


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

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March 20, 2020

**TO:** Budget and Finance Committee

**FROM:** Budget and Legislative Analyst 

**SUBJECT:** March 25, 2020 Budget and Finance Committee Meeting

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<p><b>Item 1</b>  <b>File 20-0217</b>  <i>Continued from March 18 meeting</i></p>	<p><b>Department:</b>                  Port Commission (Port)</p>
<p><b>EXECUTIVE SUMMARY</b></p>	
<p><b>Legislative Objectives</b></p>	
<ul style="list-style-type: none"> <li>• The proposed resolution approves a Ground Lease between the Port and the California Barrel Company, LLC for 1.6 acres of Port property adjacent to the Potrero Power Station site. The proposed Ground Lease is for a term of 66 years at an annual base rent of \$1 and percentage rent of 50 percent of adjusted gross revenues. The proposed resolution would also (1) have the Board of Supervisors adopt the Port Commission’s finding that the below market rate Lease (\$1 per year) serves public purpose and furthers the public trust, and (2) adopt findings under the California Environmental Quality Act</li> </ul>	
<p><b>Key Points</b></p>	
<ul style="list-style-type: none"> <li>• Under the Burton Act, a State law, the Port is responsible managing portions of the City’s waterfront and certain surrounding lands and ensuring those lands further the “public trust,” including among other things allowing access for public open space.</li> <li>• The Lease site would site is intended to be used for a public park, including serving as an extension of the Bay Trail and Blue Greenway, and incorporation into a Waterfront Park. In addition, the Lease grants the Port an option to put a public trust easement over 1.97 acres of land owned by the California Barrel Company, ensuring that it to be used for public open space.</li> </ul>	
<p><b>Fiscal Impact</b></p>	
<ul style="list-style-type: none"> <li>• Under Section 8.1 of the proposed Lease, California Barrel Company will be solely responsible for all development costs and ongoing maintenance costs. The total development cost of the public open space on the land that is subject of the proposed Lease is \$39.7 million with estimated annual maintenance totaling \$32.3 million over the 66-year period. The net present value of the development and maintenance, including replacement of all improvements every 30 years, is estimated to be \$69.6 million.</li> </ul>	
<p><b>Policy Consideration</b></p>	
<ul style="list-style-type: none"> <li>• The proposed Ground Lease provides for nominal rent to the Port in consideration of the public park to be constructed and maintained by the Developer over the 66-year Lease term, with an estimated net present value of \$69.6 million. In addition, the proposed Lease allows the Port the option to put a public trust easement over 1.97 acres of property owned by the California Barrel Company, ensuring that it remains publicly accessible open space. Because of the benefits to the public resulting from the proposed Lease, the Budget and Legislative Analyst recommends approval of the proposed Lease.</li> </ul>	
<p><b>Recommendation</b></p>	
<ul style="list-style-type: none"> <li>• Approve the proposed resolution.</li> </ul>	

## MANDATE STATEMENT

City Charter Section 9.118(c) states that any lease, modification, amendment or termination of a Lease that had an initial term of ten years or more, including options to extend, or that had anticipated revenues of \$1 million or more is subject to Board of Supervisors approval.

City Administrative Code Section 23.30 states that Port leases requiring Board of Supervisors' approval can be for less than market rent if the lease is for a proper public purpose with Board of Supervisors' approval.

## BACKGROUND

### **Potrero Power Station Project and Development Agreement**

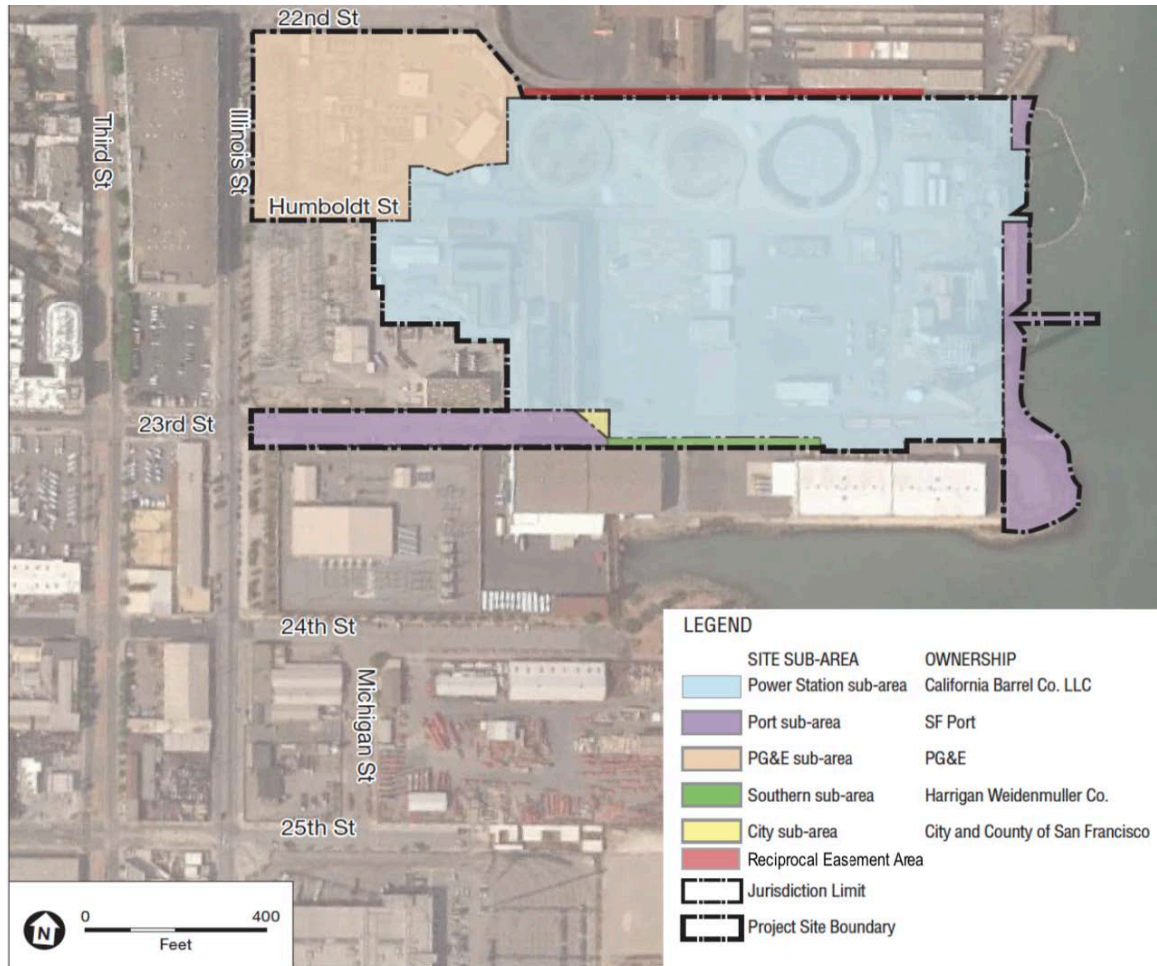
The California Barrel Company owns land in the Potrero Hill neighborhood that was used to operate a power station until 2011. Pending Board of Supervisors approval, the City is preparing to change the zoning of the area and amend the Planning Code (Files 20-0174 and 20-0039) and enter into a Development Agreement with California Barrel Company (File 20-0040) to develop the area into a mixed-use development. According to a January 30, 2020 memorandum from the Planning Department to the Planning Commission, the development will produce:

- 2,601 residential units
- 1.8 million square feet of commercial uses, including 100,000 square feet of retail use, 800,000 square feet of office use, 650,000 square feet of life science/laboratory use, 250 hotel rooms, and 35,000 square feet of production, distribution, and repair uses
- 25,000 square feet of entertainment/assembly uses
- 50,000 square feet of community facilities (e.g. daycare for children)
- up to 2,686 off-street parking spaces
- 6.9 acres of publicly accessible open space

### **Port Property**

Under the Burton Act, a State law, the Port is responsible for managing portions of the City's waterfront and certain surrounding lands and ensuring those lands further the "public trust," including among other things allowing access for public open space and for maritime use. Exhibit 1 below shows the land ownership of the project area.

**Exhibit 1: Current Land Ownership of Potrero Power Station Project Area**



Source: February 20, 2020 Memo from the Port Director to the Port Commission

As shown above, the Port owns three non-contiguous areas (in purple) around land owned by the California Barrel Company (in blue).

**DETAILS OF PROPOSED LEGISLATION**

The proposed resolution approves a Ground Lease between the Port and the California Barrel Company, LLC for 1.6 acres of Port property adjacent to the Potrero Power Station site. The proposed Ground Lease is for a term of 66 years at an annual base rent of \$1. The proposed Ground Lease provides for percentage rent of 50 percent of adjusted gross revenues, as discussed further below.

The proposed resolution would (1) have the Board of Supervisors adopt the Port Commission’s finding that the below market rate Lease (\$1 per year) serves public purpose and furthers the public trust, and (2) adopt findings under the California Environmental Quality Act (CEQA) as stated in the Planning Commission Motion 20-635 on January 30, 2020.

**Lease Purpose**

The Lease site is intended to be used for a public park, including serving as an extension of the Bay Trail and Blue Greenway, and incorporation into a Waterfront Park. The draft Development Agreement between the City and California Barrel Company pending before the Board of Supervisors (File 20-0040) provides for the Developer to construct and maintain a park at the Developer's cost on the Port Lease site.<sup>1</sup>

Development of the public park is in two stages. The Ground Lease requires California Barrel Company to development of the first stage by July 31, 2027, and the second stage by July 31, 2036.

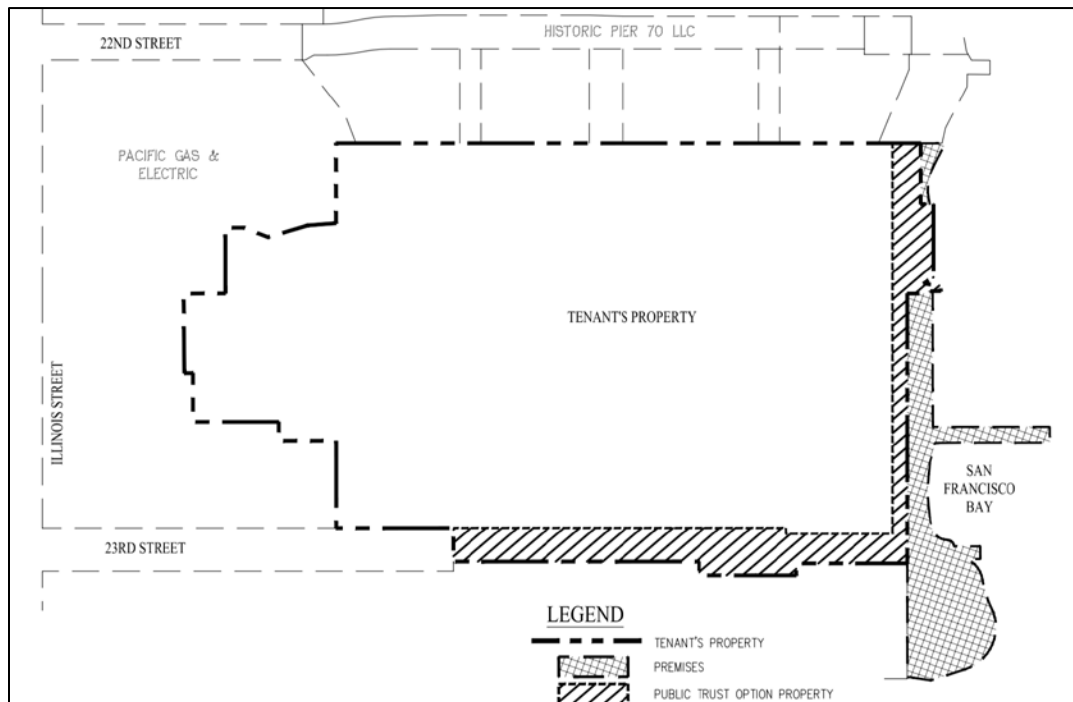
**Easement**

Section 2.9 of the proposed Lease grants the Port an option to put a public trust easement over 1.97 acres of land owned by the California Barrel Company, ensuring that it to be used as an integrated into the public open space and City street network being developed under the proposed Lease. The option may be exercised starting in year 3 of the proposed Lease through year 7 of the proposed Lease. Exhibit 2 below shows the area of the proposed Lease and the area of the optional easement. This land would be used as public open space and a public street to be developed and maintained by California Barrel Company. According to the Port, the benefit of the easement, rather than taking possession of the land, is that the Port will not be responsible for contamination remediation.

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<sup>1</sup> According to the draft Development Agreement and the proposed Ground Lease, the Pier 70 Developer will construct additional park improvements on adjacent Port property, which will be part of a contiguous Waterfront Park extending from Pier 70 to the Potrero Power Station site.

**Exhibit 2: Area of Proposed Lease**



Source: Exhibit B of Proposed Lease

**FISCAL IMPACT**

**Rent**

As noted above, the annual rent for the Port’s land is \$1 per year, with no escalations for the 66-year term. In addition, the Port would collect 50 percent of net income<sup>2</sup> generated on the Leased property. Under Section 14 of the proposed Lease, any sub Leases of California Barrel Company must be approved by the Port.

**Term**

As noted above, the term of the proposed Lease is 66 years through approximately 2086, with no options to extend.

**Development and Maintenance of Public Open Spaces**

Under Section 4.2 of the Draft Development Agreement (File 20-0040), California Barrel Company must deliver the community benefits identified in the Project’s Design for Development (Exhibit E to the Draft Development Agreement).<sup>3</sup> In the Draft Design for Development, the open space

<sup>2</sup> Net income is defined in the proposed Lease as gross revenues, less budgeted operating expenses, operating reserves, and capital reserve for a given a year. Although the Developer could potentially pay percentage rent to the Port if the revenues generated on the leased area exceed the operating and capital expenses of the park, Port staff consider this to be unlikely.

<sup>3</sup> The most recent draft of the Design for Development is dated February 26, 2020. The document will become final once the Development Agreement is approved by the Board of Supervisors (File 20-0040).

improvements in the area of the proposed Lease include: a waterfront park with picnic areas and seating, a recreational dock, walking paths, a waterfront lawn, and a waterfront terrace.<sup>4</sup> These deliverables remain conceptual and final design must be submitted to the Planning Department for approval.

### Ensuring Development

The Potrero Power Station Project will be delivered in six Phases, with the open space improvements on the area of the proposed Lease occurring in both Phase 1 and Phase 3. Under Section 3.2.1 of the Draft Development Agreement, California Barrel company must obtain approval from the Planning Department prior to the start of each development Phase. If the California Barrel Company's ultimate proposal for the design of the open space improvement in the area of the proposed Lease are not consistent with the Design for Development, then City may withhold approval of the Phases 4 – 6 of the Potrero Power Station project, which includes residential and commercial development (see Attachment ).

Under Section 1.3 of the proposed Lease, if California Barrel Company has not begun constructing improvements by July 31, 2027, the Port may terminate the Lease (though that deadline may be extended by mutual agreement).

### Estimated Costs

Under Section 8.1 of the proposed Lease, California Barrel Company will be solely responsible for all development costs and ongoing maintenance costs; estimated costs are summarized in Exhibit 3 below.

### Exhibit 3: Summary of Estimated Development and Maintenance Costs to Be Paid by Developer

	Total Estimated Costs	Estimated Net Present Value
Construction, Initial Improvements	\$29,997,126	\$29,997,126
Contingency (15%)	4,499,569	4,499,569
<b>Subtotal, Initial Construction Costs</b>	<b>34,496,695</b>	<b>34,496,695</b>
Soft Costs (15%)	5,174,504	5,174,504
<b>Subtotal, Initial Improvement Costs</b>	<b>39,671,199</b>	<b>39,671,199</b>
Replacement Improvements at Year 30	70,449,888	16,300,515
Replacement Improvements at Year 60	127,610,221	6,831,680
Maintenance Costs (66 years)	32,339,683	6,819,115
<b>Total Development and Maintenance Costs</b>	<b>\$270,070,992</b>	<b>\$69,622,510</b>

Source: Associate Capital – the financial consultant to the California Barrel Company

Note: Estimated net present value assumes a 5 percent discount rate.

As shown above, the total estimated development cost of the public open space on the land that is subject of the proposed Lease is \$39.7 million with estimated annual maintenance totaling \$32.3 million over the 66-year period. The estimates assume a thirty-year life of the open space

<sup>4</sup> According to Sections 4.16, 4.17, 4.19 and 4.20 of the Draft Design for Development dated February 26, 2020.

improvements such that, at year 30, the improvements must be replaced at their original cost plus inflation of 2 percent annually for approximately \$70.4 million and then again at year 60 for \$127.6 million. Maintenance costs are based on a Mission Bay developer's average open space maintenance costs, which is \$150,000 per acre, multiplied by the 1.6 acre of the proposed Lease and escalated by inflation of 2 percent annually.

The estimates in Exhibit 3 do not include the development and maintenance costs of the 1.97 acres in the optional easement described above.

### **POLICY CONSIDERATION**

#### **The Public Purpose of the Proposed Below Market Rate Lease**

As noted above, this land may only be used as public open space or other similar uses consistent with the public trust and therefore has limited alternate uses to the land use plan in the proposed Lease and associated Development Agreement. The proposed Ground Lease provides for nominal rent to the Port in consideration of the public park to be constructed and maintained by the Developer over the 66-year Lease term, with an estimated net present value of \$69.6 million, as shown in Exhibit 3 above.

In addition, the proposed Lease allows the Port the option to put a public trust easement over 1.97 acres of property owned by the California Barrel Company, ensuring that it remains publicly accessible open space.

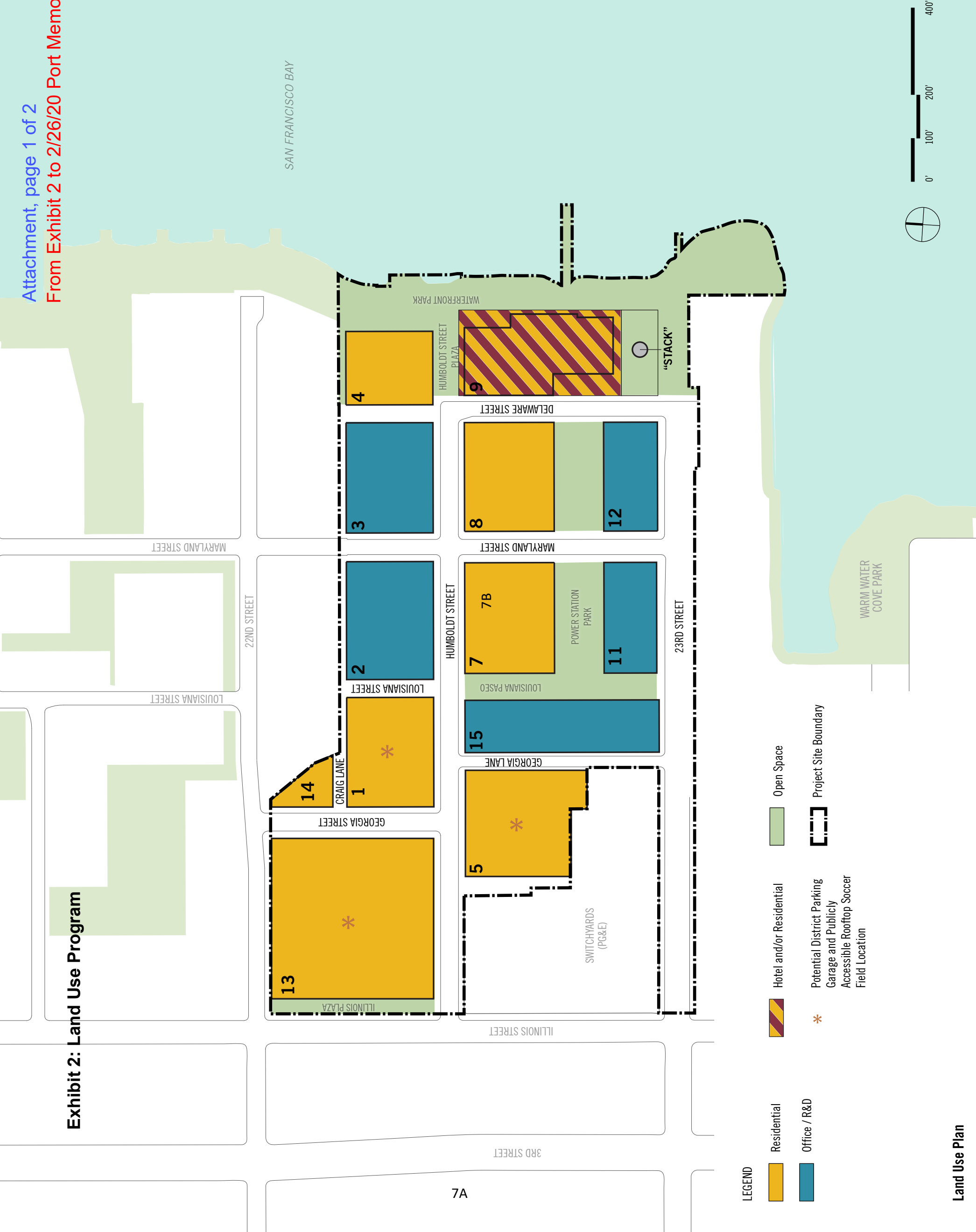
Because of the benefits to the public resulting from the proposed Lease, the Budget and Legislative Analyst recommends approval of the proposed Lease.

### **RECOMMENDATION**

Approve the proposed resolution.



### Exhibit 2: Land Use Program



LEGEND

Residential

Office / R&D

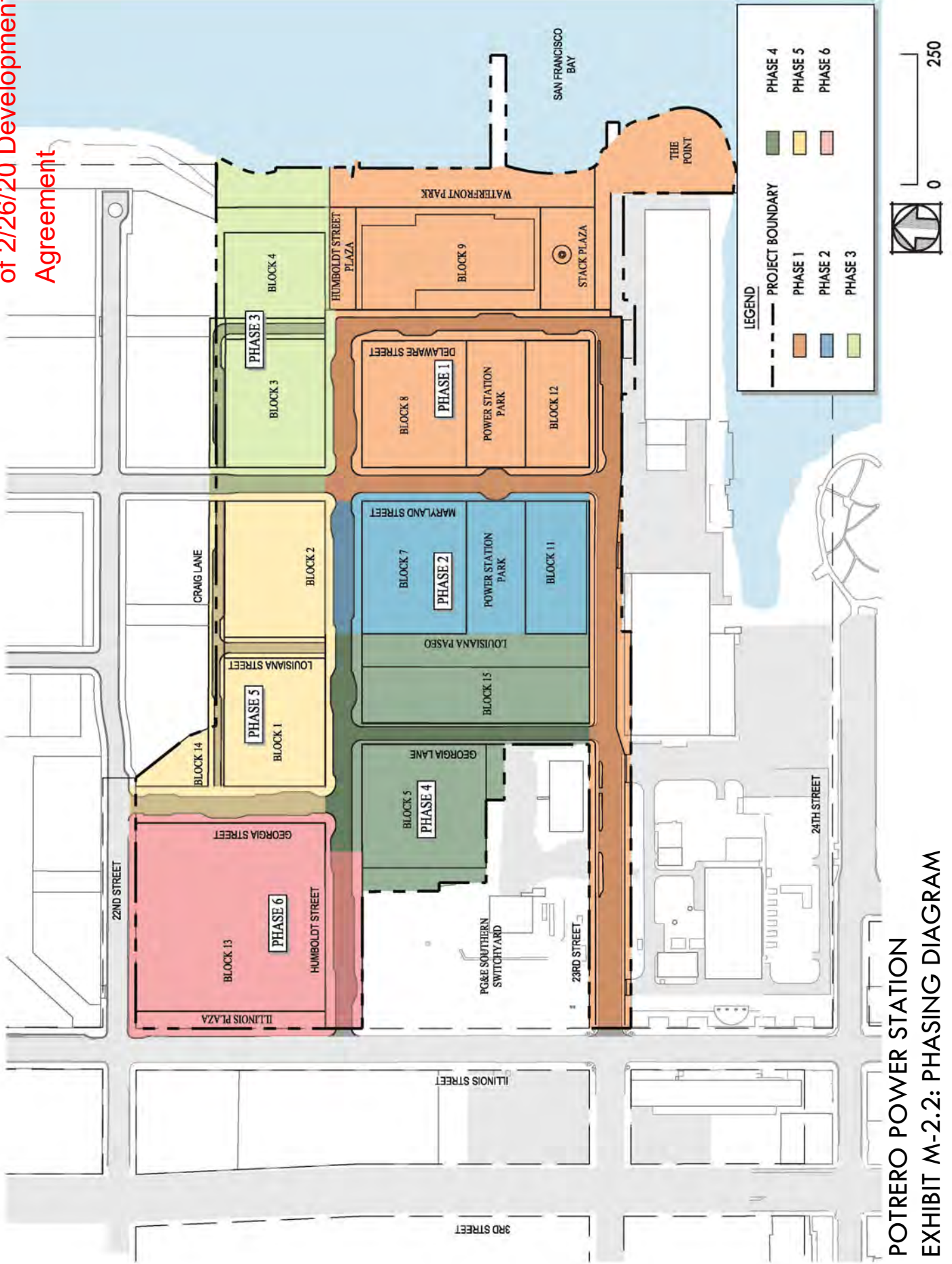
Hotel and/or Residential

Open Space

\* Potential District Parking Garage and Publicly Accessible Rooftop Soccer Field Location

Project Site Boundary





POTRERO POWER STATION  
 EXHIBIT M-2.2: PHASING DIAGRAM

<b>Item 2</b> <b>File 20-0166</b> <i>Continued from March 18 meeting</i>	<b>Department:</b> Public Utilities Commission (PUC)
<b>EXECUTIVE SUMMARY</b>	
<p><b>Legislative Objectives</b></p> <ul style="list-style-type: none"> <li>• The proposed resolution would approve a dam and reservoir planning, design, and engineering service contract between San Francisco Public Utilities Commission (SFPUC) and GEI Consultants, Inc., for an amount not to exceed \$11,000,000 and a term not to exceed 11 years, anticipated from May 2020 through April 2031.</li> </ul> <p><b>Key Points</b></p> <ul style="list-style-type: none"> <li>• In 2017, then-Governor Jerry Brown ordered the California Division of Safety of Dams to identify high-hazard dam spillways that could pose significant risk to the public if a spillway incident were to occur, similar to the 2017 Oroville Dam spillway failure. The Division of Safety of Dams ordered SFPUC to conduct condition assessments of the spillways under Division of Safety of Dams jurisdiction. SFPUC has developed a 10-year capital plan to address the Division of Safety of Dams orders.</li> <li>• In September 2019, SFPUC issued a Request for Proposals (RFP) to select up to three consulting firms to provide specialized dam and reservoir design services. The RFP stipulated that contracts would each have a term not to exceed 11 years and an amount not to exceed \$11,000,000. Based on the proposal review, AECOM, GEI, and HDR were awarded contracts. However, a protest was filed against GEI that delayed its contract. SFPUC determined that the protest was without merit, and in February 2020, the SFPUC Commission approved a contract with GEI.</li> <li>• Under the proposed contract, GEI would provide dam and reservoir planning and engineering services for the Cherry Valley Dam Spillway, Early Intake Dam Rehabilitation, Eleanor Dam Rehabilitation, Eleanor Dam Bridge Rehabilitation, and Priest Condition Assessment and Monitoring projects.</li> </ul> <p><b>Fiscal Impact</b></p> <ul style="list-style-type: none"> <li>• The proposed contract would have an amount not to exceed \$11,000,000 over the 11-year term. Sufficient funding is available in the SFPUC Hetch Hetchy and Water Enterprise 10-year Capital Improvement Programs budgets.</li> </ul> <p><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**

In 2017, then-Governor Jerry Brown ordered the California Division of Safety of Dams to identify high-hazard dam spillways that could pose significant risk to the public if a spillway incident were to occur, similar to the 2017 Oroville Dam spillway failure. The Division of Safety of Dams ordered the San Francisco Public Utilities Commission (SFPUC) to conduct condition assessments of the spillways under the Division’s jurisdiction. SFPUC has developed a 10-year capital plan to address the Division’s orders.

In September 2019, SFPUC issued a Request for Proposals (RFP) to select up to three consulting firms to provide specialized dam and reservoir design services. The RFP stipulated that contracts would each have a term not to exceed 11 years and an amount not to exceed \$11,000,000. SFPUC received four proposals, and an evaluation panel<sup>1</sup> reviewed the proposals and scored them, as shown in Table 1 below.

**Table 1: Proposals and Scores from RFP**

<b>Proposer</b>	<b>Written Proposal Score (out of 875)</b>	<b>Oral Interview Score (out of 500)</b>	<b>Overhead and Profit Schedule Score (out of 125)</b>	<b>Total Score (out of 1500)</b>
AECOM Technical Services, Inc.	765.11	410.05	125.00	1,300.16
GEI Consultants, Inc.	736.58	424.80	75.00	1,236.38
HDR Engineering, Inc.	751.05	418.78	62.50	1,232.33
Stantec Consulting Services, Inc.	702.82	395.68	125.00	1,223.50

Source: SFPUC

AECOM Technical Services, GEI Consultants, and HDR Engineering were deemed the three highest scoring responsive and responsible proposers. However, Stantec Consulting Services filed a protest against GEI, and SFPUC delayed the GEI contract award as it reviewed the merits of the protest. On February 25, 2020, the Board of Supervisors approved contracts with AECOM and HDR.

After reviewing the protest, SFPUC staff, along with the City Attorney and Contract Monitoring Division, determined that it was without merit.<sup>2</sup> On February 11, 2020, the SFPUC Commission approved a contract with GEI.

<sup>1</sup> The evaluation panel consisted of an SFPUC Infrastructure Division Project Manager IV, an SFPUC City Distribution Division Principal Engineer, an East Bay Municipal Utility District Manager, and a San Francisco International Airport Project Manager III.

<sup>2</sup> Stantec’s protest centered on a former SFPUC employee, who had been involved in drafting the RFP, and left to accept a position with GEI shortly before the contract was awarded. According to Ms. Kyndra Cox, SFPUC Professional

## DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve an SFPUC dam and reservoir planning, design, and engineering service contract with GEI Consultants, Inc., for a term not to exceed 11 years and an amount not to exceed \$11,000,000. The contract would have an anticipated term of approximately May 1, 2020 through April 30, 2031.

Under the proposed contract, GEI would provide dam and reservoir planning and engineering services for projects identified in the SFPUC Hetch Hetchy and Water Enterprise Capital Improvement Programs. The scope of services includes civil engineering, electrical engineering, mechanical engineering, structural engineering, pipeline engineering, geotechnical and geologic engineering, tunnel engineering, cost estimating, utilities mapping and coordination, photogrammetry and surveys, materials testing and inspections, quality assurance review, peer review and independent technical review, potential failure modes analysis and risk assessments, possible engineering support during bid and award if the projects are approved, possible engineering support during construction, start-up, and closeout if the projects are approved, and training and technology transfer.

GEI would be assigned to the Cherry Valley Dam Spillway, Early Intake Dam Rehabilitation, Eleanor Dam Rehabilitation, Eleanor Dam Bridge Rehabilitation, and Priest Condition Assessment and Monitoring.<sup>3</sup>

## FISCAL IMPACT

The proposed contract would have a not-to-exceed amount of \$11,000,000. According to Mr. Calvin Huey, SFPUC Civil Design Section Manager, the contract budget by project is shown in Table 2 below.

**Table 2: GEI Contract Budget**

<b>Project</b>	<b>Amount</b>
Cherry Valley Dam Spillway	\$2,000,000
Early Intake Dam Rehabilitation	800,000
Eleanor Dam Rehabilitation	5,200,000
Eleanor Dam Bridge Rehabilitation	1,800,000
Priest Condition Assessment & Monitoring Project	1,200,000
<b>Total</b>	<b>\$11,000,000</b>

Services Contract Manager, SFPUC determined that the employee had no involvement with the panel's scoring of bids, could not have provided a competitive advantage to any proposer, and did not violate any conflict of interest or ethics laws.

<sup>3</sup> Appendix A of the proposed contract states the GEI is responsible for the following projects: Moccasin Dam and Reservoir, O'Shaughnessy Dam Outlet Works Phases 1 and 2, O'Shaughnessy Dam Access and Drainage Improvements projects. However, according to SFPUC, the information in the proposed contract is incorrect and GEI will actually work on the following projects: Cherry Valley Dam Spillway, Early Intake Dam Rehabilitation, Eleanor Dam Rehabilitation, Eleanor Dam Bridge Rehabilitation, and Priest Condition Assessment and Monitoring.

Sufficient funding for the contract is available in the Hetch Hetchy and Water Enterprise 10-Year Capital Improvement Programs budgets.

**RECOMMENDATION**

Approve the proposed resolution.

**Item 6**  
**File 20-0246**

**Department:**  
**Department of Homelessness and Supportive Housing**

## EXECUTIVE SUMMARY

### Legislative Objectives

- The proposed resolution would approve the First Amendment to the Department of Homelessness and Supportive Housing (HSH) agreement with the Tides Center (Tides), serving as fiscal sponsor to Delivering Innovation in Supportive Housing (DISH), for DISH to provide property management services for six supportive housing sites. The proposed resolution would (a) increase the spending authority by \$23,730,364, from \$5,807,993 to \$29,538,357; and (b) extend the end date by four years, from June 30, 2020 to through June 30, 2024. The proposed First Amendment allows two optional extensions, which would allow a total a maximum term through June 30, 2029.

### Key Points

- HSH selected Tides, as the fiscal sponsor to DISH, for DISH to provide property management services to six supportive housing sites, following a competitive Request for Proposals (RFP) in which Tides was the only respondent. The RFP provided for an agreement term of up to ten years. HSH entered into an initial agreement with Tides, for one year that expires on June 30, 2020.

### Fiscal Impact

- The annual budget for the six buildings is \$7,375,114, of which \$5,525,114 is funded through the agreement with HSH. Agreement funding sources consist of General Fund, Mental Health Services Act (MHSA), and U.S. Department of Housing and Urban Development (HUD). Approximately \$1,850,000 of the \$7,375,114 is funded by property revenues, which are not included in the agreement with Tides.
- The total HSH agreement funding over the five years from FY 2019-20 through FY 2023-24 is \$27,629,570. The proposed not to exceed amount of \$29,538,357 includes a contingency of \$1,908,787 to cover any subsequent increases to the cost of doing business; approved additional expenses; other approved cost increases; as well as increased funding from HUD or other non-General Fund sources.

### Recommendation

- Approve the proposed resolution.

**MANDATE STATEMENT**

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

**BACKGROUND**

**Vendor Selection**

On Nov 8, 2018, the Department of Homelessness and Supportive Housing (HSH) issued a Request for Proposals (RFP) for property management services at six permanent supportive housing sites in San Francisco, beginning July 1, 2019. The Tides Center (Tides) was the sole respondent to the 2018 RFP. On May 1, 2019, HSH approved a one-year agreement with Tides for property management services, to be provided by Delivering Innovation in Supportive Housing (DISH), a nonprofit organization under fiscal sponsorship by Tides. The agreement was for a term from July 1, 2019 through June 30, 2020 with a not to exceed amount of \$5,807,993.<sup>1</sup>

DISH has provided supportive housing property management services to these six sites since 2006, originally under the Department of Public Health (DPH).

**DETAILS OF THE PROPOSED LEGISLATION**

The proposed resolution would approve the First Amendment to the Department of Homelessness and Supportive Housing (HSH) agreement with the Tides Center (Tides), serving as fiscal sponsor to DISH, for DISH to (a) increase the spending authority by \$23,730,364, from \$5,807,993 to \$29,538,357; and (b) extend the end date by four years, from June 30, 2020 to through June 30, 2024.

The proposed First Amendment allows two optional extensions,<sup>2</sup> which would allow a total a maximum term through June 30, 2029. The optional extensions would require Board of Supervisors’ approval if the requested additional agreement authority exceeds \$500,000.

**Property Management Services**

Property management services include tenant intake, managing leases with each of the building’s owners, creating leases with tenants, collecting rent and enforcing lease terms, building maintenance and unit turnover, 24-hour front-desk coverage, coordinating with Support Services teams, and record keeping.

<sup>1</sup> The 2019 agreement did not require Board of Supervisors’ approval because it was less than \$10 million and had a term of less than 10 years.

<sup>2</sup> The first option to extend is for three years, through June 2027. The second option to extend is for two years, through June 2029.



### Six Supportive Housing Sites

The City leases property from building owners to provide permanent housing to formerly homeless, low-income individuals. All new tenants are referred to housing by HSH following a Coordinated Entry Assessment that determines eligibility based on individual assessment of length and history of homelessness, levels of vulnerability, severity of housing barriers, and any other specific criteria defined by the particular funding source. Table 1 shows the supportive housing sites that would be served by the proposed First Amendment.

**Table 1: Supportive Housing Sites in Proposed First Amendment**

<b>Program Site</b>	<b>Served Population</b>	<b>Units</b>
<b>Camelot</b> 124 Turk Street	Adults	55
<b>Empress</b> 144 Eddy Street	Adults	89
<b>LeNain</b> 730 Eddy Street	Older Adults	86
<b>Pacific Bay Inn</b> 520 Jones Street	Adults	75
<b>Star</b> 2176 Mission Street	Adults	54
<b>Windsor</b> 238 Eddy Street	Adults	91
<b>Total Units</b>		<b>450</b>

Source: Appendix A, Services to be Provided of the Proposed First Amendment

### Performance Management

Under the Agreement, DISH provides monthly, quarterly and annual reports to HSH on the status of outcome objectives and service commitments defined in the agreement. According to Appendix A, Services to be Provided, the four outcome objectives are (1) maintain an occupancy rate above 90 percent, (2) 75 percent of tenants who leave this supportive housing move to permanent housing or appropriate housing placements, (3) 85 percent of lease violations resolved without loss of housing, and (4) 85 percent of tenants report they are “satisfied” or “very satisfied” with the property management services in annual survey conducted by DISH. In the first six months of agreement reporting for FY 2019-20, DISH met or exceeded all outcome objectives. The annual survey has not yet been conducted, as it is due at fiscal year’s end.

**FISCAL IMPACT**

The annual budget for the six buildings is \$7,375,114, of which \$5,525,114 is funded through the agreement with HSH. Agreement funding sources consist of General Fund, Mental Health Services Act (MHSA), and U.S. Department of Housing and Urban Development (HUD), as shown in Table 2 below.

Approximately \$1,850,000 of the \$7,375,114 is funded by property revenues, which are not funded through the agreement with Tides.

The total HSH agreement funding over the five years from FY 2019-20 through FY 2023-24, shown in Table 2 below, is \$27,629,570. The proposed not to exceed amount of \$29,538,357 includes a contingency of \$1,908,787 to cover any subsequent increases to the cost of doing business; approved additional expenses; other approved cost increases; as well as increased funding from HUD or other non-General Fund sources.

**Table 2: Sources and Uses of Agreement Funds – FY 2019-20 through FY 2023-24**

	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Four Year Increase	Total
<b>Sources of Funds</b>							
<i>HSH Revenues</i>							
General Fund	4,771,967	4,771,967	4,771,967	4,771,967	4,771,967	19,087,868	23,859,835
State Mental Health Service Act (MHSA)	397,579	397,579	397,579	397,579	397,579	1,590,316	1,987,895
HUD Continuum of Care	355,568	355,568	355,568	355,568	355,568	1,422,272	1,777,840
General Fund - One-Time	4,000	0	0	0	0	0	4,000
HSH <sup>a</sup>	5,529,114	5,525,114	5,525,114	5,525,114	5,525,114	22,104,456	27,629,570
<i>Other Revenues</i>							
Rental Income	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	7,200,000	9,000,000
Owner Reimbursement	50,000	50,000	50,000	50,000	50,000	200,000	250,000
Other <sup>b</sup>	1,850,000	1,850,000	1,850,000	1,850,000	1,850,000	7,400,000	9,250,000
Total Revenue	7,379,114	7,375,114	7,375,114	7,375,114	7,375,114	29,504,456	36,879,570
<b>Uses of Funds</b>							
<i>Total Expenditures</i>							
Salaries & Benefits	4,265,879	4,265,879	4,265,879	4,265,879	4,265,879	17,063,517	21,329,396
Operating Expense	2,089,879	2,089,879	2,089,879	2,089,879	2,089,879	8,359,516	10,449,395
Total Indirect Cost <sup>c</sup>	953,829	953,829	953,829	953,829	953,829	3,815,315	4,769,144
Empress <sup>d</sup>	22,205	22,205	22,205	22,205	22,205	88,820	111,025
Other Expenses	47,322	43,322	43,322	43,322	43,322	177,288	220,610
Total Expenditures	7,379,114	7,375,114	7,375,114	7,375,114	7,375,114	29,504,456	36,879,570

Source: Appendix B, Budget to Proposed to First Amendment

<sup>a</sup> Funding sources included in agreement with Tides Center

<sup>b</sup> Funding sources not included in agreement with Tides Center

<sup>c</sup> Equal to 15 percent of eligible expenses

<sup>d</sup> The Empress Building is funded in part with HUD funds, which includes administrative expenses as eligible activities that must be accounted for separately, per HUD requirements.

Notes: The FY 2019-20 budget includes a one-time expense of \$4,000 for a Physical Needs Assessment of the Le Lain building.

### Current Spending

According to Ms. Gilda Kemper, HSH Contracts Manager, spending to date on the existing agreement with Tides is \$3,392,775. THSH expects DISH to spend its FY 2019-20 budget \$5,529,114, which includes use of \$249,120 of the existing agreement's contingency.<sup>3</sup>

### RECOMMENDATION

Approve the proposed resolution.

<sup>3</sup> The existing Agreement is for \$5,807,993, which includes a contingency of \$527,999.

<b>Items 8 and 9</b> <b>Files 20-0164 and 20-0165</b>	<b>Department:</b> Department of Public Health (DPH)
<b>EXECUTIVE SUMMARY</b>	
<p style="text-align: center;"><b>Legislative Objectives</b></p> <ul style="list-style-type: none"> <li>• <b>File 20-0164:</b> The proposed resolution would (1) approve the first amendment to the agreement between Richmond Area Multi-Services, Inc. (RAMS) and the Department of Public Health for behavioral health services for adults, older adults, and Transitional Age Youth to increase the agreement amount by \$13,885,229, from \$9,995,228 to an amount not to exceed \$23,880,457; and (2) extend the term by three years, for a total agreement term of July 1, 2018, through June 30, 2023.</li> <li>• <b>File 20-0165:</b> The proposed resolution would (1) approve the first amendment to the agreement between RAMS and the Department of Public Health for behavioral health services for children, youth, and families to increase the agreement amount by \$16,390,571, from \$9,679,205 to an amount not to exceed \$26,069,776; and (2) extend the term by three years, for a total agreement term of July 1, 2018, through June 30, 2023.</li> </ul> <p style="text-align: center;"><b>Key Points</b></p> <ul style="list-style-type: none"> <li>• In 2018, DPH awarded a new contract to RAMS to provide behavioral health outpatient services for adults, older adults and Transitional Age Youth for the period of July 1, 2018 through June 30, 2020 for a total contract amount not to exceed \$9,995,228. In 2018, DPH awarded a contract to RAMS to provide behavioral health services for children, youth and families for the period of July 1, 2018 through June 30, 2020 for a total contract amount not to exceed \$9,679,205.</li> </ul> <p style="text-align: center;"><b>Fiscal Impact</b></p> <ul style="list-style-type: none"> <li>• The proposed resolution (File 20-0164) would increase the not-to-exceed amount of the contract for adults, older adults and TAY by \$13,885,229, for a total not to exceed \$23,880,457. The proposed resolution (File 20-0165) would increase the not-to-exceed amount of the contract for children, youth and families by \$16,390,571, for a total not to exceed \$26,069,776. There are no changes in the scope of work or level of services for the proposed contract amendments.</li> <li>• DPH included proposed ongoing funding for two programs (outpatient peer counseling services and employment development program) for adults and older adults in FY 2021-22 and FY 2022-23 that are subject to new solicitations to continue after June 30, 2021. This includes the solicitation for vocational rehabilitation employment and training services (RFQ 11-2015) and peer to peer employment and peer specialist mental health certificate (RFP 18-2014). The total reduction for both programs would be \$412,633.</li> </ul> <p style="text-align: center;"><b>Recommendations</b></p> <ul style="list-style-type: none"> <li>• Amend the resolution in File 20-0164 to reduce the proposed not to exceed amount by \$412,633 from \$23,880,457 to \$23,467,824 and reduce the proposed increase of \$13,885,229 to \$13,472,596.</li> <li>• Approve the resolution in File 20-0164, as amended.</li> <li>• Approve File 20-0165.</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**

**Adults, Older Adults, and Transitional Age Youth (TAY) Contract (File 20-0164)**

The Department of Public Health (DPH) selected Richmond Area Multi-Services, Inc. (RAMS) to provide behavioral health services for adults, older adults, and Transitional Age Youth (TAY) as a result of five competitive solicitations conducted between 2013 to 2017. The Board of Supervisors had previously approved in December 2015 extending an existing contact with RAMS for these services through December 2017 (File 15-1048); the extension was to allow the Department of Public Health sufficient time to plan services to meet the requirements of the Affordable Care Act and the California Department of Healthcare Services Medi-Cal waiver pilot.

In 2018, DPH awarded a new contract to RAMS to provide behavioral health outpatient services, peer counseling, employment readiness, outreach and engagement, and residential services for adults, older adults and Transitional Age Youth, focusing on Asian and Pacific Islander (including Chinese, Filipino, Samoan, Cambodian, Laotian, and Vietnamese adults) and Russian-speaking communities for the period of July 1, 2018 through June 30, 2020 for a total contract amount not to exceed \$9,995,228. Because the contract was less than \$10 million and less than 10 years, the contract did not require Board of Supervisors’ approval.

The scores for the Request for Proposals/Qualifications are shown in Table 1 below. As shown below, RAMS scored the highest on all the competitive solicitations except for one, RFP 8-2017, Mental Health Outpatient Programs for Adult/Older Adult System of Care, where it scored second highest. According to the Department of Public Health, multiple contractors were selected for City funding from that solicitation, including the top scoring entity and RAMS.

**Table 1: Proposals and Scores for Request for Proposals/Qualifications**

<b>Proposer</b>	<b>Service Category</b>	<b>Score (Total out of 100)</b>
<i>RFQ 11-2015 Vocational Rehabilitation Employment and Training Services</i>		
RAMS	Employment Readiness	94.50
Young Community Developers, Inc.	Employment Readiness	88.50
Special Services for Groups	Employment Readiness	80.75
Caminar	Employment Readiness	Not qualified
NAMI San Francisco	Employment Readiness	Not qualified
RAMS	Peer to Peer Vocational Services	94.67
Caminar	Peer to Peer Vocational Services	87.75
RAMS	Clerical and Mailroom Services	94.50
RAMS	Janitorial Services	101.42
RAMS	Information Technology Services	94.59

Proposer	Service Category	Score (Total out of 100)
RAMS	TAY Vocational Services	97.00
Special Services for Groups	TAY Vocational Services	94.84
<i>RFP 8-2017 Mental Health Outpatient Programs for Adult/Older Adult System of Care</i>		
San Francisco AIDS Foundation	Mental Health Outpatient Programs	95.57
RAMS	Mental Health Outpatient Programs	95.36
UCSF Alliance Health Project	Mental Health Outpatient Programs	92.95
Instituto Familiar de la Raza	Mental Health Outpatient Programs	92.73
Swords to Plowshares	Mental Health Outpatient Programs	92.39
Hyde Street Community Services	Mental Health Outpatient Programs	90.45
Episcopal Community Services of San Francisco	Mental Health Outpatient Programs	88.09
St. James Infirmary	Mental Health Outpatient Programs	86.70
Bayview Hunters Point Foundation	Mental Health Outpatient Programs	85.27
Jewish Family and Children's Services	Mental Health Outpatient Programs	84.27
Community Awareness & Treatment Services, Inc.	Mental Health Outpatient Programs	83.09
HealthRIGHT 360	Mental Health Outpatient Programs	79.55
Westside Community Services, Inc.	Mental Health Outpatient Programs	73.98
BAART Community Healthcare	Mental Health Outpatient Programs	70.00
<i>RFQ 30-2013 MHSA Culturally Relevant Mental Health Promotion and Early Intervention Services for Filipino, Samoan and Southeast Asian Communities<sup>1</sup></i>		
RAMS	MHSA Asian Pacific Islanders Mental Health Collaborative	93.20
<i>RFQ 20-2019 MHSA Culturally Relevant Mental Health Promotion and Early Intervention (PEI) Services for Filipino, Samoan and Southeast Asian Communities</i>		
RAMS	MHSA Asian Pacific Islanders Mental Health Collaborative	80.17
<i>RFP 18-2014 Peer to Peer Employment and Peer Specialist Mental Health Certificate</i>		
RAMS	Peer to Peer Employment Program	76.50
SF Study Center	Peer to Peer Employment Program	31.67
RAMS	Peer Specialist Mental Health Certificate Program	91.83

Source: Department of Public Health

### Children, Youth and Families Contract (File 20-0165)

The Department of Public Health (DPH) selected Richmond Area Multi-Services, Inc. (RAMS) to provide behavioral health services for children, youth and families as a result of four competitive solicitations conducted between 2016 to 2018. As noted above, the Board of Supervisors had previously approved in December 2015 extending an existing contact with RAMS for these services through December 2017 (File 15-1048); the extension was to allow the Department of

<sup>1</sup> This was for services delivered in FY 2018-19 and the first half of FY 2019-20

Public Health sufficient time to plan services to meet the requirements of the Affordable Care Act and the California Department of Healthcare Services Medi-Cal waiver pilot.

In 2018, DPH awarded a contract to RAMS to provide behavioral health crisis intervention, counseling, case management, outreach, and childcare consultation services, as well as on-site school-based wellness programs for children, youth and their families, with special focus on students with severe emotional disturbance, the Asian Pacific Islander (API) American, Filipino and Russian-speaking communities, including LGBTQIQ children, youth and their families. The contract was approved for the period of July 1, 2018 through June 30, 2020 for a total contract amount not to exceed \$9,679,205. The scores for the Request for Proposals/Qualifications are shown in Table 2 below.

**Table 2: Proposals and Scores for Request for Proposals/Qualifications**

Proposer	Service Category	Score
<i>RFQ 17-2016 Mental Health Services Act School-based Programs<sup>2</sup></i>		
Edgewood Center for Children and Families	MHSA School Based Programs	96.83
Instituto Familiar de la Raza	MHSA School Based Programs	95.83
YMCA Urban Services	MHSA School Based Programs	95.00
RAMS	MHSA School Based Programs	94.00
Bayview Hunters Point Foundation	MHSA School Based Programs	90.67
Seneca Family of Agencies	MHSA School Based Programs	88.17
Special Services for Groups	MHSA School Based Programs	79.33
<i>RFP 1-2017 Children, Youth and Family System of Care Mental Health Outpatient Treatment Services &amp; Optional Specialized Mental Health Treatment Services<sup>3</sup></i>		
Seneca Family of Agencies	Regular Mental Health Outpatient Treatment Services - ERMHS <sup>4</sup> and Optional Specialized Mental Health Outpatient Services	248.50
RAMS	Regular Mental Health Outpatient Treatment Services – ERMHS and Optional Specialized Mental Health Outpatient Services	245.00
Oakes Children Center	Regular Mental Health Outpatient Treatment Services – ERMHS and Optional Specialized Mental Health Outpatient Services	227.00
Special Service Groups	Regular Mental Health Outpatient Treatment Services – ERMHS and Optional Specialized Mental Health Outpatient Services	224.25
Family Service Agency of SF dba Felton Institute	Regular Mental Health Outpatient Treatment Services – ERMHS and Optional Specialized Mental Health Outpatient Services	222.50

<sup>2</sup> Total score out of 100

<sup>3</sup> Total score out of 255 points for Regular Mental Health Outpatient Treatment Services – ERMHS and Optional Specialized Mental Health Outpatient Services

<sup>4</sup> Educationally Related Mental Health Services

Proposer	Service Category	Score
YMCA Urban Services	Regular Mental Health Outpatient Treatment Services – ERMHS and Optional Specialized Mental Health Outpatient Services	209.75
Dignity Health St. Mary's Medical Center	Regular Mental Health Outpatient Treatment Services – ERMHS and Optional Specialized Mental Health Outpatient Services	139.75
<i>RFQ 13-2017 Mental Health Treatment Support and Training Services<sup>5</sup></i>		
Seneca Family of Agencies	Juvenile Justice Center AIIM Higher Intensive Outpatient Treatment Services for Probation Youth	99.40
RAMS	Juvenile Justice Center AIIM Higher Intensive Outpatient Treatment Services for Probation Youth	94.80
Unity Care	Juvenile Justice Center AIIM Higher Intensive Outpatient Treatment Services for Probation Youth	62.80
RAMS	Wellness Initiative for SFUSD High Schools – Behavioral Health Services	96.00
Bay Area Community Resources	Wellness Initiative for SFUSD High Schools – Behavioral Health Services	80.80
Unity Care	Wellness Initiative for SFUSD High Schools – Behavioral Health Services	60.80
<i>RFQ 16-2018 Early Childhood Mental Health Consultation Initiative</i>		
Homeless Children's Network	Main Early Childhood Mental Health Consultation Initiative <sup>6</sup>	99.17
Instituto Familiar de la Raza	Main Early Childhood Mental Health Consultation Initiative	96.17
RAMS	Main Early Childhood Mental Health Consultation Initiative	92.17
UCSF Infant Parent Program	Main Early Childhood Mental Health Consultation Initiative	91.00
Edgewood Center for Children and Families	Main Early Childhood Mental Health Consultation Initiative	87.83
Instituto Familiar de la Raza	Family Child Care Quality Network Licensed Family Child Care Homes <sup>7</sup>	108.14
Homeless Children's Network	Family Child Care Quality Network Licensed Family Child Care Homes	103.06
Edgewood Center for Children and Families	Family Child Care Quality Network Licensed Family Child Care Homes	97.86
UCSF Infant Parent Program	Family Child Care Quality Network Licensed Family Child Care Homes	97.20
RAMS	Family Child Care Quality Network Licensed Family Child Care Homes	96.54

<sup>5</sup> Total score out of 100

<sup>6</sup> Total score out of 100

<sup>7</sup> Total score out of 125



Proposer	Service Category	Score
UCSF Infant Parent Program	Family Resource Center Initiative Sites <sup>8</sup>	46.33
Homeless Children's Network	Family Resource Center Initiative Sites	44.50
Instituto Familiar de la Raza	Family Resource Center Initiative Sites	44.17
Edgewood Center for Children and Families	Family Resource Center Initiative Sites	39.17
RAMS	Family Resource Center Initiative Sites	38.67
Instituto Familiar de la Raza	SFUSD Early Education Schools and Preschool Special Education Services <sup>9</sup>	118.74
UCSF Infant Parent Program	SFUSD Early Education Schools and Preschool Special Education Services	113.80
Homeless Children's Network	SFUSD Early Education Schools and Preschool Special Education Services	109.26
Edgewood Center for Children and Families	SFUSD Early Education Schools and Preschool Special Education Services	108.94
RAMS	SFUSD Early Education Schools and Preschool Special Education Services	100.40

Source: Department of Public Health

According to Ms. Michelle Ruggels, DPH Business Office Director, the Department of Public Health may issue solicitations that specify that multiple funding awards will be issued within the same category and sub-category of services, and then select multiple contractors to deliver these services. Ms. Ruggels states this practice is most commonly utilized for services delivered by non-profit organizations to ensure that the Department of Public Health is able to meet the cultural, linguistic and service needs of behavioral health clients served throughout San Francisco's diverse neighborhoods. Ms. Ruggels states that in some cases, all responders to an RFP are selected in the categories for which proposals were submitted, and sometimes not all responders are selected. DPH may award multiple top scoring qualified applicants of a specific sub-category depending on the needs of the community and the needs of the project. All responders must meet minimum requirements to be reviewed and scored by a review panel.

## DETAILS OF PROPOSED LEGISLATION

**File 20-0164:** The proposed resolution would (1) approve the first amendment to the agreement between Richmond Area Multi-Services, Inc. (RAMS) and the Department of Public Health for behavioral health services for adults, older adults, and Transitional Age Youth to increase the agreement amount by \$13,885,229, from \$9,995,228 to an amount not to exceed \$23,880,457; and (2) extend the term by three years, for a total agreement term of July 1, 2018, through June 30, 2023.

**File 20-0165:** The proposed resolution would (1) approve the first amendment to the agreement between RAMS and the Department of Public Health for behavioral health services for children, adolescents, and families to increase the agreement amount by \$16,390,571, from \$9,679,205

<sup>8</sup> Total score out of 50

<sup>9</sup> Total score out of 135

to an amount not to exceed \$26,069,776; and (2) extend the term by three years, for a total agreement term of July 1, 2018, through June 30, 2023.

### **Adults, Older Adults, and Transitional Age Youth (TAY) Contract (File 20-0164)**

Table 3 below provides a description of the scope of services in the proposed contract to RAMS to provide behavioral health outpatient services, peer counseling, employment readiness, outreach and engagement, and residential services for adults, older adults and Transitional Age Youth.

**Table 3: Scope of Services Description for Proposed RAMS Contract for Adults, Older Adults and TAY**

<b>Program</b>	<b>Service Description</b>
Adult Outpatient Services Clinic	Outpatient mental health services for adults and older adults, including frequent emergency services for patients in need of acute institutional care or support to transition to the community. Services include on-going individual integrated behavioral health counseling, case management services, and as needed crisis intervention and collateral meetings. Special focus on serving the Asian & Pacific Islander American (APIA) and Russian-speaking communities, both immigrants and those born in the United States.
Outpatient Peer Counseling Services	Peer counseling for Adult Outpatient Services clients, provided by Peer Counselors, clients with lived experience of mental illness and the mental health system.
Employee Development	Hire-Ability vocational services developing client employment readiness, targeting consumers with minimal work exposure who are assessed as benefiting from a structured vocational training program.
Broderick Street Residential	Outpatient mental health services for adults with serious and persistent mental illness, including clients with co-occurring mental health and substance abuse disorders, with or without physical health needs; residential component provides Skilled Nursing Facility (SNF)-level of care
Asian and Pacific Islander Mental Health Collaborative (APIMHC)	Lead agency in collaborative of many agencies focusing the Filipino, Samoan, and Southeast Asian communities with outreach, engagement, screening, assessment, wellness promotion and linkages for all ages and gender groups in the South of Market, Tenderloin, Bayview-Hunters Point, Potrero Hill, and Visitacion Valley neighborhoods. Services include outreach and engagement, screening and assessment, wellness promotion activities, and service linkages. RAMS is the lead agency of the APIMHC collaborative. Six partner organizations represent the Filipino, Samoan, and Southeast Asian (Cambodians, Laotian and Vietnamese) communities.

**Children, Youth and Families Contract (File 20-0165)**

Table 4 below provides a description of the scope of services in the proposed contract to RAMS to provide behavioral health crisis intervention, counseling, case management, outreach, and childcare consultation services, as well as on-site school-based wellness programs for children, youth and their families.

**Table 4: Scope of Services Description for Proposed RAMS Contract for Children, Youth and Families**

Program	Service Description
Children’s Outpatient	Outpatient services are provided to youth both in a clinic setting, as well as on-site, school-based mental health services for students with the former designation of “Emotional Disturbance” (ED) in specialized school programming within SFUSD, as well as other special education students that have identified mental health needs. Services also include support to teachers/classroom/school environments to increase student engagement in learning and school connections.
Children Wellness Centers (Mental Health and Substance Abuse)	Integrated behavioral health and case management services are provided at 16 SFUSD high school-based Wellness Centers. Also intensive case management services are provided to court-ordered youth through the SF TRACK program.
High Quality Childcare Initiative – Early Childhood Mental Health Consultation Initiative (ECMHCI) – Fu Yau Project	The Fu Yau Project collaborates with assigned childcare centers, family childcare providers, and family resource centers to provide early intervention to prevent emotional disturbance. Additionally, as the result of clinical observation, and in consultation with childcare providers, families are approached to discuss the outcome of the observation/consultation and are offered services to address the identified needs. Consultation is also provided to child care providers. Services are provided at 60 locations throughout San Francisco.

Ms. Ruggels states that the original contracts were approved to be two years to provide time for the completion of all pending solicitations in order to allow services to be revised, if needed, to reflect new service models resulting from the newer solicitations during the start-up phase. Terms of both contracts are being extended three years to June 30, 2023 to enable the continuation of services.

**FISCAL IMPACT**

**Adults, Older Adults, and Transitional Age Youth (TAY) Contract (File 20-0164)**

The proposed resolution would increase the not-to-exceed amount of the contract by \$13,885,229, for a total not to exceed \$23,880,457.<sup>10</sup> According to Ms. Ruggels, there are no

<sup>10</sup> The existing agreement for FY 2018-19 through FY 2019-20 is \$9,995,228, however DPH expects to spend \$7,734,995 over that period. The remainder of \$2,260,233 is budgeted for the following three fiscal years (As noted

changes in the scope of work or level of services for the proposed contract amendment. The increased contract amount is necessary to allow for the continued provision and payment of services, as authorized under the original RFP, and the addition of an annual Cost of Doing Business (CODB) for projected cost escalation, which is subject to appropriation by the Board of Supervisors. The CODB is 3 percent in FY 2019-20 and 2.5 percent in subsequent years. The sources and uses of funds for the proposed contract to RAMS to provide behavioral health services for adults, older adults and Transitional Age Youth are shown in Table 5 below.

**Table 5. Sources and Uses of Funds in Proposed RAMS Contract for Adults, Older Adults, and Transitional Age Youth (TAY) (File 20-0164)**

Sources	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	Total
Federal Short Doyle Medi-Cal Federal Financial Participation <sup>11</sup>	\$693,498	\$1,224,062	\$1,224,062	\$1,224,062	\$1,224,062	\$5,589,746
State 1991 Mental Health Realignment (Adults) <sup>12</sup>	433,557	765,252	765,252	765,252	765,252	3,494,565
County General Funds (Adults)	412,015	974,669	1,044,521	1,149,894	1,149,894	4,730,993
Adult Medicare (Federal)	57,337	101,202	101,202	101,202	101,202	462,145
Long Term Care (Federal)	611,811	1,079,880	1,079,880	1,079,880	1,079,880	4,931,331
Mental Health Services Act	233,422	412,002	412,002	412,002	412,002	1,881,430
Cost of Doing Business <sup>13</sup>	55,206	119,852	105,373	108,007	110,707	499,145
<i>Total Sources of Funds</i>	<i>2,496,846</i>	<i>4,676,919</i>	<i>4,732,292</i>	<i>4,840,299</i>	<i>4,842,999</i>	<i>21,589,355</i>
Contingency (12%)	-	561,230	567,875	580,836	581,160	2,291,101
<b>Total</b>	<b>\$2,496,846</b>	<b>\$5,238,149</b>	<b>\$5,300,167</b>	<b>\$5,421,135</b>	<b>\$5,424,159</b>	<b>\$23,880,457</b>
Uses	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	Total
Adult Outpatient Services Clinic	\$1,170,795	\$2,268,179	\$2,283,762	\$2,340,856	\$2,340,856	\$10,404,448
Outpatient Peer Counseling	28,646	50,562	50,562	50,562	50,562	230,894
Employee Development	70,045	126,725	130,389	133,649	133,649	594,457
Broderick Street Residential	967,378	1,750,161	1,800,766	1,845,785	1,845,785	8,209,875
API Mental Health Collaborative	204,776	361,440	361,440	361,440	361,440	1,650,536
General Fund CODB	55,206	119,852	105,373	108,007	110,707	499,145
<i>Total Uses of Funds</i>	<i>2,496,846</i>	<i>4,676,919</i>	<i>4,732,292</i>	<i>4,840,299</i>	<i>4,842,999</i>	<i>21,589,356</i>
Contingency (12%)		561,230	567,875	580,836	581,160	2,291,101
<b>Total</b>	<b>\$2,496,846</b>	<b>\$5,238,149</b>	<b>\$5,300,167</b>	<b>\$5,421,135</b>	<b>\$5,424,159</b>	<b>\$23,880,457</b>

below, the FY 2018-19 budget was reduced by \$1,910,221, from \$4,407,067 to \$2,496,846 because the funding and services were re-allocated to another contract).

<sup>11</sup> This is Federal Medi-Cal funding, in which for every dollar billed, DPH is reimbursed 50 cents for eligible clients. In this program, every client is Medi-Cal eligible. To be reimbursed by Federal Medi-Cal, DPH submits a claim representing 100 percent of the cost, of which Federal Medi-Cal will reimburse 50 percent and DPH must provide an equal 50 percent of matching funds.

<sup>12</sup> This is State Realignment funding provided to DPH, and used as a match to draw down the Federal Medi-Cal funding (i.e. the other 50 cents).

<sup>13</sup> According to Ms. Ruggels, one-time funding was added in the FY 2019-20 budget which was not carried forward into future years.

<sup>14</sup> According to Ms. Ruggels, funding was reduced by \$1,190,221 in FY 2018-19 for the transfer of functions to an interim contract.

**Children, Youth and Families Contract (File 20-0165)**

The proposed resolution would increase the not-to-exceed amount of the contract by \$16,390,571, for a total not to exceed \$26,069,776.<sup>15</sup> According to Ms. Ruggels, there are no changes in the scope of work or level of services for the proposed contract amendment. The increased contract amount is necessary to allow for the continued provision and payment of services, as authorized under the original RFP, and the addition of an annual Cost of Doing Business (CODB) for projected cost escalation, which is subject to appropriation by the Board of Supervisors in the annual budget. The CODB is 3 percent in FY 2019-20 and 2.5 percent in subsequent years. The sources and uses of funds for the proposed contract to RAMS to provide behavioral health services for children, youth and families are shown in Table 6 below.

**Table 6. Sources and Uses of Funds Contract for Children, Youth and Families (File 20-0165)**

<b>Sources<sup>16</sup></b>	<b>FY 2018-19</b>	<b>FY 2019-20</b>	<b>FY 2020-21</b>	<b>FY 2021-22</b>	<b>FY 2022-23</b>	<b>Total</b>
Federal Short Doyle Medi-Cal	\$339,861	\$474,973	\$474,973	\$474,973	\$474,973	\$2,239,753
Federal Financial Participation						
State Realignment and Mental Health Services Act (MHSA)	740,773	1,071,591	1,071,591	1,071,591	1,071,591	5,027,137
County (General Fund)	372,759	661,992	703,217	745,472	788,784	3,272,224
County Work Order Funds to DPH	1,828,059	2,750,267	2,792,874	2,836,546	2,881,310	13,089,056
<i>Total Sources of Funds</i>	<i>\$3,281,452</i>	<i>\$4,958,823</i>	<i>\$5,042,655</i>	<i>\$5,128,582</i>	<i>\$5,216,658</i>	<i>\$23,628,170</i>
Contingency (12%)	-	595,059	605,119	615,430	625,999	2,441,606
<b>Total</b>	<b>\$3,281,451</b>	<b>\$5,553,882</b>	<b>\$5,647,774</b>	<b>\$5,744,012</b>	<b>\$5,842,658</b>	<b>\$26,069,776</b>
<b>USES</b>						
Children's Outpatient	\$869,662	\$1,293,486	\$1,334,683	1,371,449	1,409,135	6,278,415
Children Wellness Centers	1,548,208	2,314,557	2,364,345	2,407,078	2,450,883	11,085,071
High Quality Childcare Initiative	863,581	1,254,748	1,259,795	1,264,127	1,268,565	5,910,816
CODB	-	96,032	83,832	85,928	88,076	353,868
<i>Total Uses of Funds</i>	<i>\$3,281,451</i>	<i>\$4,958,823</i>	<i>\$5,042,655</i>	<i>\$5,128,582</i>	<i>\$5,216,659</i>	<i>\$23,628,170</i>
Contingency (12%)		595,059	605,119	615,430	625,999	2,441,606
<b>Total<sup>17</sup></b>	<b>\$3,281,451</b>	<b>\$5,553,882</b>	<b>\$5,647,774</b>	<b>\$5,744,012</b>	<b>\$5,842,658</b>	<b>\$26,069,776</b>

<sup>15</sup> The existing agreement for FY 2018-19 through FY 2019-20 is \$9,679,205 however DPH expects to spend \$8,835,333 over that period. The remainder of \$843,873 is budgeted for the following three fiscal years.

<sup>16</sup> Ms. Ruggels states that while the RAMS-CYF contract received a CODB allocation of 2.5 percent in FY 2018-19 in the amount of \$66,580, (\$33,494 in General Fund CODB and \$33,086 in Work Order CODB), this amount is not reflected in the subject table in the CODB line-item. Instead, these funds have been allocated so the budget presented for each program in FY 2018-19 incorporates the FY 2018-19 CODB allocation.

<sup>17</sup> According to Ms. Ruggels, there was a reduction of funding in FY 2018-19 in the amount of \$1,613,513 from the full NTE Amount request. That is because that amount, while part of the full funding expended for the fiscal year, was paid for via an interim contract and therefore was not included in the proposed contract amount. DPH experienced a transition phase in FY 2017-18, during which time existing Behavioral Health Services (BHS) were subject to multiple solicitations to continue contracted services. To prevent a gap between the expiration of the existing contract and its ongoing services, and the continuation of these services under a new contract, many vendors received an interim contract for the period of January 1, 2018 – 12/31/18. At the same time, new and ongoing contracts were effective July 1, 2018, thereby replacing the interim contract. If the existing vendor was awarded the services via the applicable solicitation, then this vendor would have had both an interim contract and a new contract with a six month overlap period between 7/1/18 and 12/31/18 of the FY 2018-19 term. In some instances, including for the subject contract, the vendor was paid during this period utilizing the authority of the interim contract, and not the subject contract. As such, the value paid for via the interim contract for the first six

**Expiration of Solicitation Authorization**

DPH included proposed ongoing funding for two programs for adults and older adults in FY 2021-22 and FY 2022-23 that are subject to new solicitations to continue after June 30, 2021. This includes the solicitation for vocational rehabilitation employment and training services (RFQ 11-2015) and peer to peer employment and peer specialist mental health certificate (RFP 18-2014). Consequently, the Budget and Legislative Analyst Office recommends removing the funding for the two-year period following the expiration of the solicitation authorization period for the following services:

- 1) Outpatient Peer Counseling Services: \$50,562 in FY 2021-22 and FY 2022-23 for a total of \$101,124
- 2) Employment Development Program: \$133,649 in FY 2021-22 and FY 2022-23 for a total of \$267,298

The total reduction for both programs would be \$412,633, which includes a reduction of \$44,211 to adjust the proposed contract contingency amount (\$2,291,101 to \$2,246,890). Consequently, the Budget and Legislative Analyst Office recommends amending File 20-0164 to reduce the proposed not to exceed amount from \$23,880,457 to \$23,467,824, a reduction of \$412,633, to ensure that programmatic funding does not extend beyond the period authorized by the enabling solicitations. This amendment will also reduce the proposed increase of \$13,885,229 between the current contract and the proposed contract to an increase of \$13,472,596.

**RECOMMENDATIONS**

1. Amend the resolution in File 20-0164 to reduce the proposed not to exceed amount by \$412,633 from \$23,880,457 to \$23,467,824 and reduce the proposed increase of \$13,885,229 to \$13,472,596.
2. Approve the resolution in File 20-0164, as amended.
3. Approve File 20-0165.

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months of FY 2018-19 has been removed from the proposed Not to Exceed Amount of the proposed contract amendment.

<b>Items 10 and 11</b> <b>Files 20-0296 and 20-0297</b>	<b>Department:</b> Treasurer-Tax Collector
<b>EXECUTIVE SUMMARY</b>	
<p style="text-align: center;"><b>Legislative Objectives</b></p> <ul style="list-style-type: none"> <li>• <u>File 20-0296</u>: The proposed ordinance would authorize the Treasurer to either (1) secure a short-term line of credit in an amount not to exceed \$20,000,000, or (2) partner with financial institutions to provide short-term loans to small businesses in San Francisco.</li> <li>• <u>File 20-0297</u>: The proposed ordinance would appropriate \$20 million in short-term loan proceeds and \$600,000 from the General Reserve, totaling \$20.6 million. Section 4 of the proposed ordinance provides for an additional appropriation of \$20 million from the General Reserve to provide for loan repayment in the event that the small business borrowers default on loan repayments. Section 4 further authorizes the Controller to reduce the \$20 million General Reserve appropriation by June 30, 2021 based on the actual default experience.</li> </ul> <p style="text-align: center;"><b>Key Points</b></p> <ul style="list-style-type: none"> <li>• File 20-0296 provides criteria for the proposed short-term loan program for which the City would (a) either borrow money or facilitate borrowing and (b) lend or facilitate lending to San Francisco small businesses that meet all three of the following requirements: (1) have a business registration issued by the Treasurer-Tax Collector, (2) no more than \$1.1 million in annual gross receipts, and (3) the business is subject to a business license fee billed on the Unified License bill by the Treasurer-Tax Collector and has paid its annual business license fees in full. Amendments to this item pending before the Board of Supervisors would increase the gross receipts cap to \$2.5 million.</li> <li>• The loans would be unsecured and provided on a one-time and an interest-free basis at maximum of \$15,000 per business and a term no longer than one year. The loans may be used to fund up to three months fixed operating costs. If borrowers default on loan repayment, the City would have to repay the lending institution that provided the funds for the program.</li> </ul> <p style="text-align: center;"><b>Fiscal Impact</b></p> <ul style="list-style-type: none"> <li>• File 20-0297 would appropriate \$20 million in loan proceeds for the proposed loan program. In addition, File 20-0297 would appropriate \$20.6 million from the General Reserve to (a) pay for an estimated \$300,000 in borrowing costs, (b) pay for an estimated \$300,000 in Treasurer-Tax Collector administrative costs, which may include addition staff, and (c) to fund a reserve account of \$20 million to repay the City's short-term debt related to this program if borrowers default.</li> </ul> <p style="text-align: center;"><b>Policy Consideration</b></p> <ul style="list-style-type: none"> <li>• Administrative Code Section 10.60 (b) provides for a General Reserve equal to 2.75 percent of budgeted General Fund revenues in FY 2019-20. However, the Board of Supervisors may suspend this provision following a declaration of an emergency due to a natural disaster. As of June 30, 2019, the General Reserve fund balance was \$130.9 million.</li> </ul> <p style="text-align: center;"><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>• Approval of the proposed ordinances is a policy matter for the Board of Supervisors.</li> </ul>	

## MANDATE STATEMENT

City Charter Section 9.105 states that amendments to the Annual Appropriations Ordinance, after the Controller certifies the availability of funds, are subject to Board of Supervisors approval by ordinance.

City Charter Section 9.113(e) states that the Board of Supervisors may borrow money by short-term debt instruments in the manner provided by state law or City ordinance.

## BACKGROUND

The Corona Virus 2019 Disease (COVID-19) has prompted public authorities around the world to impose restrictions on travel and group gatherings to prevent the spread of the disease. On March 16, 2020, and in conjunction with five Bay Area County Health Officers, the San Francisco Health Officer issued Order C19-07, generally requiring, among other things, residents to remain at home. While necessary to maintain public health, these restrictions have imposed economic costs to businesses.

## DETAILS OF PROPOSED LEGISLATION

File 20-0296: The proposed ordinance would authorize the Treasurer to either (1) secure a short-term line of credit in an amount not to exceed \$20,000,000 to fund a short-term loan program for San Francisco businesses, or (2) pursue opportunities with one or more financial institutions to provide short-term loans to small businesses in San Francisco. The details of the loan program are described below.

File 20-0297: The proposed ordinance would appropriate \$20 million in short-term loan proceeds and \$600,000 from the General Reserve, totaling \$20.6 million. Section 4 of the proposed ordinance provides for an additional appropriation of \$20 million from the General Reserve to provide for loan repayment in the event that the small business borrowers default on loan repayments. Section 4 further authorizes the Controller to reduce the \$20 million General Reserve appropriation by June 30, 2021 based on the actual default experience.

### **Short-term Loan Program for Small Businesses**

File 20-0296 provides criteria for the proposed short-term loan program for which the City would (a) either borrow money or facilitate borrowing and (b) lend or facilitate lending to San Francisco small businesses that meet all three of the following requirements:

1. The business has a business registration issued by the Treasurer-Tax Collector, as required by Article 12 of the Business and Tax Regulations Code
2. The business has no more than \$1.1 million in gross receipts (Amendments to this item pending before the Board of Supervisors would increase the gross receipts cap to \$2.5 million.)
3. The business has paid its annual business license fees, as required by Section 76.1 of Article 2 of the Business and Tax Regulations Code



File 20-0296 requires that the loans be unsecured and provided on a one-time and an interest-free basis. Each loan has a maximum amount of \$15,000 per business and a term no longer than one year. The loans may be used to fund up to three months of “rent, mortgage, or other fixed operating costs.”

If borrowers default on their loans, the City would have to repay the lending institution that provided the funds for the program.

According to Ms. Tajel Shah, Chief Assistant Treasurer at the Treasurer-Tax Collector, the Department is still in the process of identifying a lender and developing an application process for potential borrowers.

**FISCAL IMPACT**

Table 1 below shows the sources and uses of the proposed loan program.

**Table 1: Sources and Uses of Proposed Appropriation for the Loan Program**

<b>Sources</b>	<b>Amount</b>
Loan Proceeds	\$20,000,000
General Reserve	20,600,000
<b>Total Sources</b>	<b>\$40,600,000</b>

<b>Uses</b>	<b>Amount</b>
Loan Program	\$20,000,000
Reserve for Borrower Default	20,000,000
Borrowing Costs	300,000
Administrative Costs	300,000
<b>Total Uses</b>	<b>\$40,600,000</b>

Source: File 20-0297

As shown above, the File 20-0297 would appropriate \$20 million in loan proceeds for the proposed loan program. In addition, File 20-0297 would appropriate \$20.6 million from the General Reserve to (a) pay for an estimated \$300,000 in borrowing costs, (b) pay for an estimated \$300,000 in Treasurer-Tax Collector administrative costs, which may include addition staff, and (c) to fund a reserve account of \$20 million to repay the City’s short-term debt related to this program if borrowers default.

Interest Payments

Under the proposed ordinance, eligible small businesses would be issued loans of up to \$15,000 over one year at no interest. According to Ms. Shah, because the short-term line of credit to be obtained by the City under the proposed ordinance (File 20-0296) would accrue interest and have other borrowing costs, the City would be liable for interest payments and borrowing costs to be paid from the General Reserve appropriation.

*General Reserve Appropriation*

Under File 20-0297, the Controller is authorized, without further Board of Supervisors' approval, to reduce the \$20 million reserve account by June 30, 2021, given the actual defaults in the program through that time.

**POLICY CONSIDERATION**

Administrative Code Section 10.60 (b) provides for a General Reserve equal to 2.75 percent of budgeted General Fund revenues in FY 2019-20. If the General Reserve is drawn down, the Administrative Code provides for appropriation of sufficient funds in the Annual Appropriation Ordinance to restore the required funding level. However, the Board of Supervisors may suspend this provision following a declaration of an emergency due to a natural disaster.

As of June 30, 2019, the General Reserve fund balance was \$130.9 million.

**RECOMMENDATION**

Approval of the proposed ordinances is a policy matter for the Board of Supervisors.