conditions, for every \$100,000,000 of SRF Loans, PUC expects to save \$1,900,000 annually in interest payments relative to the wastewater revenue bonds.

Any interest savings generated by the SRF Loan financing will be passed onto ratepayers to offset future rate increases.

RECOMMENDATION

Approve the proposed ordinance