

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

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TO: Homelessness & Behavioral Health Select Committee 
FROM: Budget and Legislative Analyst
SUBJECT: June 2, 2023 Homelessness & Behavioral Health Select Committee Meeting

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Item 5 File 23-0571	Department: Homelessness and Supportive Housing
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would authorize the second amendment to the grant agreement between HSH and Episcopal Community Services (ECS) to operate the Sanctuary, a congregate shelter located at 201 8th Street. • The proposed resolution would extend the term of the agreement by three years from June 30, 2023 to June 30, 2026 and increase the not-to-exceed amount to \$25,755,271. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • The proposed amendment increases the number of shelter beds from 124 to 136. • According to the HSH FY 2021-22 performance monitoring report, which included a site visit, Episcopal Community Services' provision of services under the current contract have been satisfactory. They met all of their service and outcome objectives for the fiscal year, and they met all of their program-specific requirements as outlined in the monitoring report. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • Episcopal Community Services is projecting to spend \$5,022,612 per year under the proposed amendment, which is primarily funded by the 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

Episcopal Community Services (ECS) of San Francisco is an organization that provides services to people experiencing homelessness, and they are one of the largest providers of such services in San Francisco. The organization operates several emergency shelters, including the Sanctuary at 201 8th Street. The Sanctuary is a 24-hour congregate shelter. ECS has operated the Sanctuary shelter since before the Department of Homelessness and Supportive Housing's (HSH) founding in 2016. In 2019, HSH selected ECS through RFQ #124 to continue to provide services at the Sanctuary for up to 200 guests from July 2019 to June 2021.

Procurement Process

The existing agreement¹ was procured under Chapter 21B of the Administrative Code, which allows the Department of Homelessness & Supportive Housing (HSH) to award homeless service contracts without a competitive procurement process to expeditiously address the homelessness crisis. This code section sunsets in March 2024 or if the Point-in-Time Count falls below 5,250.

HSH entered into a grant agreement with ECS with an initial term July 2021 to June 2022 and a not-to-exceed amount of \$6,110,917 to serve 124 guests at to COVID-informed capacity at Sanctuary. That agreement was amended to extend the term by one year to June 30, 2023 and increase the not-to-exceed amount to \$8,631,291.

System of Care

The 2022 Point in Time Count found 4,397 unsheltered residents in San Francisco. According to HSH staff, there are 3,077 shelter beds or units available as of May 2023, including the Sanctuary that provides 124 beds at its current capacity.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize the second amendment to the grant agreement between HSH and Episcopal Community Services to operate the Sanctuary, a congregate shelter. The proposed resolution would extend the term of the agreement by three years from June 30,

¹ Prior to the existing agreement, HSH provided a two-year grant to ECS to operate the Sanctuary shelter for FY 2019-20 and FY 2020-21 following a Request for Qualifications process in 2019.

2023 to June 30, 2026 and increase the not-to-exceed amount to \$25,755,271. The scope of services that ECS is to provide under the agreement are:

- Provide emergency shelter operations to adults over 18 who are experiencing homelessness
- Maintain the facilities to create a clean, safe, and pest-free environment
- Provide clean bedding, laundry, breakfast, and dinner to guests
- Use City-approved system for guest referrals and intake
- Shelter support services, including housing-focused service plans for guests, support groups, wellness checks, and making referrals/coordinating other services for guests

Additionally, under the proposed amendment, Episcopal Community Services would continue providing case management services to guests, including helping eligible guests become ready for permanent housing. The proposed amendment increases the number of shelter beds at Sanctuary from 124 to 136.

Performance Monitoring

According to the HSH FY 2021-22 performance monitoring report, which included a site visit, Episcopal Community Services' provision of services under the current contract have been satisfactory. They met all of their service and outcome objectives for the fiscal year, and they met all of their program-specific requirements as outlined in the monitoring report. Additionally, they had a higher-than-required client satisfaction rating: of the 91 guests who completed quarterly satisfaction surveys, 83, or 92 percent, rated the services at Sanctuary as good or excellent.

Fiscal Monitoring

Episcopal Community Services' fiscal monitoring requirements were waived by the Human Services Agency in FY 2021-22. Departments may grant a one-year waiver from the citywide nonprofit fiscal and compliance monitoring program if the nonprofit meets certain eligibility requirements, including excellent fiscal performance in the monitoring year prior. The FY 2020-21 fiscal monitoring report contained no findings for Episcopal Community Services, so they were eligible for a waiver in FY 2021-22.

FISCAL IMPACT

The proposed amendment would increase the not-to-exceed amount by \$17,123,980 to \$25,755,271. Exhibit 2 below shows the change in the annual grant budget for the proposed second amendment.

Exhibit 2: Change in Annual Grant Budget

	Current	Proposed
	FY 2022-23	FY 2023-24
Salaries & Benefits	2,633,154	3,063,806
Operating Expenses	970,209	987,793
Indirect Costs	540,504	607,740
Other Expenses	602,216	359,180
Capital Expenses	40,514	4,093
Total Expenditures	4,786,597	5,022,612

Source: Appendix B, Proposed Second Amendment to ECS Grant Agreement

Other Expenses include property rental, utilities, and meals.

Exhibit 2 shows that Episcopal Community Services is projecting to spend \$5,022,612 per year under the proposed amendment. This is \$236,015 more per year than projected current year spending, an increase of 4.9 percent that reflects the Cost of Doing Business (CODB). Due to underspending in the initial year of the grant agreement, ECS was able to add five case managers, a compliance analyst, and three additional service coordinators in FY 2022-23 that are reflected in the FY 2022-23 grant budget shown above.

Exhibit 3 below shows the basis of the proposed resolution's not to exceed amount, which is based on actual and projected spending on the current grant agreement through FY 2022-23, the annual grant budget for the proposed three-year extension, and a 15 percent contingency.

Exhibit 3: Not to Exceed Amount

Contract Term	Actual & Projected Expenditures
July 1, 2021-June 30, 2022 (actual)	\$3,640,664
July 1, 2022-June 30, 2023 (projected)	\$4,786,597
<i>Subtotal, Actual/Projected Expenditures</i>	<i>\$8,427,261</i>
July 1, 2023-June 30, 2024	\$5,022,612
July 1, 2024-June 30, 2025	\$5,022,612
July 1, 2025-June 30, 2026	\$5,022,612
<i>Subtotal, Proposed Expenditures</i>	<i>\$15,067,836</i>
<i>Contingency (15%)</i>	<i>\$2,260,175</i>
Total	\$25,755,271

Source: HSH

The agreement is primarily funded by the General Fund but includes \$1,003,086 in Emergency Services Grant monies for operating expenses.

RECOMMENDATION

Approve the proposed resolution.