


**CITY AND COUNTY OF SAN FRANCISCO**

**BOARD OF SUPERVISORS**

**BUDGET AND LEGISLATIVE ANALYST**

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May 23, 2023

**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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| <b>Item 6</b><br><b>File 23-0572</b>  | <b>Department:</b><br>Department of Public Health (DPH) |
| <b>EXECUTIVE SUMMARY</b>  |   |
| <p><b>Legislative Objectives</b></p> <ul style="list-style-type: none"> <li>• The proposed resolution would approve Amendment No. 3 to the substance use disorder and mental health services contract between the Department of Public Health (DPH) and Community Forward SF Inc. (Community Forward), extending the term by two years through June 2025, and increasing the not-to-exceed amount by \$8,698,042, for a total not to exceed \$22,298,042.</li> </ul> <p><b>Key Points</b></p> <ul style="list-style-type: none"> <li>• Following two Requests for Proposals (RFPs), DPH entered into a contract with CATS (now Community Forward) for a four-year term from July 2018 through June 2022 and a total not to exceed \$9,548,108. In June 2022, the Board of Supervisors approved Amendment No. 1 to the contract, extending the term by one year through June 2023, and increasing the not-to-exceed amount by \$3,551,892, for a total not to exceed \$13,100,000.</li> <li>• Under the contract, Community Forward provides the following services: (1) A Women’s Place Wellness and Recovery, (2) A Women’s Place Behavioral Mental Health Outpatient Program, and (3) A Women’s Place Drop-In Center. The landlord of 211 13<sup>th</sup> Street, where the Drop-In Center is located, has allowed Community Forward to remain at the location until December 31, 2023, but the location beyond that date is still under discussion. DPH is requesting a two-year extension to allow Community Forward to identify a long-term location for the program before extending the contract further.</li> </ul> <p><b>Fiscal Impact</b></p> <ul style="list-style-type: none"> <li>• Annual spending is approximately \$4.3 million in FY 2023-24, funded eight percent by federal sources, 16 percent by state sources, and 75 percent by the City’s General Fund.</li> <li>• In FY 2022-23, the Board of Supervisors included General Fund add-back funding of \$1.5 million that was used to fund the contract. DPH is proposing to maintain the \$1.5 million annual enhancement in the contract to pay for expected higher lease costs and 15 additional shelter beds. DPH has applied for a State Behavioral Health Bridge Grant from the Department of Health Care Services to cover a portion of this amount. Assuming the state grant is awarded, the contract budget for the proposed two-year extension period would be funded approximately eight percent by federal sources, 16 percent by state sources, and 75 percent by the City’s General Fund. If the grant is not awarded, then approximately 92 percent would be funded by the City’s General Fund.</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 2016 and 2017, the Department of Public Health (DPH) issued Requests for Proposals (RFPs) for outpatient, residential, and opioid treatment programs (RFP 26-2016) and outpatient mental health and supportive housing services (RFP 8-2017). Based on responses to the RFPs, DPH awarded a contract to Community Forward (formerly known as Community Awareness and Treatment Services, or CATS) for a term of four years from July 2018 through June 2022 and an amount not to exceed \$9,548,108.

As DPH was preparing to extend the contract in 2022, the new owner of 211 13<sup>th</sup> Street announced that Community Forward's lease for A Women's Place Drop-In program would end on June 30, 2022. DPH decided to extend the contract for one year while Community Forward sorted out the location for the program. In June 2022, the Board of Supervisors approved Amendment No. 1 to the contract, extending the term by one year through June 2023, and increasing the not-to-exceed amount by \$3,551,892, for a total not to exceed \$13,100,000 (File 22-0443). According to Michelle Ruggels, DPH Business Office Director, the landlord has allowed Community Forward to remain at the location until December 31, 2023, but the location beyond that date is still under discussion. Although the RFPs authorize contracts with total terms up to 10 years, DPH is requesting a two-year extension (bringing the total term to seven years) to allow Community Forward to identify a long-term location for the program before extending the contract further.

## DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve Amendment No. 2 to the substance use disorder and mental health services contract between DPH and Community Forward, extending the term by two years through June 2025, and increasing the not-to-exceed amount by \$8,698,042, for a total not to exceed \$22,298,042. The proposed resolution would also authorize DPH to enter into further immaterial amendments to the contract.

Under the contract, Community Forward Provides the following services:

1. A Women's Place Wellness and Recovery (Located at 1049 Howard Street): Provides shelter and dorm-style transitional housing (6 to 12 months) with on-site support services for homeless women who may have co-occurring disorders, histories of substance use, or are survivors of violence. Emphasis is on women at serious risk, living in or around the Tenderloin, South of Market, and Mission Districts. (110 clients per year).
2. A Women's Place Behavioral Mental Health Outpatient Program (Located at 1049 Howard Street): Outpatient mental health program targeted to homeless women, with linkages

to primary care, case management, residential substance abuse, and HIV transitional housing and care. Clients who consent to outpatient mental health services while residing at A Women’s Place are enrolled into this program and will receive a minimum of one individual therapy session and three group sessions per week. (157 clients per year).

3. A Women’s Place Drop-In Center (located at 211 13<sup>th</sup> Street): Drop-in behavioral health service program with a harm reduction approach for homeless women. Provides stabilization, support services, and linkages to mental health care, case management, primary care, residential services, residential substance use treatment, and HIV transitional housing and care. (460 clients per year). As mentioned above, a location for this program beyond December 2023 has not been finalized.

Between the three programs, DPH estimates that Community Forward serves approximately 727 unduplicated clients per year. The contract funds approximately 26.78 full-time equivalent (FTE) employees, including indirect administrative positions.

### **Performance and Fiscal Monitoring**

FY 2020-21 program monitoring indicated that Community Forward generally met its contracted performance objectives and units of service and that no plan of action was required. FY 2021-22 program monitoring is underway but has not been completed. However, interim data from DPH’s cost settlement report indicated that Community Forward met 100 percent of its contracted units of service for A Woman’s Place, but only 68 percent for the Mental Health Outpatient Program and 75 percent for the Drop-In Center in FY 2021-22. According to Director Ruggels, it is generally attributed to the fact that both locations were closed in FY 2021-22 as a result of the pandemic, and the staff were reassigned to work and support Community Forward to operate Shelter-In-Place (SIP) hotels.

DPH reviewed Community Forward’s financial documents and has rated it a “low risk” agency. Although Community Forward has low operating reserves, it has had cumulative positive net income over the past eight years, a working capital ratio above 1.0, and access to an additional line of credit if needed.

### **FISCAL IMPACT**

The proposed Amendment No. 2 would increase the not-to-exceed amount of the contract by \$8,698,042, for a total not to exceed \$22,298,042.

According to Director Ruggels, the Board of Supervisors included General Fund add-back funding of \$1.5 million for services and operation of a drop-in service for women that was budgeted in this contract to pay for client-centered equipment and renovations, staffing, and building security with funding spread between both locations. While the funding was allocated to the Department as one-time funding, DPH is proposing to maintain this \$1.5 million annually in the contract to pay for expected higher lease costs and 15 additional shelter beds (doubling the unduplicated clients from 55 to 110, as noted above).

DPH has applied for a State Behavioral Health Bridge Grant from the Department of Health Care Services to cover a portion of this amount, or specifically to support additional transitional slots

at A Woman’s Place Wellness and Recovery, with the remainder to be funded by the General Fund. The State Bridge Grant is noncompetitive and DPH expects to receive it. However, if the grant is not awarded, DPH would backfill the funding with the General Fund.

The estimated annual sources and uses of funds for the two-year contract extension term are shown in Exhibit 1 below.

**Exhibit 1: Estimated Sources and Uses of Funds**

| <b>Sources</b>       | <b>FY 2023-24</b>  | <b>FY 2024-25</b>  | <b>Total</b>       |
|----------------------|--------------------|--------------------|--------------------|
| Federal Funds        | \$357,622          | \$357,622          | \$715,244          |
| State Funds          | 607,487            | 831,204            | 1,438,691          |
| City General Fund    | 3,339,988          | 3,228,475          | 6,568,463          |
| <b>Total Sources</b> | <b>\$4,305,097</b> | <b>\$4,417,301</b> | <b>\$8,722,398</b> |

| <b>Uses</b>   | <b>FY 2023-24</b>  | <b>FY 2024-25</b>  | <b>Total</b>        |
|---|--------------------|--------------------|---------------------|
| Shelter/Transitional Housing Program                  | \$1,082,541        | \$1,082,541        | \$2,165,082         |
| Mental Health Program                                 | 1,004,871          | 1,004,871          | 2,009,742           |
| Drop-In Center  | 1,728,186          | 1,728,186          | 3,456,372           |
| Cost of Doing Business                                | 188,953            | 289,135            | 478,088             |
| <i>Subtotal</i>                                       | <i>\$4,004,551</i> | <i>\$4,104,733</i> | <i>\$8,109,284</i>  |
| Contingency (12%) <sup>1</sup>                        | 300,546            | 312,568            | 613,114             |
| <b>Total Uses</b>                                     | <b>\$4,305,097</b> | <b>\$4,417,301</b> | <b>\$8,722,398</b>  |
| Actual Expenditures (through FY 2022-23) <sup>2</sup> |                    |                    | 13,575,644          |
| <b>Total Not-to-Exceed</b>                            |                    |                    | <b>\$22,298,042</b> |

Source: DPH. Assumes award of State Bridge Grant.

Note: The budget detail presented above differs from Appendix B of the proposed amendment because the program budget has been revised since introduction of the proposed resolution.

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

Assuming the state grant is awarded, the contract budget for the proposed two-year extension period would be funded approximately eight percent by federal sources, 16 percent by state sources, and 75 percent by the City’s General Fund. If the grant is not awarded, then approximately 92 percent would be funded by the City’s General Fund.

**RECOMMENDATION**

Approve the proposed resolution.

<sup>1</sup> The contingency is 12 percent on the contract budget, excluding the \$1.5 million annual enhancement.

<sup>2</sup> This amount includes actual expenditures through FY 2021-22 and projected expenditures for FY 2022-23.