

# CITY AND COUNTY OF SAN FRANCISCO

## BOARD OF SUPERVISORS

### BUDGET AND LEGISLATIVE ANALYST

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March 4, 2022

**TO:** Budget and Finance Committee

**FROM:** Budget and Legislative Analyst

**SUBJECT:** March 9, 2022 Budget and Finance Committee Meeting



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<b>Item 1</b> <b>File 22-0129</b> <i>(Continued from 3/2/22)</i>	<b>Department:</b> San Francisco Municipal Transportation Agency (SFMTA)
<b>EXECUTIVE SUMMARY</b>	
<b>Legislative Objectives</b>	
<ul style="list-style-type: none"><li>The proposed ordinance appropriates \$554,000 from the General Reserve to the SFMTA to support free parking in the Portsmouth Square Garage and free Muni in February of FY 2021-22.</li></ul>	
<b>Key Points</b>	
<ul style="list-style-type: none"><li>The SFMTA Board of Directors approved two hours of free parking at Portsmouth Square Parking Garage from February 5, 2022 through February 28, 2022 in commemoration of Chinese New Year. According to SFMTA, the actual reduction in revenues due to the provision of two hours of free parking at Portsmouth Square Parking Garage was \$180,104.</li><li>In addition, SFMTA offered free Muni for two days for Lunar New Year Parade Day and following day. According to an email from the Director of Transportation, the cost of Muni operations for those two days was \$354,000.</li></ul>	
<b>Fiscal Impact</b>	
<ul style="list-style-type: none"><li>If the Board of Supervisors approves the \$554,000 appropriation from the General Reserve to offset the revenue loss at Portsmouth Square Garage and two days of free Muni, the General Reserve balance would be reduced from approximately \$72.1 million to approximately \$71.5 million. In addition, pending before the Board of Supervisors is an appropriation from the General Reserve of \$14.6 million to fund overtime in the Fire Department (File 22-0079), which if approved would further reduce the General Reserve balance to approximately \$56.9 million. Draws on the General Reserve in the current year require the General Reserve to be replenished by a like amount in the budget year.</li></ul>	
<b>Recommendation</b>	
<ul style="list-style-type: none"><li>Approval of the proposed ordinance as amended 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.

**BACKGROUND**

Portsmouth Square Parking Garage is a public parking garage located at 733 Kearny Street in Chinatown and owned by the San Francisco Municipal Transportation Agency (SFMTA). The garage is operated under an agreement between SFMTA and IMCO Parking, LLC. The parking garage has 456 vehicle parking spaces and is open daily from 5:00 am to midnight. Parking fees consist of an hourly rate of \$4 prior to 5:00 pm and a maximum evening rate after 5:00 pm of \$8. The parking garage also offers monthly rates and special event rates.

The SFMTA Board of Directors approved two hours of free parking at Portsmouth Square Parking Garage from February 5, 2022 through February 28, 2022 in commemoration of Chinese New Year.

In addition, SFMTA offered free Muni for two days for Lunar New Year Parade Day and the following day. According to an email from the Director of Transportation, the cost of Muni operations for those two days was \$354,000.

**DETAILS OF PROPOSED LEGISLATION**

The proposed ordinance appropriates \$554,000 from the General Reserve to the SFMTA to support free parking in the Portsmouth Square Garage and two days of free Muni in February of FY 2021-22.

**FISCAL IMPACT**

According to SFMTA, the actual reduction in revenues due to the provision of two hours of free parking at Portsmouth Square Parking Garage was \$180,104 and \$354,000 for two days of free Muni. The proposed ordinance provides \$554,000 for SFMTA to cover the cost of both the free parking at Portsmouth Square and free Muni, including approximately \$20,000 buffer to cover unexpected costs such as higher than estimated revenue losses.

**POLICY CONSIDERATION****General Reserve**

Administrative Code Section 10.60 requires the City to budget a General Reserve of at least 3.0 percent of General Fund revenues to address revenue weakness, excess spending, or other needs not anticipated during the annual budget process. The balance requirement is reduced to 1.5 percent of General Fund revenues if the City withdraws from the Rainy Day Reserve and then

increases 0.25 percent per year until the 3.0 percent balance requirement is full restored. According to the Controller's FY 2021-22 Six-Month Budget Status Report, the projected ending balance for the FY 2021-22 General Reserve is \$72.1 million, including a required \$3.1 million deposit during the year and uses of \$9.4 million for previously approved supplemental appropriations.<sup>1</sup>

If the Board of Supervisors approves the \$554,000 million appropriation from the General Reserve to offset the revenue loss at Portsmouth Square Garage, the General Reserve balance would be reduced to approximately \$71.5 million. In addition, pending before the Board of Supervisors is an appropriation from the General Reserve of \$14.6 million to fund overtime in the Fire Department (File 22-0079), which if approved would further reduce the General Reserve balance to \$56.9 million. Draws on the General Reserve in the current year require the General Reserve to be replenished by a like amount in the budget year.

### RECOMMENDATION

Approval of the proposed ordinance as amended is a policy matter for the Board of Supervisors.

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<sup>1</sup> The Board of Supervisors approved two supplemental appropriations using \$9.4 million of the General Reserve for paramedic staffing and election expenses (Files 21-1173 and 21-1174).

<b>Items 3 &amp; 4</b> Files 22-0122, 22-0123	<b>Department:</b> Human Services Agency (HSA)
<b>EXECUTIVE SUMMARY</b>	
<b>Legislative Objectives</b>	
<ul style="list-style-type: none"><li>The proposed resolutions would approve the following modifications to the Human Services Agency's grant agreements for Early Care and Education Integrated Services: (1) the second modification to the grant agreement with Children's Council of San Francisco, increasing the not-to-exceed amount by \$17,680,287, for a total not to exceed amount of \$393,732,732 (File 22-0122); and (2) the third modification to the grant agreement with Wu Yee Children's Services, increasing the not-to-exceed amount by \$5,234,074, for a total not to exceed amount of \$81,044,162 (File 22-0123). Neither modification would change the grant term period of July 2017 through June 2022.</li></ul>	
<b>Key Points</b>	
<ul style="list-style-type: none"><li>In June 2017, the Board of Supervisors approved three-year grant agreements with Children's Council and Wu Yee. Both agreements have since been extended through June 2022. Grant expenditures have accelerated in FY 2021-22 due to the availability of Proposition C funds and HSA has agreed to modifications that increase grant expenditures in FY 2021-22.</li><li>Under the grant agreements, the grantees provide childcare subsidies, teacher stipends, and administrative services. In FY 2021-22, Children's Council and Wu Yee are providing subsidies to approximately 4,344 unduplicated families with an average subsidy of \$23,265. Children's Council is providing stipends to approximately 2,256 teachers with an average stipend amount of \$7,760.</li></ul>	
<b>Fiscal Impact</b>	
<ul style="list-style-type: none"><li>The proposed modifications would increase the grant amounts with the Children's Council by \$17,680,287 and with Wu Yee by \$5,234,074, for a total increase of \$22,914,361. Approximately 91 percent of grant funds are a direct client pass-through to subsidize childcare for families and workers.</li><li>Approximately 88 percent of total expenditures are funded by City funds, and approximately 12 percent of expenditures are funded by state and federal funds. The increased amount in FY 2021-22 would be funded by Proposition C funds.</li></ul>	
<b>Recommendation</b>	
<ul style="list-style-type: none"><li>Approve the proposed resolutions.</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 2012, the San Francisco Office of Early Care and Education (OECE) was created to coordinate programs and funding streams to provide high-quality early education for children ages zero to five. The San Francisco Citywide Plan for Early Care and Education set out recommendations for the following categories: (1) birth-to-five approach; (2) racial equity and diversity; (3) quality improvement; (4) family engagement; (5) professional development and workforce; and (6) financing models.

In January 2017, OECE, in partnership with the Human Services Agency (HSA), issued a Request for Proposals (RFP) to support the implementation of the Citywide Plan for Early Care and Education by administering Federal, State, and local childcare subsidy programs. The Children's Council of San Francisco (Children's Council) and Wu Yee Children's Services (Wu Yee) were the two proposers to the RFP, and an evaluation panel recommended awarding grant agreements to both proposers.

In June 2017, the Board of Supervisors approved (1) a grant agreement with Children's Council for an amount not to exceed \$204,233,857<sup>1</sup> (File 17-0589), and (2) a grant agreement with Wu Yee for an amount not to exceed \$31,322,180 (File 17-0590). Each grant agreement had an initial term of three years, from July 2017 through June 2020, and a two-year option to extend through June 2022. In June 2019, the Board of Supervisors approved the first modification to the grant agreement with Wu Yee, increasing the not-to-exceed amount to \$39,559,034 (File 19-0456). In January 2020, the Board of Supervisors approved (1) the first modification to the grant agreement with Children's Council, increasing the not-to-exceed amount to \$376,052,445 (File 19-1240), and (2) the second modification to the grant agreement with Wu Yee, increasing the not-to-exceed amount to \$75,810,088. Both modifications executed the two-year options to extend through June 2022.

According to Michael De Leon, HSA Senior Administrative Analyst, grant expenditures have accelerated in FY 2021-22 due to the availability of Proposition C funds.<sup>2</sup> HSA has agreed to grant agreement modifications with Children's Council and Wu Yee to increase grant expenditures in FY 2021-22. HSA issued a new RFP in October 2021 and is currently in negotiations with potential service providers.

<sup>1</sup> The amount of the executed grant agreement with San Francisco Children's Council was not to exceed \$197,641,712, due to negotiated changes between HSA and the provider.

<sup>2</sup> Proposition C, also known as "Baby Prop C," is a commercial rent tax passed by San Francisco voters in June 2018 that allocated 85 percent of revenues to early childhood education and childcare programs and 15 percent of revenues to the City's General Fund. Proposition C revenues were withheld until April 2021 due to ongoing litigation.

**DETAILS OF PROPOSED LEGISLATION**

The proposed resolutions would approve the following modifications to HSA's grant agreements for Early Care and Education Integrated Services: (1) the second modification to the grant agreement with Children's Council, increasing the not-to-exceed amount by \$17,680,287, for a total not to exceed amount of \$393,732,732 (File 22-0122); and (2) the third modification to the grant agreement with Wu Yee, increasing the not-to-exceed amount by \$5,234,074, for a total not to exceed amount of \$81,044,162 (File 22-0123). Neither modification would change the grant term period of July 2017 through June 2022.

**Details of Services***Family Subsidies*

The grant agreements provide childcare subsidies to eligible families. In FY 2021-22, Children's Council and Wu Yee are providing subsidies to approximately 4,344 unduplicated families, which is an increase above the 4,011 families that received subsidies in FY 2020-21. To be eligible for subsidies, families must earn at or less than 85 percent of State Median Income (SMI), but remain eligible until they earn above 110 percent of the Area Median Income (AMI). The providers maintain eligibility lists that are used to identify most of the subsidy recipients.

In FY 2021-22 the average family subsidy amount is approximately \$23,265. Eligible families may be reimbursed annually up to \$28,080 for infants (0-2 years old), \$24,820 for toddlers (2-3 years old), and \$21,576 for pre-kindergarten (3-5 years old). According to HSA Senior Administrative Analyst De Leon, the number of recipients declined from approximately 5,163 families in FY 2018-19 due to the COVID-19 pandemic and reduced enrollments in childcare programs. With Proposition C funding, HSA is able to provide larger subsidies to each family that cover a full year of childcare costs.

*Teacher Stipends*

In FY 2021-22, Children's Council is providing stipends to 2,256 teachers with an average stipend amount of \$7,760. This is an increase from FY 2020-21, in which 2,387 teachers received subsidies of \$7,034, on average, and from FY 2018-19, when 2,176 workers received subsidies of \$3,260. To be eligible for stipends, teachers must be employed by an eligible Early Learning Scholarship (ELS) or Preschool for All (PFA) program for at least 20 hours per week and need to submit a W-9 form for payment. Applicants must submit an application each round (spring and fall) through the California Early Care and Education (CA ECE) Workforce Registry. Recipients for spring 2022 have already been selected.

Exhibit 1 below shows the FY 2021-22 direct client spending on family subsidies and teacher stipends.

**Exhibit 1: Direct Spending**

<b>FY 2021-22</b>	<b>Children's Council</b>	<b>Wu Yee</b>	<b>Total</b>
Child Enrollment Funding	\$71,558,829	20,738,761	\$92,297,590
Workforce Compensation	\$25,000,000	0	25,000,000
<b>Total</b>	<b>\$96,558,829</b>	<b>\$20,738,761</b>	<b>\$117,297,590</b>

Source: HSA

*Administrative Services*

In addition, both grantees provide administrative services related to family subsidies, including informing parents of federal, state, and local assistance with childcare reimbursements through outreach and engagement, overseeing client eligibility and enrollment, overseeing childcare provider services, rate setting for subsidy payments according to state and local policies, administering and issuing provider payments, administering background clearances of license-exempt childcare providers, and tracking and reporting on utilization.

**Performance Monitoring**

Performance Monitoring reports for FY 2020-21 show that both grantees are generally meeting their performance metrics.

**FISCAL IMPACT**

The proposed modifications would increase the grant amounts with the Children's Council by \$17,680,287 and with Wu Yee by \$5,234,074, for a total increase of \$22,914,361. Exhibits 2 and 3 below show actual and projected expenditures for each grantee.

**Exhibit 2: Actual and Projected Expenditures for Children's Council Grant**

	<b>FY 2017-18 (Actual)</b>	<b>FY 2018-19 (Actual)</b>	<b>FY 2019-20 (Actual)</b>	<b>FY 2020-21 (Actual)</b>	<b>FY 2021-22 (Projected)</b>	<b>Total</b>
Salaries & Benefits	\$3,691,785	\$4,371,533	\$4,647,643	\$4,243,800	\$4,428,289	\$21,383,049
Operating Expenses	1,263,494	1,704,132	1,575,328	1,834,966	2,444,857	8,822,777
Indirect Costs	564,186	685,398	694,178	791,873	992,608	3,728,243
Capital Expenditure	796	8,215	34,220	-	-	43,230
<i>Subtotal w/o Pass-Through</i>	<i>\$5,520,260</i>	<i>\$6,769,278</i>	<i>\$6,951,368</i>	<i>\$6,870,640</i>	<i>\$7,865,754</i>	<i>\$33,977,299</i>
Direct Client Pass-Through	47,851,446	51,508,595	71,709,434	73,188,161	104,282,928	348,540,564
<i>Subtotal</i>	<i>\$53,371,706</i>	<i>\$58,277,873</i>	<i>\$78,660,802</i>	<i>\$80,058,801</i>	<i>\$112,148,682</i>	<i>\$382,517,863</i>
Contingency (10%)	-	-	-	-	11,214,869	11,214,869
<b>Total Expenditures</b>	<b>\$53,371,706</b>	<b>\$58,277,873</b>	<b>\$78,660,802</b>	<b>\$80,058,801</b>	<b>\$123,363,551</b>	<b>\$393,732,732</b>

Source: HSA

**Exhibit 3: Actual and Projected Expenditures for Wu Yee Grant**

	FY 2017-18 (Actual)	FY 2018-19 (Actual)	FY 2019-20 (Actual)	FY 2020-21 (Actual)	FY 2021-22 (Projected)	Total
Salaries & Benefits	\$993,264	\$1,205,643	\$1,352,463	\$1,372,064	\$1,791,598	\$6,715,032
Operating Expenses	321,031	224,901	373,959	157,050	329,063	1,406,004
Indirect Costs	200,468	214,906	243,127	230,482	318,099	1,207,083
Capital Expenditure	12,410	-	-	-	-	12,410
<i>Subtotal w/o Pass-Through</i>	<i>\$1,527,173</i>	<i>\$1,645,450</i>	<i>\$1,969,549</i>	<i>\$1,759,596</i>	<i>\$2,438,760</i>	<i>\$9,340,529</i>
Direct Client Pass-Through	9,625,454	11,085,079	13,883,687	14,052,900	20,738,761	69,385,881
<b>Subtotal</b>	<b>\$11,152,627</b>	<b>\$12,730,529</b>	<b>\$15,853,237</b>	<b>\$15,812,496</b>	<b>\$23,177,521</b>	<b>\$78,726,410</b>
Contingency (10%)	-	-	-	-	2,317,752	2,317,752
<b>Total Expenditures</b>	<b>\$11,152,627</b>	<b>\$12,730,529</b>	<b>\$15,853,237</b>	<b>\$15,812,496</b>	<b>\$25,495,273</b>	<b>\$81,044,162</b>

Source: HSA

As shown above, approximately 91 percent of grant funds are a direct client pass-through. A 10 percent contingency for FY 2021-22 is included in case of unanticipated expenditures. According to HSA Senior Administrative Analyst De Leon, the direct client pass-through amount for Children's Council shown in Exhibit 2 is approximately \$7.6 million greater than the amount shown in Exhibit 1 because it includes fiscal intermediary services performed by Children's Council, which include pass-through state funding for family subsidies. Wu Yee does not perform fiscal intermediary services.

The sources of funds for the grant agreements are shown in Exhibit 4 below.

**Exhibit 4: Sources of Funds for Grant Agreements**

Sources	Children's Council	Wu Yee	Total
General Fund	\$104,073,871	\$37,629,892	\$141,703,763
DCYF Funding	59,881,099	8,878,892	68,759,991
Proposition C	74,482,260	9,290,256	83,772,516
PEEF <sup>3</sup>	89,053,584	21,549,150	110,602,734
<i>City Sources Subtotal</i>	<i>\$327,490,813</i>	<i>77,348,190</i>	<i>404,839,004</i>
Federal/State Sources	55,027,051	1,378,220	56,405,271
<b>Total Sources</b>	<b>\$382,517,864</b>	<b>\$78,726,410</b>	<b>\$461,244,274</b>
Contingency	11,214,869	2,317,752	13,532,621
<b>Total Not-to-Exceed</b>	<b>\$393,732,732</b>	<b>\$81,044,162</b>	<b>\$474,776,894</b>

Approximately 88 percent of expenditures are funded by City funds, and approximately 12 percent of expenditures are funded by state and federal funds. The contingency for FY 2021-22, if needed, would be funded depending on funding sources available. The proposed increase to the grant amounts for the Children's Council by \$17,680,287 and by \$5,234,074 Wu Yee will be funded by Proposition C revenues (commercial rent tax).

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<sup>3</sup> In March 2004, San Francisco voters approved Proposition H, which established the Public Education Enrichment Fund (PEEF) as a General Fund set-aside. In 2014, San Francisco voters approved Proposition C, which reauthorized PEEF through FY 2040-41.

**RECOMMENDATION**

Approve the proposed resolutions.

<b>Item 5</b> <b>File 22-0121</b>	<b>Department:</b> Human Services Agency (HSA)
<b>EXECUTIVE SUMMARY</b>	
<b>Legislative Objectives</b>	
<ul style="list-style-type: none"><li>The proposed resolution would approve the first amendment to the grant agreement between the Human Services Agency (HSA) and Meals on Wheels of San Francisco, extending the grant term by three years through June 2025, and increasing the not-to-exceed amount by \$22,908,619, for a total not to exceed \$31,480,409.</li></ul>	
<b>Key Points</b>	
<ul style="list-style-type: none"><li>In March 2021, HSA issued a Request for Proposals (RFP) for seven nutrition service programs, including Home Delivered Nutrition Services for Older Adults. Meals on Wheels was one of seven proposers that met minimum qualifications, and HSA awarded a grant agreement. Although HSA anticipated that the grant agreement would have a total amount not to exceed \$31,480,409 over four years, HSA executed a one-year grant agreement for an amount not to exceed \$8,571,790 due to uncertainty around the COVID-19 pandemic and available funding sources and the need to provide services immediately.</li><li>Under the grant agreement, Meals on Wheels delivers meals to older San Francisco residents who are frail and homebound due to illness or disability, or are otherwise isolated, lack a support network, and have no safe, healthy alternative for meals. Meals on Wheels is serving approximately 3,600 unduplicated consumers and 1,572,592 meals in Year 1 of the grant agreement. In the subsequent years of the grant, Meals on Wheels will serve approximately 3,200 unduplicated consumers and 1,446,658 meals annually, which is less than Year 1 because supplemental funding for nutrition services in the FY 2021-22 budget is not anticipated in future years.</li></ul>	
<b>Fiscal Impact</b>	
<ul style="list-style-type: none"><li>The proposed first amendment would increase the not-to-exceed amount of the grant agreement by \$22,908,619, for a total not to exceed amount of \$31,480,409.</li><li>The grant agreement is funded approximately 63 percent by the City's General Fund, approximately six percent by State sources, and approximately 22 percent by Federal sources. In addition to HSA's grant, Meals on Wheels anticipates that it will provide approximately \$12,977,195 in program funding through fundraising, project income, and in-kind volunteering, which would subsidize costs by approximately \$2.17 per meal</li></ul>	
<b>Recommendation</b>	
<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 March 2021, the Human Services Agency (HSA) issued a Request for Proposals (RFP) for seven nutrition service programs, including Home Delivered Nutrition Services for Older Adults. HSA received seven proposals for this program and an evaluation panel scored them, as shown in Exhibit 1 below.<sup>1</sup>

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

Proposer	Average Score
Self-Help for the Elderly	85.7
Meals on Wheels of San Francisco	81.7
Kimochi	81.3
On Lok Day Services	79.7
Jewish Family Children's Services	78.3
Centro Latino	75.0
Russian American Community Services	72.7

*Source: HSA*

HSA determined that all seven proposers, including Meals on Wheels, met minimum qualifications and awarded them grant agreements.<sup>2</sup> In August 2021, HSA retroactively executed a grant agreement with Meals on Wheels for a term of one year, from July 2021 through June 2022, and an amount not to exceed \$8,571,790. According to HSA Management, HSA chose to execute a one-year agreement due to uncertainty around the COVID-19 pandemic and available funding sources and the need to provide services immediately. The grant agreement did not require Board of Supervisors approval because it did not exceed 10 years or \$10 million, but HSA anticipated that the grant agreement would have a total amount not to exceed \$31,480,409 over four years.

**DETAILS OF PROPOSED LEGISLATION**

The proposed resolution would approve the first amendment to the grant agreement between HSA and Meals on Wheels for the Home-Delivered Nutrition Services for Older Adults program, extending the grant term by three years through June 2025, and increasing the not-to-exceed amount by \$22,908,619, for a total not to exceed amount of \$31,480,409.

<sup>1</sup> The panel consisted of an Alameda County Senior Nutritionist, a Solano/Contra Costa County Nutrition Consultant, and a retired Ploughshares Fund Director of Operations.

<sup>2</sup> According to Senior Administrative Analyst Ella Lee, nutrition grants were awarded to multiple community-based organizations based on supervisorial district and/or cultural cuisine to ensure needs are covered.

Under the grant agreement, Meals on Wheels delivers meals to older San Francisco residents who are frail and homebound due to illness or disability, or are otherwise isolated, lack a support network, and have no safe, healthy alternative for meals. Special attention is given to individuals who are low income, have limited or no English-speaking proficiency, minority populations, frail, or LGBTQ+. To meet eligibility for services, an individual must meet one of the following criteria: (1) an older adult (60+) living in San Francisco who is homebound due to illness or disability, or is otherwise isolated; (2) a spouse of domestic partner of an older adult enrolled in the program if an assessment by the grantee's social worker or assessment staff concludes that it is in the best interest of the enrolled older adult; or (3) an individual with a disability who resides at home with an enrolled older adult, if an assessment by the grantee's social worker or assessment staff concludes that it is in the best interest of the enrolled older adult.

Meals on Wheels is serving approximately 3,600 unduplicated consumers and 1,572,592 meals in Year 1 of the grant agreement. In the subsequent years of the grant, Meals on Wheels will serve approximately 3,200 unduplicated consumers and 1,446,658 meals annually. According to Ella Lee, HSA Senior Administrative Analyst, this is less because the supplemental funding for nutrition services in the FY 2021-22 budget is not anticipated in future years. Meals on Wheels also delivered approximately 43,544 meals through the City's Great Plates Delivered transition program, which expired on October 31, 2021.<sup>3</sup> Over the four-year term of the grant agreement, Meals on Wheels would deliver approximately 5,956,110 total meals, at a cost to HSA of approximately \$4.81 per meal.

Under the grant agreement, Meals on Wheels is required to administer an annual consumer survey by March 15 or a mutually agreed upon time with a sample size of at least 40 percent of unduplicated consumers. The objectives of the survey are for at least 75 percent of consumers to report increased consumption of fruits, vegetables, and/or whole grains, at least 85 percent of consumers to feel less worried about getting enough food to meet their needs, and at least 85 percent of consumers to rate the quality of meals they received as excellent or good. According to HSA Senior Administrative Analyst Lee, HSA is currently working with Meals on Wheels to determine a due date for this fiscal year. The due date for the survey will be after March 15, 2022, because HSA is currently in the process of reviewing questions and translating the survey into multiple languages. HSA's target date to complete the review and translation process this fiscal year is March 25, 2022. HSA anticipates having results by the end of May 2022. Meals on Wheels is also required to submit monthly reports, including the number of unduplicated consumers served, the number of meals prepared and delivered, and the number of associated service units provided. According to Senior Administrative Analyst Lee, Meals on Wheels has been submitting timely reports.

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<sup>3</sup> Great Plates Delivered was a statewide program that provided meal deliveries to seniors sheltering in place due to the COVID-19 pandemic. The statewide program ended on July 31, 2021, but the City continued to deliver meals through a transitional program to eligible consumers through October 31, 2021.

## FISCAL IMPACT

The proposed first amendment would increase the not-to-exceed amount of the grant agreement by \$22,908,619, for a total not to exceed \$31,480,409. The projected sources and uses of funds over the four-year term of the grant agreement are shown in Exhibit 2 below.

### Exhibit 2: Projected Sources and Uses of Funds for Grant Agreement

Sources	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	Total
City General Fund	\$5,403,633	\$4,813,844	\$4,813,844	\$4,813,844	\$19,845,165
State Funds	485,156	432,203	432,203	432,203	1,781,765
Federal Funds	1,903,747	1,695,959	1,695,959	1,695,959	6,991,624
<i>Subtotal</i>	<i>\$7,792,536</i>	<i>\$6,942,006</i>	<i>\$6,942,006</i>	<i>\$6,942,006</i>	<i>\$28,618,554</i>
Contingency (10%)	779,254	694,201	694,201	694,201	2,861,855
<b>Total Sources</b>	<b>\$8,571,790</b>	<b>\$7,636,207</b>	<b>\$7,636,207</b>	<b>\$7,636,207</b>	<b>\$31,480,409</b>
Uses	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	Total
Salaries & Benefits	\$3,414,394	\$3,049,048	\$3,049,048	\$3,049,048	\$12,561,538
Operating Expenses	3,341,006	2,983,516	2,983,516	2,983,516	12,291,554
Nutrition Compliance & Quality Assurance <sup>4</sup>	1,037,136	909,442	909,442	909,442	3,765,462
<i>Subtotal</i>	<i>\$7,792,536</i>	<i>\$6,942,006</i>	<i>\$6,942,006</i>	<i>\$6,942,006</i>	<i>\$28,618,554</i>
Contingency (10%)	779,254	694,201	694,201	694,201	2,861,855
<b>Total Uses</b>	<b>\$8,571,790</b>	<b>\$7,636,207</b>	<b>\$7,636,207</b>	<b>\$7,636,207</b>	<b>\$31,480,409</b>

*Source: Proposed first amendment to grant agreement. Totals may not add due to rounding.*

The grant agreement includes a 10 percent contingency to cover unanticipated expenses. As shown above, approximately 63 percent of the grant agreement is funded by the City's General Fund, approximately six percent is funded by State sources, and approximately 22 percent is funded by Federal sources. In addition to HSA's grant, Meals on Wheels anticipates that it will provide approximately \$12,977,195 in program funding through fundraising, project income, and in-kind volunteering, which would subsidize costs by approximately \$2.17 per meal.

## RECOMMENDATION

Approve the proposed resolution.

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<sup>4</sup> Nutrition Compliance and Quality Assurance (NCQA) are required components of congregate and home-delivered nutrition services that include actions that ensure food safety, certify menu compliance, provide nutrition education, confirm consumer eligibility, nutrition counseling, and assessing consumers' well-being and need for nutrition and other supportive services.

<b>Items 6 and 7</b> Files 22-0128 & 22-0127	<b>Department:</b> Human Services Agency (HSA)
<b>EXECUTIVE SUMMARY</b>	
<b>Legislative Objectives</b>	
<ul style="list-style-type: none"> <li>File number 22-0128 is a proposed ordinance that appropriates \$38,546,839 of state and federal revenues in FY 2021-22 to HSA for a variety of programs that include providing Shelter-in-Place (SIP) housing and demobilization, serving older adults in Adult Protective Services, providing housing support services through the Housing and Disability Advocacy Program and CalWORKs housing support program, and providing former foster youth housing support through the Transitional Housing and Housing Navigator Programs.</li> <li>File number 22-0127 would amend the Annual Salary Ordinance for FYs 2021-22 and 2022-23 to add 16 positions (5.328 FTE) in HSA in FY 2021-22 to the Adult Protection Services program to support increases in services.</li> </ul>	
<b>Key Points</b>	
<ul style="list-style-type: none"> <li>The supplemental appropriation provides \$32.27 million in state Project Roomkey funds to support SIP hotel costs that are not covered by FEMA (clients ineligible for FEMA reimbursement, hotel repair costs, and funding beyond the FEMA reimbursement period ending April 1, 2022). These funds must be encumbered or spent by June 30, 2022.</li> <li>The FY 2021-22 state budget provided enhanced state and/or federal funding for the CalWORKs Housing Support Program (\$2.51 million) to serve additional clients with housing assistance; Adult Protect Services (\$1.60 million) to serve program population expansions and additional Home Safe program efforts that focus on homeless clients; and the Housing and Disability Advocacy Program (\$1.10 million) for additional housing and SSI advocacy.</li> <li>The Transitional Housing and Housing Navigator programs are one-time state grants that provide \$1.07 million in funding to support former foster and/or probation system involved young adults access to housing support services. This funding will help address a current backlog of clients due to COVID.</li> </ul>	
<b>Fiscal Impact</b>	
<ul style="list-style-type: none"> <li>All funds are state and federal revenues with no requirement from the City's General Fund.</li> <li>The Adult Protect Services funding for additional permanent staff is ongoing in the state budget to respond to state directed changes in program scope and services.</li> <li>The enhanced state funding for the CalWORKs Housing Support Program, Housing and Disability Advocacy Program, and Adult Protective Services' Home Safe Program must be spent by FY 2023-24. HSA staff report that the Governor's January Budget for FY 2022-23 proposes another year of augmented funding for all three of these programs.</li> </ul>	
<b>Recommendations</b>	
<ul style="list-style-type: none"> <li>Amend File 22-0128 to reduce the appropriation for temporary salaries and benefits from \$254,921 to \$127,461 and reduce the appropriation for permanent salaries and benefits from \$936,474 to \$234,119 to reflect projected hiring timelines for temporary and permanent staff for a total reduction of \$829,816.</li> <li>Approve File 22-0127 and File 22-0128 as amended.</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.

Charter Section 9.113(c) states that, in the event the Mayor or a member of the Board of Supervisors recommends a supplemental appropriation ordinance after the adoption of the budget and prior to the end to the budget year that contains any item rejected by the Mayor or the Board of Supervisors in the original budget appropriation, the supplemental appropriation can only be approved by a two-thirds vote of the Board of Supervisors.

**BACKGROUND****COVID Shelter-In-Place Housing Demobilization/Project Roomkey**

Project Roomkey is a statewide program that was established in March 2020 and operated by the California Department of Social Services. The program's goals are to protect life and reduce burdens on hospitals by funding non-congregate shelter options for people experiencing homelessness and recovering from COVID or have been exposed to COVID and need a place to recover and quarantine outside of a hospital. In addition, these funds support a safe place for isolation for those who are medically vulnerable and at high risk for complications should they contract COVID.

San Francisco has operated Shelter-in-Place (SIP) hotels that provide non-congregate shelter to individuals experiencing homelessness to reduce their risk of contracting COVID. The City's Human Services Agency (HSA) funds SIP hotel costs of booking hotels, meals, janitorial services, security, laundry, and behavioral health staffing. Federal Emergency Management Agency (FEMA) reimbursement for eligible SIP hotel costs is anticipated to end on April 1, 2022, and while the City is in the process of demobilizing SIP Hotels, these operations are anticipated to continue through September 30, 2022. The City's Project Roomkey funding supports any person experiencing homelessness and sheltered in the City's SIP hotels, including those costs not eligible for FEMA reimbursement such as serving clients who do not meet FEMA's definition of eligibility, repairs to hotel rooms, and hotel operations beyond the FEMA reimbursement period. Project Roomkey funds must be encumbered or used by June 30, 2022.

**CalWORKs Housing Support Program**

The CalWORKs Housing Support Program provides financial assistance and wraparound housing supports (such as rental assistance, housing navigation, case management, security deposits, utility payments, moving costs, hotel and motel vouchers, legal services, and credit repair) to families who are in the CalWORKs program and experiencing homelessness or are at risk of experiencing homelessness. The program is funded through state and federal funding and is administered through CalWORKs at the county level with oversight by the California Department of Social Services. HSA currently serves around 200 clients with rental assistance through this

program and contracts with community-based organizations, including Hamilton Families, Catholic Charities, and Abode Services, to provide housing support and case management to families. HSA also funds additional case management support provided by the Department of Homelessness and Supportive Housing (HSH).

### **Adult Protective Services**

Adult Protective Services investigates suspected abuse, neglect, exploitation, and self-neglect of older people (ages 60 and older) and people with disabilities (ages 18 to 59), and provides short-term, intensive case management to mitigate risks to clients and promote their safety and stability. The FY 2021-22 state budget expanded eligibility for Adult Protective Services to cover older adults starting at age 60, which was previously limited to adults ages 65 and older, and dependents with disabilities ages 18 to 59, which was previously ages 18 to 64.

The State budget also expanded and extended the Adult Protective Services' Home Safe pilot program to FY 2023-24, which was previously scheduled to end June 2021. The Home Safe program provides intensive case management to Adult Protective Services' clients who are experiencing or at imminent risk of experiencing homelessness. This program was established in San Francisco in FY 2019-20. The State budget allows for Home Safe program funds to be used for housing assistance for eligible clients as well as requires local communities to include homeless prevention in their Adult Protective Services policies and procedures. These changes were effective January 1, 2022, and accompanied by increased state funding, which leverages additional federal funds.

### **The Housing and Disability Advocacy Program**

The Housing and Disability Advocacy Program is a state-funded program through the Department of Social Services. The program provides funding to counties to assist people who are experiencing homelessness and are eligible or likely eligible for disability benefits. The program funds advocacy services to connect clients with disability benefits and housing supports. The program has four main components: outreach, case management, disability advocacy, and housing assistance. This program is fully funded by the State and operated in collaboration with HSH. HSH provides clients in the program with permanent supportive housing placements while HSA contracts with Bay Area Legal Aid to provide disability benefit advocacy services.

### **Transitional Housing and Housing Navigator Programs**

The Transitional Housing Program and Housing Navigator Program are both state-funded through the Department of Housing and Community Development. The programs provide housing placement and case management support to young adults who are experiencing or at risk of experiencing homelessness and prioritizes those who have exited the child welfare system or are involved in the probation system. The Transitional Housing Program funding supports a contract with Unity Care and pays for housing costs for young adults, including move-in costs (such as first month's rent and security deposit) and moving costs. The Housing Navigator Program assists young adults who are exiting the foster care system secure and maintain housing through housing case management services. Together the programs are anticipated to serve 35 young adults.

The Board of Supervisors previously approved HSA's applications for the Transitional Housing Program Round 1 (File 20-0277) and Housing Navigator Program (File 20-0278) in March 2020 and executed the corresponding agreements with the State in December 2020. The Board approved HSA's application for Transitional Housing Program Round 2 in November 2020 (File No. 20-1099) and the agreement with the State was executed in September 2021.

### DETAILS OF PROPOSED LEGISLATION

#### File 22-0128

The proposed ordinance would appropriate \$38,546,839 of state and federal revenues in Fiscal Year 2021-22 to the Human Services Agency for a variety of programs that include providing Shelter-in-Place housing and demobilization, serving older adults in Adult Protective Services, providing housing support services through the Housing and Disability Advocacy Program and CalWORKs housing support program, and providing former foster youth housing support through the Transitional Housing and Housing Navigator Programs. Approval of the proposed ordinance requires a two-thirds vote of all members of the Board of Supervisors pursuant to Charter Section 9.113(c).

#### File 22-0127

The proposed ordinance would amend the Annual Salary Ordinance for Fiscal Years 2021-22 and 2022-23 to add 16 positions (5.328 FTE) in the Human Services Agency in FY 2021-22.

#### FY 2021-22 Appropriation (File 22-0128)

This proposed ordinance appropriates a total of \$38,546,839 in federal and state revenue to the Human Services Agency for a variety of programs. The funding would be appropriated as shown by program area in Exhibit 1.

**Exhibit 1: Proposed HSA Supplemental Appropriation (File No. 22-0128)**

<b>Program Area</b>	<b>Amount</b>	<b>Description</b>
COVID SIP Hotel Demobilization/Project Roomkey	\$32,270,317	Fund non-FEMA eligible costs for SIP hotels, which includes the costs of hotels for clients who do not meet FEMA criteria for COVID vulnerability, clients who need support after FEMA's funding ends and costs to repair and refurbish hotel rooms upon demobilization. SIP hotels are expected to be demobilized by September 30, 2022. However, these funds need to be used or encumbered by June 30, 2022.
CalWORKs Housing Support Program	\$2,506,361	Provides additional clients with rental assistance support, back rent, and provide temporary hotel rooms for clients who are waiting for a housing placement. HSA estimates serving 75 additional clients with placements, 50 clients with back rent, and 24 additional clients with temporary placements.
Adult Protective Services	\$1,602,741	Support expansion of Adult Protective Services and expansion of the Home Safe pilot program. This includes funding for permanent salaries, proposed in File 22-0128 and described below in Exhibit 2.
Housing and Disability Advocacy Program	\$1,102,000	Fund additional outreach, case management, disability advocacy, and housing assistance for people at risk or experiencing homelessness and likely eligible for disability benefits. HSA estimates serving 80 to 90 clients with these additional funds.
Housing Navigator & Transitional Housing Programs	\$1,065,420	State grants to support an estimated 35 former foster and/or probation system involved young adults access housing support services.
<b>Total Appropriation</b>	<b>\$38,546,839</b>	

Source: BLA calculations from proposed ordinance no. 22-0128 and Human Services Agency

#### FY 2021-22 New Positions (22-0127)

This proposed ordinance amends the Annual Salary Ordinance for FY 2021-22 to add 5.328 FTEs (16 positions) to HSA for Adult Protective Services, which is budgeted at \$936,474 in permanent salaries and fringe benefits and included in the supplemental appropriation amount for adult protective services described in Exhibit 1. HSA anticipates that these additional positions will cost \$2,393,543 in FY 2022-23 when taking a 13 percent attrition rate into consideration. These positions are described in Exhibit 2 below.

**Exhibit 2: HSA Proposed Annual Salary Ordinance Amendment (File No. 22-0127)**

<b>Position Classification</b>	<b>FTEs</b>	<b>Annualized FTEs</b>	<b>Description</b>
	<b>FY 2021-22</b>		
2940 Protective Services Worker	2.664	8.0	Receives and responds in-person to reports of abuse and/or neglect and provide immediate assistance. Handles client investigations, assessments, case management, and develops service plans. <i>Annual costs for 8.0 FTE in FY 2022-23 total \$1,421,496.</i>
2944 Protective Services Supervisor	0.666	2.0	Oversees 2940 Protective Services Workers. <i>Annual costs for 2.0 FTE in FY 2022-23 total \$393,994.</i>
2904 Human Services Technician	0.666	2.0	Supports the work of the Protective Services Workers, including executing service plans. <i>Annual costs for 2.0 FTE in FY 2022-23 total \$248,800.</i>
0923 Manager II	0.333	1.0	This will add one additional manager to oversee the 12 total protective services supervisors. Currently, one manager oversees 10 existing protective services supervisors. <i>Annual costs for 1.0 FTE in FY 2022-23 total \$228,486.</i>
1406 Senior Clerk	0.333	1.0	Provides clerical support to respond to increased caseload and meet state reporting requirements. <i>Annual costs for 1.0 FTE in FY 2022-23 total \$127,908.</i>
2918 Human Services Agency Social Worker	0.333	1.0	Facilitates linking adult protective services clients in need of longer-term care supports to resources (such as assisted living). <i>Annual costs for 1.0 FTE in FY 2022-23 total \$146,510.</i>
1823 Senior Administrative Analyst	0.333	1.0	Supports planning, project management, and data analysis around expanded adult protective services caseload and the expanded Home Safe program. <i>Annual costs for 1.0 FTE in FY 2022-23 total \$184,005.</i>
<b>Total</b>	<b>5.328</b>	<b>16.0</b>	

Source: Proposed ordinance no. 22-0127 and Human Services Agency

These additional positions are needed to meet increased program demands due to the State expanding eligibility to include adults ages 60 to 64. HSA staff project that there will be an additional 1,200 new reports of abuse and/or neglect that will need to be investigated and responded to because of the changes in program service population requirements. In addition,

HSA staff report that these additional staff are needed to comply with the State's revised mandates that Adult Protective Services programs serve individuals experiencing homelessness, as well as provide longer-term case management for complex cases. The proposed staffing levels assume a target caseload for the eight 2940 Protective Services Workers of approximately 150 cases per worker per year. HSA plans to hire these workers within two to three months of Board of Supervisors approval. HSA currently has two vacancies among the requested classifications. As of February 2022, two out of 45 existing FTE 2940 Protective Services Workers positions were vacant, including one position that was vacant because the employee was out on leave.

### FISCAL IMPACT

All proposed revenues are supported from state and federal sources. There is no City General Fund contribution. Exhibit 3 below provides additional detail on how the \$38,546,839 in supplemental revenues will be used and if the source of funding is federal, state, or a mix of each.

**Exhibit 3: Proposed uses and Sources of Supplemental HSA Appropriation**

Program Area	Proposed Amount	Source	Description
<b>COVID SIP Hotel/Project Roomkey</b>	\$32,270,317	State	Funds hotel booking costs, meals, security, janitorial services, laundry costs and repair costs, as well as CBO and behavioral health staffing costs. Must be used or encumbered by 6/30/2022.
<i>Subtotal</i>	<b>\$32,270,317</b>	State	
<b>CalWORKs Housing Support Program</b>			
Temporary Salaries and Benefits	\$254,921	Federal and State	Funds case management and program reporting work.
Rental Assistance	300,000	Federal and State	Funds additional rental assistance, back rent support, and temporary placements.
Housing Placements	882,704	Federal and State	Funds additional CBO services and staffing for long-term case management, direct assistance payments.
Homeless Services	1,068,736	Federal and State	Funds additional hotel room temporary placements for families; funds HSH work order for case management.
<i>Subtotal</i>	<b>\$2,506,361</b>	Federal and State	
<b>Adult Protective Services</b>			
Basic Services	\$13,653	Federal and State	Funds emergency food and shelter for clients with immediate needs, pays rental arrears, heavy cleaning, and pest abatement.
CBO Services for Housing Placements	652,614	Federal and State	Funds expansion of Home Safe program, supporting intensive case management and long-term care assistance for clients.
Permanent Salaries	629,135	Federal and State	Funds new positions as proposed in File 22-0127.
Fringe Benefits	307,339	Federal and State	Funds new positions as proposed in File 22-0127.
<i>Subtotal</i>	<b>\$1,602,741</b>	Federal and State	
<b>Housing and Disability Advocacy Program</b>			
CBO Services	\$112,000	State	Funds expanded contract with CBO for Supplemental Security Income (SSI) advocacy services.
Homeless Services funding	990,000	State	Funds housing placements subsidies, coordinated entry, and part of an 1823 Senior Administrative Analyst to ensure population is connected to resources.
<i>Subtotal</i>	<b>\$1,102,000</b>	State	
<b>Housing Navigator Program and Transitional Housing Program</b>			
Housing Navigator Program	\$147,020	State	Funds case management for youth exiting foster care to secure housing.
Transitional Housing Program Rd 1	459,200	State	Funds CBO operating costs to support access to housing for young adults. This includes move-in and moving costs. Must be spent down by 6/30/2022.
Transitional Housing Program Rd 2	459,200	State	Funds CBO operating costs to support access to housing for young adults. This includes move-in and moving costs. Must be spent down by 6/30/2023.
<i>Subtotal</i>	<b>\$1,065,420</b>	State	
<b>Total</b>	<b>\$38,546,839</b>		

Source: Human Services Agency

As shown above, the proposed supplemental appropriation would fund \$254,921 in temporary salaries and benefits for case management and program reporting for the CalWORKs Housing Support Program and \$936,474 in permanent salaries and benefits to support the expansion of

Adult Protective Services programs. These appropriation amounts assume hiring of temporary and permanent staff by March 1, 2022, which does not align with projected hiring timelines. We recommend reducing the appropriation for temporary salaries and benefits to \$127,461 to reflect projected hiring of temporary staff by May 1, 2022 and reducing the appropriation for permanent salaries and benefits to \$234,119 to reflect projected hiring timelines for permanent staff by June 1, 2022 for a total reduction of \$829,816. HSA has until FY 2023-24 to spend the temporary salaries and benefits, so this will be available to the City in the next fiscal year. The reduction in permanent salaries and benefits from Adult Protect Services may be repurposed by state policy makers for future program needs or refunded to taxpayers.

*Impact on the General Fund*

All of the funds in the proposed supplemental appropriation are supported by state and/or federal sources, so there is no impact to the City's General Fund.

The Project Roomkey allocations for the SIP Hotels are one-time state funds to cover non-FEMA eligible expenses to operate the hotels and repair hotel rooms through June 30, 2022. HSA estimates that \$20.4 million of the \$32.3 million would be spent on SIP operations after FEMA reimbursement ends on April 1, 2022 and \$11.9 million would be spent on costs ineligible for FEMA reimbursement, including behavioral health staffing, hotel repairs costs, and SIP clients who do not meet FEMA's definition of eligibility. HSA estimates that in FYs 2021-22 and 2022-23, the total cost of the SIP hotel program will be \$197.7 million, with \$159.6 million in costs in FY 2021-22 and \$38.1 million FY 2022-23. The Project Roomkey funds are projected to be the second largest source of funds for the SIP hotels behind FEMA reimbursement, which is estimated at \$102 million. As mentioned above, the SIP Hotel program is scheduled to end September 30, 2022.

For the CalWORKs Housing Support Program, Housing and Disability Advocacy Program, and Adult Protective Services' Home Safe Program, HSA has until FY 2023-24 to spend these funds down. HSA staff report that the Governor's January Budget for FY 2022-23 proposes another year of augmented funding for all three of these programs. Beyond FY 2022-23, CalWORKs and the Housing and Disability Advocacy Program will continue receiving ongoing funding but at lower levels. HSA staff anticipate that advocacy from counties and stakeholders will seek to maintain expanded program funding in future years. In addition, HSA expects efforts to continue funding the Home Safe program beyond FY 2022-23. The increased State funding for the Adult Protective Services permanent salaries is ongoing in the State budget to accommodate increased service needs due to changes in population and scope of the program.

The Transitional Housing and Housing Navigator Programs are one-time grants from the State. If the funding from the State ends, the programs would revert to previous service levels. HSA staff also report that there is a current backlog of clients due to COVID, which staff anticipate will subside in the coming year. Staff report that between March 2020 and December 2021, youth who turned 21 in foster care or juvenile probation were not required to exit their placements and could opt to continue care during the pandemic. As a result, HSA is currently working with the Juvenile Probation Department to address a larger number of clients transitioning out of the system than usual.

## RECOMMENDATIONS

1. Amend File 22-0128 to reduce the appropriation for temporary salaries and benefits from \$254,921 to \$127,461 and reduce the appropriation for permanent salaries and benefits from \$936,474 to \$234,119 to reflect projected hiring timelines for temporary and permanent staff for a total reduction of \$829,816.
2. Approve File 22-0127 and File 22-0128 as amended.

<b>Item 8</b> File 22-0152	<b>Department:</b> Municipal Transportation Agency (MTA)
<b>EXECUTIVE SUMMARY</b>	
<b>Legislative Objectives</b>	
<ul style="list-style-type: none"><li>The proposed resolution would approve an agreement between the San Francisco Municipal Transportation Agency (MTA) and Complete Coach Works to perform a mid-life overhaul of 219 MTA busses that have reached the midpoint of their service lives. The agreement is for a term of five years and a not-to-exceed amount of \$101.7 million.</li></ul>	
<b>Key Points</b>	
<ul style="list-style-type: none"><li>The MTA has a fleet of 844 busses that will require mid-life overhaul repairs in phases. Phase I encompasses the first set of busses to reach their mid-life point and includes the 219 coaches to be overhauled by Complete Coach Works, and 112 coaches to be overhauled in-house. Phase II will encompass the next set of busses, which will reach their mid-life point in 2023, and Phase III will encompass the final set of busses and will commence at a date to be determined by the MTA.</li><li>The mid-life overhaul work to be completed by Complete Coach Works includes restoring interior and exterior finish, identifying and replacing missing or damaged components, propulsion system replacement, electrical wiring and component installation, and software upgrades.</li></ul>	
<b>Fiscal Impact</b>	
<ul style="list-style-type: none"><li>The proposed resolution would approve an agreement between the MTA and Complete Coach Works for a not-to-exceed amount of \$101,659,122. The total cost of Phase I of the mid-life overhaul program, including associated contract costs and the in-house overhauls, is \$154,819,000.</li><li>The funding for this program is a mix of federal and local funds and developer fees.</li></ul>	
<b>Recommendation</b>	
<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**

The San Francisco Municipal Transportation Agency (MTA) maintains a fleet of 844 busses (rubber tire fleet). In 2013, the MTA began replacing its entire rubber tire fleet with new coaches, and from 2013-2022, replaced all 844 new coaches on a staggered cycle. The agency intentionally staggered the vehicle purchases to spread out the strain of mid-life maintenance and to average out the age of the fleet. The MTA plans to perform a mid-life overhaul on all the coaches in three phases. Phase I will cover the first set of 331 coaches, which arrived at the MTA between March 2013 and May 2016, and are now in the midpoint of their life cycle. Phase II will cover the second set of coaches, which will reach the mid-point of their service lives in 2023, and Phase III will cover the newest set of coaches and will commence at a date to be determined by the MTA. Phase I consists of an in-house overhaul of 112 coaches and a proposed 219 coaches to be overhauled as in this proposed resolution and shown in Exhibit 1 below.

**Exhibit 1: Coaches included in Phase I Mid-Life Overhaul**

Sales Release Number <sup>1</sup>	Type	Quantity	Propulsion <sup>2</sup>	Arrival Date (at SFMTA)
SR-1849	60-foot	60	Trolley	March 2015
SR-1907	60-foot	55	Allison	April 2015
SR-1955	60-foot	6	BAE	December 2015
SR-1961	60-foot	25	Allison	January 2016
SR-1962	60-foot	25	BAE	April 2016
SR-1963	40-foot	24	Allison	May 2016
SR-1964	40-foot	24	BAE	May 2016
<b>Total</b>		<b>219</b>		

Source: Phase I RFP

The MTA will be performing a mid-life overhaul of the oldest 112 coaches in-house. The MTA chose to retain some of the mid-life overhaul work in-house to ensure the coaches received their mid-life overhaul in a timely manner – the Covid-19 pandemic delayed the RFP for Phase I of the overhaul and set the entire overhaul schedule back.<sup>3</sup> Performing the overhaul for 112 coaches in-house while contracting with Complete Coach Works for an additional 219 ensures timely completion of overhauls for coaches that are due for them.

**Procurement of Phase I Mid-Life Overhaul Services**

MTA originally issued a solicitation for overhaul services for 331 coaches in November 2019 but received no responsive bids. On June 16, 2021, the MTA issued a revised RFP with a reduced scope of work for 219 coaches under Phase I of the mid-life overhaul services. The Agency received one proposal from Complete Coach Works on September 30, 2021. Complete Coach Works has been doing bus rehabilitation and upgrade work for over 34 years and has experience contracting with large transit agencies like the MTA and the Los Angeles County Metropolitan Transportation Authority. The MTA contracted with them previously, in 2010, for rubber tire fleet rehabilitation work. The MTA obtained an independent cost estimate from STV, a consulting firm,

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<sup>1</sup> Batch number

<sup>2</sup> Allison and BAE are both manufacturers of the type of propulsion system on the respective coaches. BAE uses series hybrid technology, while Allison uses parallel hybrid technology.

<sup>3</sup> The MTA originally issued an RFP for Phase I on November 27, 2019. Due to the Covid-19 pandemic, the MTA extended the due date for responses to May 15, 2020 and received one nonresponsive bid. Following the failed RFP, MTA staff conducted industry outreach to learn why so few companies bid on the project. They learned that the scope and schedule of the project were too demanding, particularly for companies located outside of California who would have to transport the coaches to and from San Francisco. MTA staff revised the RFP based on this feedback.

for the cost of the Phase I mid-life overhaul work, and Complete Coach Works' bid was within 5% of that independent estimate. Furthermore, Complete Coach Works' technical bid did not deviate at all from the MTA's proposal. Therefore, the MTA began negotiating price and schedule with Complete Coach Works. The negotiation team was comprised of seven MTA staff members (from the Transit and Procurement divisions) and three consultants from STV.

#### **DETAILS OF PROPOSED LEGISLATION**

The proposed resolution would approve an agreement between the MTA and Complete Coach Works for a not-to-exceed amount of \$101,659,122 and a term of five years to complete Phase I of the mid-life overhaul program for MTA's rubber tire fleet. Complete Coach Works would complete the mid-life overhaul work on 219 coaches. The costs associated with each type of coach are summarized in Exhibit 2 below.

**Exhibit 2: Phase I Mid-Life Overhaul Costs**

<b>Quantity</b>	<b>Description</b>	<b>Unit Price</b>	<b>Total Price</b>
60	SR-1849 – 60-foot Trolley Coach	\$525,885	\$31,553,100
43	SR-1907 – 60-foot Allison Hybrid with New ISL engine <sup>4</sup>	\$432,792	\$18,610,061
6	SR-1955 – 60-foot BAE Hybrid with New ISL engine	\$466,610	\$2,799,661
25	SR-1961 – 60-foot Allison Hybrid	\$344,341	\$8,608,536
25	SR-1962 – 60-foot BAE Hybrid with New ISL engine	\$466,689	\$11,667,213
24	SR-1963 – 40-foot Allison Hybrid with New ISL engine	\$363,562	\$8,725,482
24	SR-1964 – 40-foot BAE Hybrid	\$291,732	\$7,001,565
10	SR-1907 – 60-foot Allison Hybrid with Remanufactured ISL engine	\$432,792	\$5,193,505
10	As-Built Drawings, Updated Schematics, and Parts Lists (Per Sales Release Number)	\$0.00 (included)	\$0.00 (included)
N/A	Special Tools	N/A	\$1,000,000 (fixed allowance)
N/A	Spare Parts	N/A	\$1,000,000 (fixed allowance)
N/A	Unforeseeable Work and Exterior Body Work	Labor & Supplies	\$5,500,000
		<b>Total</b>	<b>\$101,659,122</b>

Source: Draft Agreement

The description column indicates the sales release (batch) number, the size of the bus, the type of bus, and whether it needs engine work. There is up to \$1 million reserved for the purchase of spare parts and tools, each, and \$5.5 million reserved for unforeseeable work, to be paid out on the basis of labor and supplies. The MTA will pay Complete Coach Works 60% of the cost of each bus repair upon the certification, by an MTA inspector, that the bus has been shipped from Complete Coach Works. The MTA will then pay 35% of the cost of each bus upon certifying that the repairs have been completed satisfactorily. The MTA will retain 5% of the cost of each bus

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<sup>4</sup> ISL is the engine model number specified by Cummins, the engine manufacturer.

repair until \$2.5 million has been retained and will pay Complete Coach Works the retained \$2.5 million upon the satisfactory inspection of all coaches at the end of the contract.

The necessary rehabilitations vary by type of coach; however, a summary of general work to be performed includes:

- Restoring interior and exterior finish
- Identifying and replacing missing or damaged components
- Propulsion system replacement
- Electrical wiring and component installation
- Software upgrades

The complete budget for the Phase I Mid-Life Overhaul program, including the in-house work and other associated contract costs, is \$154,819,000. Exhibit 3 below details the entire budget of Phase I.

**Exhibit 3: Entire Phase I Budget (contract and in-house work):**

<b>Item</b>	<b>Amount</b>
Complete Coach Works Contract (219 buses)	
<i>Subtotal, Complete Coach Works Contract</i>	<b>\$101,659,122</b>
Other Associated Contract Costs	
Sales Tax (8.625%, paid by City)	\$8,293,724
Soft Costs – Planning, Design, Project Administration, Inspection, Consultant Support	\$13,884,919
Contingency	\$2,300,000
<i>Subtotal, Contract Cost</i>	<b>\$126,137,766</b>
In-House Overhaul (112 buses)	
Material Purchases	\$20,798,432
Sales Tax (8.625%)	\$1,793,865
Soft Costs – Project Administration and in-house Maintenance Overhaul Labor	\$6,088,937
<i>Subtotal, In-House Overhaul Cost</i>	<b>\$28,681,234</b>
<b>Total, Phase I Program Cost (331 Coaches)</b>	<b>\$154,819,000</b>

Source: MTA

The total cost of Phase I is \$154.8 million. This includes the proposed contract's costs and associated costs to the MTA of \$126 million, or \$575,972 per bus, which will take three years. The cost of the in-house work is \$28.6 million, or \$256,082 per bus, and will take two years. According to a March 1, 2022 MTA staff memo to the MTA Board of Directors, the in-house scope

of work has fewer elements than the proposed contract's overhaul services and will instead focus primarily on propulsion system maintenance and automated passenger counter equipment upgrades and does not include the electrical, software, and interior/exterior finish work included in the proposed contract's scope of work. The buses overhauled in-house will receive this work during regular maintenance if they fail an inspection, according to Gary Chang, Senior Program Manager at the MTA. Furthermore, according to a March 1 MTA Board memo, MTA does not have sufficient maintenance staff, dedicated overhaul facilities, material logistics, or specialized expertise to complete the entire Phase I overhaul in-house while the vehicles are still halfway through their useful life.

### FISCAL IMPACT

As noted above, the proposed resolution would approve an agreement between the MTA and Complete Coach Works for a total not-to-exceed amount of \$101,659,122. Exhibit 4 below shows the sources of funding for the entire Phase I Mid-Life Overhaul program, including the Complete Coach Works contract, in-house work, and associated contract costs.

#### **Exhibit 4: Funding Sources for Phase I Mid-Life Overhaul Program**

Funding Sources	Amount
FTA Section 5307 Formula Fund	\$52,211,941
Transit Capital Priority (TCP) Fund	\$27,868,393
Developer Fee (Mission Rock, Pier 70, Potrero Power, Schlage Lock)	\$20,181,934
Bay Area Toll Authority (BATA) Fund	\$12,491,580
AB664 Bridge Toll Fund	\$12,228,208
Sales Tax (Prop K)	\$10,870,283
Funding Need	\$7,319,000
Regional Measure 3 (RM3) Fleet Facility	\$5,480,825
General Fund Population Baseline Transfer	\$2,882,219
Operating Fund	\$1,167,615
Local Partnership Program (LPP) Formula Fund	\$1,150,000
Low Carbon Fuel Standard (CCSF-LCFS)	\$600,000
Transportation Sustainability Fee (TSF) Maintenance Fund	\$367,002
<b>Total</b>	<b>\$154,819,000</b>

Source: MTA

The MTA has a funding need of \$7.3 million out of the total program budget of \$154.8 million. The funding source for the remaining \$7.3 million will be identified in the FY 2022 – FY 2024 capital budget, which will be finalized in May 2022. The remaining \$147.5 million is funded by a mix of local funds, federal funds, and developer fees.

**RECOMMENDATION**

Approve the proposed resolution.