CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

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July 22, 2022

TO: Budget and Finance Committee

FROM: Budget and Legislative Analyst

SUBJECT: July 27, 2022 Budget and Finance Committee Meeting

TABLE OF CONTENTS

Item	File		Page
2	22-0807	Hearing - Release of Reserved Funds - SFPUC - SFPUC Transmission Lines 7/8 Upgrades Project - $12,000,000	1
3	22-0789	Contract Amendment - Crestwood Behavioral Health - Long-Term Mental Health Services - Not to Exceed $224,216,994	7
5	22-0823	Accept and Expend Grant - Retroactive - United States Department of Education - California Department of Rehabilitation - State Vocational Rehabilitation Services Program - $791,433	14

Item 2 File 22-0807	Department: Public Utilities Commission (PUC)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed hearing would release $12,000,000 from Budget and Finance Committee reserve for the San Francisco Public Utilities Commission (SFPUC) Transmission Lines 7/8 Upgrades project.

Key Points

- There are hundreds of proposed electric generating projects seeking to interconnect with the electric transmission system controlled by the California Independent System Operator (CAISO). Projects are managed by CAISO through a cluster process to identify aggregate impacts to the state's electric grid. SFPUC owns transmission facilities in the Central Valley that can be affected by these proposed projects.
- Projects that impact the electric grid in California are required to pay the owner of the affected facilities to reimburse the expenditures required to mitigate the impacts. SFPUC has identified 21 projects that would affect SFPUC's Transmission Lines 7/8 from the Warnerville to Standiford substations and could result in mitigation payments.
- On January 15, 2013, the San Francisco Board of Supervisors passed an Ordinance (File No. 12-1007, Ordinance 4-13) that authorized the SFPUC to enter into mitigation agreements for projects that impact SFPUC power assets. The Ordinance requires that any funds resulting from the mitigation agreements that exceed $100,000 must be placed on Budget and Finance Committee Reserve.
- SFPUC has completed 11 mitigation agreements for a total of $20.86 million in mitigation payments, with 10 mitigation agreements still being negotiated. In September 2020, the Budget and Finance Committee approved the release of $9.47 million in mitigation payments and accrued interest to the SFPUC for the Transmission Lines 7/8 Project. The remaining mitigation payments and accrued interest available on reserve total $12.06 million according to SFPUC.
- The Transmission Lines 7/8 Upgrades project is designed to mitigate the risks imposed by the interconnection of these electric generating projects to the grid by modifying existing towers and reconductoring transmission lines.

Fiscal Impact

- SFPUC anticipates that the total cost of the Transmission Lines 7/8 Upgrades project is approximately $37,969,000. The project is funded by $4,669,000 from Hetch Hetchy Power Capital Program bond funding and $33,300,000 in estimated mitigation payments from renewable generation developers.
- As additional funds are received from the developers, SFPUC will request funding releases from the Budget and Finance Committee to reimburse the upfront payments from its capital program funding.

Recommendation

- Approve the release of $12,000,000 in reserves, consistent with the available reserve balance for the Transmission Lines 7/8 Upgrades project.

MANDATE STATEMENT

City Administrative Code Section 3.3(j) states that the Budget and Finance Committee of the Board of Supervisors has jurisdiction over the City's budget and may reserve proposed expenditures to be released at a later date subject to Board of Supervisors approval. The practice of the Board of Supervisors is for the Budget and Finance Committee to approve release of funds placed on reserve by the Committee without further Board of Supervisors approval.

BACKGROUND

The San Francisco Public Utilities Commission (SFPUC) electric transmission Lines 7/8 conveys power from Warnerville Substation to Modesto Irrigation District's Standiford Substation. SFPUC's Hetch Hetchy Water Division manages and operates the transmission lines.

There are hundreds of proposed electric generating projects seeking to interconnect with the electric transmission system controlled by the California Independent System Operator (CAISO).[1] As part of the CAISO transmission interconnection process, renewable energy project developers submit applications to CAISO. Projects are managed by CAISO through a cluster process to identify aggregate impacts to the state's electric grid. SFPUC owns transmission facilities in the Central Valley that can be affected by these proposed projects.

Projects that impact the grid are required to pay the owner of the affected facilities (in this case SFPUC) to reimburse the expenditures required to mitigate the impacts. SFPUC has identified 21 projects that would affect SFPUC's Transmission Lines 7/8, that could result in mitigation payments to SFPUC.

Authorization for SFPUC to Enter Mitigation Agreements

On January 15, 2013, the San Francisco Board of Supervisors passed an Ordinance (File No. 12-1007, Ordinance 4-13) that authorized the SFPUC to enter into mitigation agreements for projects that impact SFPUC power assets. The Ordinance requires that any funds resulting from the mitigation agreements that exceed $100,000 must be placed on Budget and Finance Committee Reserve.

Mitigation Payments for SFPUC Lines 7 and 8, to Date

According to SFPUC, as of June 28, 2022, SFPUC has completed 11 mitigation agreements for a total of $20.86 million in mitigation payments, with 10 mitigation agreements still being negotiated. In September 2020, the Budget and Finance Committee approved the release of $9.47 million in mitigation payments and accrued interest to the SFPUC for the Transmission Lines 7/8 Project (File No. 20-1020). The remaining mitigation payments and accrued interest available on reserve total $12.06 million according to SFPUC.

[1] CAISO is a nonprofit public benefit organization that manages the flow of electricity across the high voltage, long-distance power lines for the grid serving 80 percent of California and a small part of Nevada.

Of the $9.47 million previously released from reserve, $876 has been spent for fees related to contract advertisement, and $935,170 has been encumbered for construction management support provided by SFPUC. The remaining $8.53 million was unspent as of July 2022.

Project Overview

SFPUC's Transmission Lines 7/8 span approximately 12.5 miles from the Warnerville Substation in Oakdale, CA to the Modesto Irrigation District Standiford Substation in Modesto, CA. The lines consist of two separate systems: the structural support system comprised of towers and foundations, and the wire system comprised of conductors, insulators, and hardware.

SFPUC has identified three project clusters that would affect Transmission Lines 7/8. The objective of this project is to upgrade the existing conductors along the Lines to accommodate the additional transmission power flows caused by the interconnection of electric generating projects to the electric grid. Attachment 1 shows the location of Transmission Lines 7/8 and Attachment 2 shows a project detail map for the upgrades.

Project Timeline

The project began on January 1, 2020 and is expected to be completed by January 31, 2025. The planning, design, and environmental review phases have been completed. Funding for this portion of the project was covered by the Hetch Hetchy Water and Power Capital Program ($5,208,000 appropriated to date according to the SFPUC). As mitigation funding becomes available, it is used to reimburse the Capital Program funds.

On February 11, 2022, the SFPUC advertised the contract for the project construction work and received three responsive bids. Wilson Utility Construction Company (Wilson) was the lowest responsive bidder.

On June 28, 2022, the SFPUC Commission approved the award of the contract (No. HH-1007) to Wilson Utility Construction Company for a total amount of $23,980,141. Wilson met the 10 percent Local Business Enterprise (LBE) subcontracting participation requirement for this contract.

As of June 2022, construction is expected to begin on October 1, 2022 and be completed by July 31, 2024.

DETAILS OF PROPOSED LEGISLATION

The proposed hearing would release $12,000,000 from Budget and Finance Committee reserve for the San Francisco Public Utilities Commission (SFPUC) Transmission Lines 7/8 Upgrades project.

This amount is consistent with the available project reserve balance (including accrued interest) provided by SFPUC to our office.

The funds will be used to reconductor transmission lines and modify existing towers along Transmission Lines 7/8 from Warnerville to Standiford substations to accommodate the additional transmission power flows caused by the interconnection of electric generating projects to the electric grid.

FISCAL IMPACT

SFPUC anticipates that the total cost of the Transmission Lines 7/8 Upgrades project is approximately $37,969,000. The project is funded by Hetch Hetchy Power Capital Program bond funding and mitigation payments from renewable generation developers. The sources and uses of funds for the project are shown in Exhibit 1 below.

Exhibit 1: Projected Sources and Uses of Funds for SFPUC Transmission Lines 7/8 Upgrade Project

Sources	**Amount**
Mitigation Payments	$33,300,000
Hetch Hetchy Power Capital Program	$4,669,000[a]
Total Sources	**$37,969,000**

Uses	**Amount**
Planning	$802,000
Design	$4,056,000
Environmental Review	$222,000
Pre-Construction Subtotal	*$5,080,000*
Construction	$28,173,000
Construction Management	$4,716,000
Construction Subtotal	*$32,889,000*
Total Uses	**$37,969,000**

Source: SFPUC

Notes: [a] This is the amount that is expected to be funded from the Capital Plan by the end of the project, assuming SFPUC receives the full $33.3 million in mitigation payments. As mentioned above, $5.21 million from the Hetch Hetchy Power Capital Program has been appropriated for this project. As mitigation funding becomes available, it is used to reimburse the Capital Program funds.

The SFPUC estimates the total mitigation payments will be $33.3 million, funding 88 percent of total project costs. The CAISO staff reviewed the proposed project cost and plan and provided feedback to SFPUC. So far, SFPUC has received over 60 percent, or $20.86 million, of the anticipated $33.3 million in mitigation payments. 10 more mitigation agreements with renewable generation project developers are in negotiation. As additional funds are received from the developers, SFPUC will request funding releases from the Budget and Finance Committee to reimburse the upfront payments from its capital program funding.

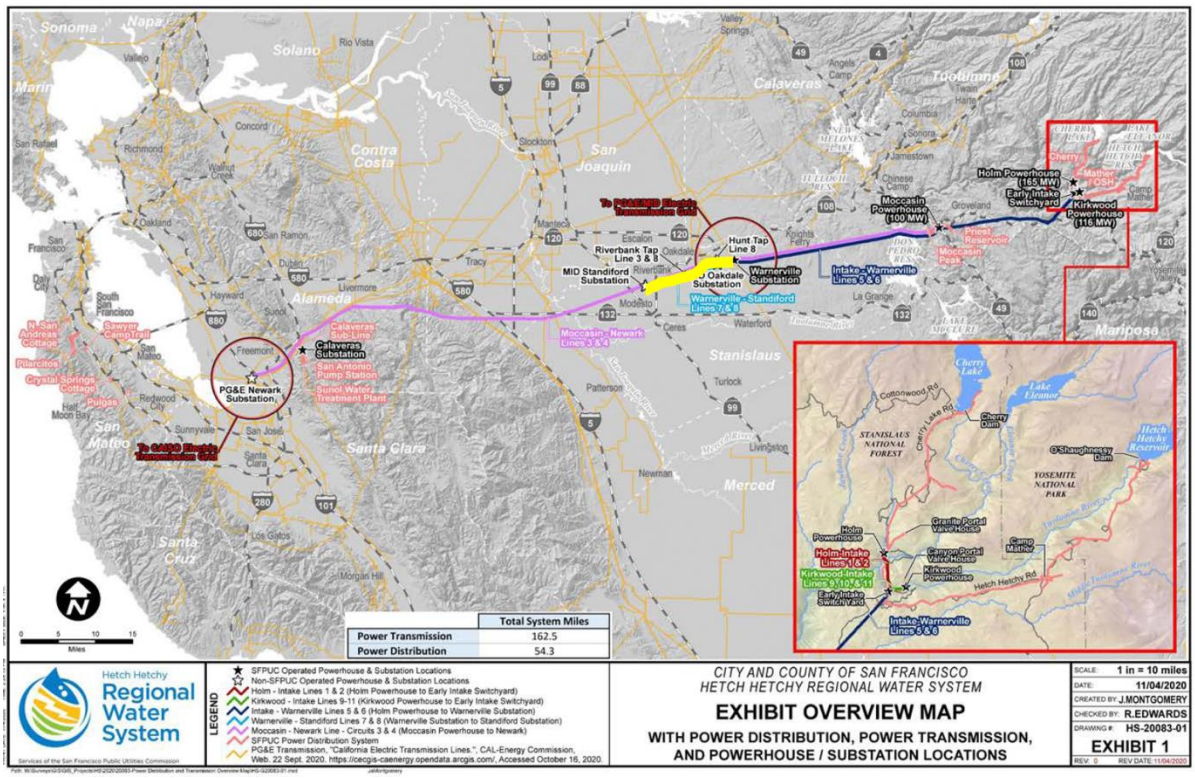
The total project budget is comparable to the total project budget reviewed by our office in September 2020. However, the current pre-construction budget (including planning, design, and environmental review) of $5.08 million is approximately $5.0 million less than the pre-construction budget in September 2020, because the Design and Environmental phases came in below previous estimates according to SFPUC staff. In addition, the construction budget of $32.89 million is approximately $5.0 million more than the construction budget in September 2020 due to the need to mitigate multiple project delivery risks, including COVID-19, supply chain

challenges, and construction management staffing. If the project comes in under budget, project savings would accrue to the Capital Program according to SFPUC staff.

RECOMMENDATION

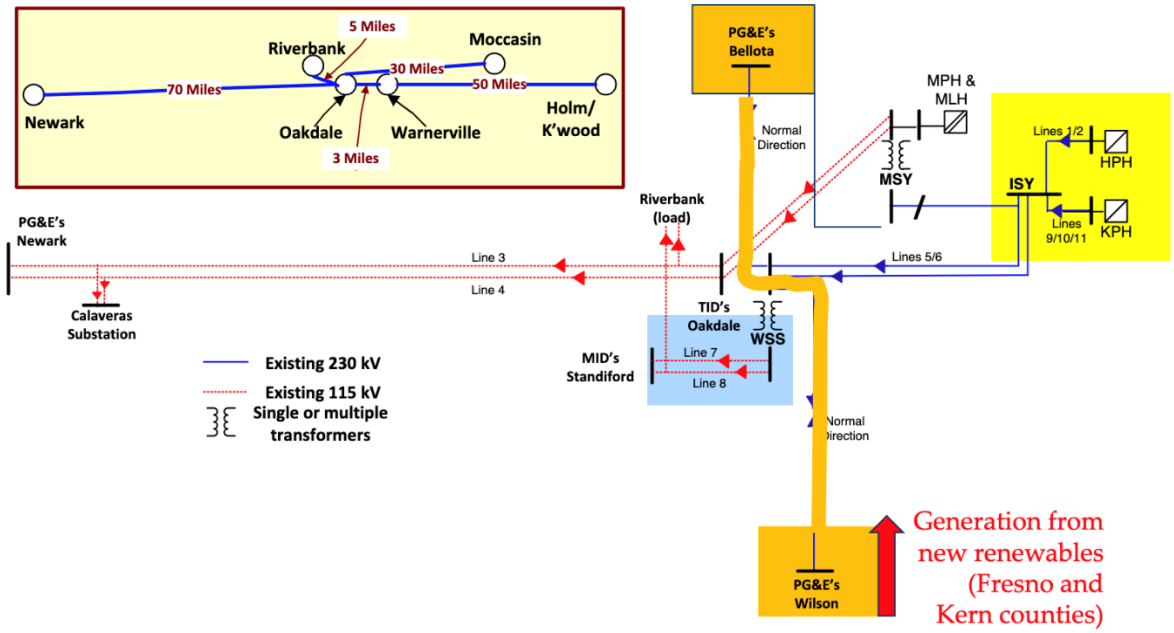
Approve the release of $12,000,000 in reserves, consistent with the available reserve balance for the Transmission Lines 7/8 Upgrades project.

Attachment 1: SFPUC Transmission Lines 7/8 Upgrades Project Overview Map



Source: SFPUC

Attachment 2: SFPUC Transmission Lines 7/8 Upgrades Project Detail Map



Source: SFPUC

Item 3 File 22-0789	Department: Public Health

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve the first amendment to the agreement between the Department of Public Health and Crestwood Behavioral Health for long-term mental health services in a 24-hour locked facility. The agreement increases the not-to-exceed amount by $146,936,994 from $77,280,000 to $224,216,994 and extends the term by an additional five years for a total agreement term of July 1, 2018 through June 30, 2028.

Key Points

- DPH initially selected Crestwood through a competitive Request for Proposals process issued in November 2017. The RFP sought proposals from qualified vendors to provide psychiatric care to adults and/or older adults in a locked licensed facility, Skilled Nursing Facility, and/or Mental Health Rehabilitation Center within the San Francisco Bay Area.
- This contract allows for DPH to purchase beds at Crestwood facilities around California for San Francisco residents to receive mental health services. There are three types of facilities that this contract covers: Community Care licensed facilities, Mental Health Rehabilitation Centers, and Skilled Nursing Facilities. In total there are 14 facilities that the City has access to for purchasing beds under this contract.
- Since FY 2018-19, the contract has funded an average of 197 beds annually. In FY 2021-22 the average daily bed census was 201 beds. DPH projects that it will fund approximately 212 beds in FY 2022-23, but this is dependent on bed availability, if an identified client matches with the available bed, the bed rate, and budget availability. An average of 239 unduplicated clients are served annually under the existing contract.

Fiscal Impact

- Spending in the first five years of the contract is projected to exceed the initial not-to-exceed amount by $14.6 million due to increases in spending in prior years above budgeted levels. This increase is a result of (1) rate increases related to annual cost of doing business increases and access to beds in new programs that charge higher bed rates; (2) increases in the share of higher acuity patients which cost more money; and (3) additional bed purchases that are currently budgeted but not yet implemented.
- Bed rates in FY 2018-19 and projections for FY 2022-23 show an overall average increase of 55 percent in bed rates.
- Sources of funding include State Realignment, General Fund, and Mental Health SF.

Recommendation

- Approve the Proposed Resolution.

MANDATE STATEMENT

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

BACKGROUND

In June 2018, the Board of Supervisors approved a contract agreement between the Department of Public Health (DPH) and Crestwood Behavioral Health ("Crestwood") (File 18-0416) to provide long-term mental health services in 24-hour locked facilities to San Francisco residents. The original contract was for a not to exceed amount of $77,280,000 for a total contract term of July 1, 2018 through June 30, 2023. The agreement also included a one, five-year option to extend the agreement from June 30, 2023, through June 30, 2028.

DPH initially selected Crestwood through a competitive Request for Proposals (RFP) process issued in November 2017. The RFP sought proposals from qualified vendors to provide psychiatric care to adults and/or older adults in a locked licensed facility, Skilled Nursing Facility, and/or Mental Health Rehabilitation Center within the San Francisco Bay Area. DPH received proposals from Crestwood (with locations statewide) and Canyon Manor (based in Marin), both of which were selected.

Crestwood previously provided these services under a 2008 agreement with DPH that expired in June 2018, prior to the existing contract.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the first amendment to the agreement between the Department of Public Health and Crestwood to provide long-term mental health services in a 24-hour locked facility, increasing the not-to-exceed amount by $146,936,994 from $77,280,000 to $224,216,994, and extending the term by five years through June 30, 2028.

Scope of Services

This contract allows for DPH to purchase beds at Crestwood facilities around California for San Francisco residents to receive mental health services. There are three types of facilities that DPH may place residents at under this contract (1) Mental Health Rehabilitation Centers, which serve patients ages 18 to 64 years old and have a psychiatric diagnosis that prevents them from living independently or in an unlocked facility; (2) Skilled Nursing Facilities which serve patients aged 18 or older and have behavioral and medical problems and/or physical impairments that require special needs; and (3) Community Care licensed facilities, which includes Adult Residential Facilities and Residential Care Facilities for the Elderly.

According to DPH, Mental Health Rehabilitation Centers and Skilled Nursing Facilities serve higher acuity clients who may require one-to-one supervision, frequent regular checks, and enhanced program activities. Clients exiting these facilities and requiring lower levels of care may transition to treatment programs in San Francisco or can spend additional time in a program-intensive, locked residential care facility under the Crestwood contract.

In total there are 14 facilities that DPH may access for placement of residents under this contract. The 14 facilities and each facility's FY 2021-22 average daily census are shown in Exhibit 1 below.

Exhibit 1: Crestwood Facilities and Patient Census, FY 2021-22

Facility	Location	FY 2021-22 Average Daily Census
Community Care (Adult Residential)		
American River Residential	Carmichael	2
Crestwood Hope Center	Vallejo	17
Crestwood Our House RCF	Vallejo	3
Subtotal, Community Care		22
Mental Health Rehabilitation Center		
Crestwood Center - Angwin	Angwin	0
Crestwood Behavioral Health Center - San Jose	San Jose	0
Crestwood Recovery and Rehab Center	Vallejo	10
Crestwood SF Healing Center	San Francisco	54
Crestwood Fallbrook Healing Center (new)	Fallbrook	3
Crestwood Champion Healing Center (new)	Lompoc	22
Subtotal, Mental Health Rehabilitation Center		89
Skilled Nursing Center		
Crestwood Manor Fremont -Stevenson	Fremont	64
Crestwood Manor Stockton	Stockton	10
Crestwood Manor Modesto	Modesto	0
Crestwood Wellness and Recovery (new)	Redding	0
Crestwood Treatment Ctr - Mowry	Fremont	16
Subtotal, Skilled Nursing Center		90
Total		**201**

Source: DPH

DPH only pays for beds in use. According to DPH staff, the contract has funded an average of 197 beds per year; this has ranged from 191 (FY 2018-19) to 205 beds (FY 2019-20). DPH projects that it will fund approximately 212 beds in FY 2022-23, but this is dependent on bed availability, if an identified client matches with the available bed, the bed rate, and budget availability. According to DPH, an average of 239 unduplicated clients are served annually under the existing contract.

Performance Monitoring

There are two performance objectives for this contract. Objective 1 states that Crestwood facilities licensed as Mental Health Rehabilitation Centers or Skilled Nursing Facilities will not

return more than three San Francisco residents per month to psychiatric emergency services. Objective two states that clients admitted to Mental Health Rehabilitation Centers will have a length of state of less than two years.

According to DPH, Crestwood met both performance objectives in FY 2020-21. In FY 2020-21 the average number of clients transferred to psychiatric emergency services was 0.42 clients per month and the average length of stay for clients in Mental Health Rehabilitation Centers was 1.9 years.

In addition to these performance objectives, the contract is monitored through a virtual Utilization Review process on an on-going basis through the Behavioral Health System Residential System of Care. Each resident admitted to a facility into a contract bed is reviewed every 30 days by the City's Behavioral Health System Residential System of Care Utilization Reviewer. The Utilization Reviewer monitors on-going treatment and progress toward treatment goals including discharge as soon as clinically appropriate at monthly Utilization Review meetings with the facility treatment team. DPH staff make on-site visits as needed to provide case management support.

Financial Monitoring

Crestwood Behavioral Health, Inc. is a private company. According to DPH staff, fiscal monitoring of this contract involves DPH program staff reconciling data in Epic electronic health records against Crestwood invoices. DPH budget staff doublecheck the numbers before authorizing for payment.

FISCAL IMPACT

The proposed amendment to the contract increases the not-to-exceed amount from $77,280,000 to $224,216,994 for an increase of $146,936,994. Exhibit 2 below provides an overview of actual and projected expenditures on the current contract and proposed contract amendment.

Exhibit 2: Actual and Projected Spending on the Contract, FY 2018-19 through FY 2027-28

Contract Year	Dates	Original Contract (Actuals)	Proposed Amendment	Total	Annual Change	Percent Change
1	7/1/18-6/30/19	$13,446,085		$13,446,085		
2	7/1/19-6/30/20	16,395,877		16,395,877	2,949,792	22%
3	7/1/20-6/30/21	19,630,772		19,630,772	3,234,895	20%
4	7/1/21-6/30/22	20,753,002		20,753,002	1,122,230	6%
5	7/1/22-6/30/23	7,054,264*	14,644,726	21,698,990	945,988	5%
6	7/1/23-6/30/24		21,820,552	21,820,552	121,562	1%
7	7/1/24-6/30/25		22,475,169	22,475,169	654,617	3%
8	7/1/25-6/30/26		23,149,424	23,149,424	674,255	3%
9	7/1/26-6/30/27		23,843,906	23,843,906	694,482	3%
10	7/1/27-6/30/28		24,559,224	24,559,224	715,318	3%
Total		**$77,280,000**	**$130,493,001**	**$207,773,001**		
Contingency (12%)			16,443,993	16,443,993		
Total Not-to-Exceed		**$77,280,000**	**$146,936,994**	**$224,216,994**		

Source: DPH

*Remaining amount under the existing contract. DPH staff report that the existing contract will be fully expended in FY 2022-23.

Sources of funding for the contract include State Realignment, General Fund, and Mental Health SF Prop C funding.

Increasing Contract Costs

According to DPH staff, contract spending increased by $2.9 million (22 percent) in FY 2019-20 due to the purchase of five additional beds at the Fallbrook Healing Center, a Mental Health Rehabilitation Center and additional funding for rate increases at the SF Healing Center. Contract spending increased by an additional $3.2 million (20 percent) in the subsequent year due to access to additional beds, including 32 beds from existing Skilled Nursing Facilities that started in October 2020, 20 beds at Crestwood Champion Health Center (a new Mental Health Rehabilitation Center facility that started January 2021), and 14 beds at the SF Healing Center that started September 2020. In addition, the 40 beds at SF Healing Center had a rate increase to $478/day per bed starting September 2020.

In the current year five of the contract, DPH estimates that it will need an additional $14.6 million in funding beyond the initial not-to-exceed amount of $77,280,000 due to increases in spending in prior years above budgeted levels. According to DPH, the increase in spending on the contract is a result of (1) rate increases related to annual cost of doing business increases and access to beds in new programs that charge higher bed rates due to higher lease, renovation, construction, and other start-up costs, and regional salary differentials; (2) increases in the share of higher acuity patients compared to lower acuity patients, resulting in higher bed rates on average; and (3) additional bed purchases both at new facilities as well as increased census capacity at existing facilities, however, average patient daily census in FY 2021-22 (201) was comparable to average

daily census in FY 2018-19 (203), as shown in Exhibit 3 below. According to DPH, these bed purchases are budgeted but have not yet been fully implemented.

Bed Rates and Average Daily Census

Bed rates in FY 2018-19 and projections for FY 2022-23 (based on FY 2021-22 census and rate information) show an overall average increase of 55 percent in bed rates. This increase reflects: (a) an annual five to 10 percent increase in cost of doing business at existing facilities as well as increases in rates for new facilities according to DPH staff; and (b) an increase in patient census at Mental Health Rehabilitation Centers, which serve higher acuity patients and charge higher rates, and a decrease in patient census at Adult Rehabilitation Facilities and Skilled Nursing Facilities, which serve lower acuity patients and charge lower rates compared to Mental Health Rehabilitation Centers. DPH staff state that Mental Health SF has identified a need for more lower levels of care and that the City is working towards improving capacity at these levels.

Exhibit 2 below provides a summary of the increase in average bed rates between FY 2018-19 and FY 2021-22. However, bed rates differ by facility based on the location and type of facility, and bed rates also differ within facilities based on patient acuity. According to DPH, bed rates are determined by the cost of doing business in the area the facility is located and the percent of clients served in the facility. The more clients in a facility allows for enhanced service costs averaging out at a lower cost per client. The bed rates are reviewed annually.

Exhibit 2: Bed Census and Average Bed Rate, FY 2018-19 vs. FY 2021-22

	FY 2018-19	FY 2021-22	Change	% Change
Bed Census				
Community Care	34	22	(12)	-35%
Mental Health Rehabilitation Facility	69	89	20	29%
Skilled Nursing Facility	100	90	(10)	-10%
Total, All Facilities	**203**	**201**	**(2)**	**-1%**
Average Bed Rates				
Community Care	$116	$150	$34	29%
Mental Health Rehabilitation Facility	$336	$465	$128	38%
Skilled Nursing Facilities	$107	$149	$42	39%
Total, All Facilities	**$187**	**$289**	**$102**	**55%**
Annual Amount				
Community Care	$1,439,560	$1,204,500	($235,060)	-16%
Mental Health Rehabilitation Facility	8,468,000	15,092,020	6,624,020	78%
Skilled Nursing Facilities	3,912,800	4,890,635	977,835	25%
Total, All Facilities	**$13,820,360**	**$21,187,155**	**$7,366,795**	**53%**

Source: DPH

Note: The annual totals do not match Exhibit 1 because these totals are at bed rates for the complete year, and a bed may only be used for part of the year for the actual spending.

RECOMMENDATION

Approve the proposed resolution.

Item 5 File 22-0823	Department: Public Health

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would retroactively allow the San Francisco Department of Public Health (DPH) to accept and expend $791,433 in grant funding from the United States Department of Education, through the California Department of Rehabilitation (DOR) as a pass-through entity.

Key Points

- The $791,433 grant from DOR would reimburse DPH for the cost of providing 1.59 full-time equivalent positions (FTEs) to support the State Vocational Rehabilitation Services Program.
- Since 1999, DPH has been receiving grant funds from DOR to provide vocational rehabilitation services for adults with severe mental illness.
- In addition to the grant, DOR directly funds five contractors to provide vocational rehabilitation services to San Francisco residents diagnosed with mental illness who have expressed motivation to seek employment. DOR provides oversight of these contracts.
- Under the cooperative contract agreements (including a Standard Agreement, a Case Services Agreement, and a Cash Transfer Agreement), in addition to providing the full cash match of $818,875 per year ($2,456,625 over three years), DPH is also responsible for identifying and referring qualified individuals who would benefit from DOR's vocational rehabilitation services, quality assurance, administrative support, and intermediary support services to DOR clients.

Fiscal Impact

- The State Vocational Rehabilitation Services grant budget over three years is $12,324,885, which includes (a) $791,433 in grant funds to DPH (the subject of this resolution); and (b) $11,533,452 in direct DOR funding, which is partially reimbursed by DPH grant matching funds.
- The grant budget also includes $43,333 in indirect costs, or 5.79 percent of salaries.
- The proposed grant requires $2,456,625 in matching funds from DPH over three years, equal to 21.3 percent of DOR funding of $11,533,452
- The matching funds are sourced from the City General Fund (59 percent) and from the State's Mental Health Services Act funds (41 percent). Sufficient funding is provided in the FY 2022-23 and FY 2023-24 DPH budgets.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

City Administrative Code Section 10.170-1 states that accepting Federal, State, or third-party grant funds in the amount of $100,000 or more, including any City matching funds required by the grant, is subject to Board of Supervisors approval.

BACKGROUND

The State Vocational Rehabilitation Services Program is a federal initiative under the U.S. Department of Education that provides grants to assist states in operating vocational rehabilitation programs for individuals with disabilities. Since 1999, the City and County of San Francisco's Department of Public Health (DPH) has been receiving grant funds from the California Department of Rehabilitation (DOR) to provide vocational rehabilitation services for adults with severe mental illness. These services include vocational assessment, situational assessment, work adjustment, and employment services.

Previous Agreement

In February 2019, the Board of Supervisors approved the most recent grant and matching requirement agreement with DOR, providing $271,200 for the three-year term from July 2019 through June 2022 (File 19-0154). The grant reimbursed DPH for 0.59 Full-Time Equivalent (FTE) Health Coordinator III position and required matching funds in the amount of $2,456,625 from DPH.

DOR Direct Funding for Programs

In addition to the grant, the Department of Rehabilitation directly funds the following five contractors to provide vocational rehabilitation services to San Francisco residents:

- Richmond Area Multi-Services, Inc. (RAMS), which provides vocational assessment, employment services, and job coaching;
- Citywide Case Management Forensics, which provides vocational assessment and employment services;
- Positive Resources Center, which provides employment services;
- Caminar Jobs Plus, which provides employment services; and
- Occupational Therapy Training Program Groups-San Francisco (OTTP-SF), which provides vocational assessment and employment services.

DOR provides oversight of these contracts.

Additionally, the Department of Rehabilitation directly funds 5.75 FTEs in DOR's Rehabilitation Team unit and Case Services. The Rehabilitation Team Unit determines eligibility and functional capacities, assists in the development of individualized plans for employment, and provides vocational counseling and services coordination. Case Services pays for certain client expenses to provide eligible clients with tools, clothing, and any needed materials while in training.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would retroactively allow DPH to accept and expend $791,433 in grant funding from the United States Department of Education, through DOR as a pass-through entity. The proposed grant funds would support an existing 0.59 FTE Health Program Coordinator III position as well as a new 1.0 FTE Health Worker III in the DPH budget within the Behavioral Health Services Division.

Service Goals

Under the cooperative contract agreements (including a Standard Agreement, a Case Services Agreement, and a Cash Transfer Agreement), in addition to providing the full cash match of $818,875 per year ($2,456,625 over three years), DPH is also responsible for identifying and referring qualified individuals who would benefit from DOR's vocational rehabilitation services, quality assurance, administrative support, and intermediary support services to DOR clients. DPH does not provide client services. The new Health Worker III will be the bridge between the clients, the contracted agencies, and DPH. According to DPH, many of the clients need additional support to access services.

DPH's outcome goals are to serve 878 unduplicated participants through the contracted providers over the three-year program term; 200 in year one, 300 in year two, and 378 in year three.

Contract Restructuring

DPH received the grant award notice from DOR on April 6, 2022 for a July 1, 2022 start date. According to DPH, the proposed resolution is delayed in coming to the Board for approval before the July 1 start date because of new contract restructuring requirements imposed by the U.S. Department of Education Rehabilitation Services Agency (the primary grant funder). The grant funder now requires that DPH provide direct services to DOR clients, requiring changes to the agreements and the addition of a new position to be reimbursed by the grant.

FISCAL IMPACT

The State Vocational Rehabilitation Services grant budget over three years is $12,324,885, shown in Exhibit 1 below, which includes:

(a) $791,433 in grant funds to DPH (the subject of this resolution); and
(b) $11,533,452 in direct Department of Rehabilitation funding, which is partially reimbursed by DPH grant matching funds.

Exhibit 1: State Vocational Rehabilitation Services Program Budget

	FY 2022-23	FY 2023-24	FY 2024-25	Total
Department of Rehabilitation				
Rehabilitation Team Unit (5.75 FTEs)	$634,668	$634,668	$634,668	$1,904,004
Case Services	520,234	520,234	520,234	1,560,702
Vocational Rehabilitation Services provided by five contract providers	2,689,582	2,689,582	2,689,582	8,068,746
Subtotal, Direct DOR funds	**3,844,484**	**3,844,484**	**3,844,484**	**11,533,452**
State Grant to DPH				
0.59 FTE Health Program Coordinator III	112,153	112,153	112,153	336,459
1.0 FTE Health Worker III (new)	137,214	137,214	137,214	411,642
Indirect Costs (5.79% of Personnel)	14,444	14,444	14,444	43,332
Subtotal, State Grant to DPH	**263,811**	**263,811**	**263,811**	**791,433**
Total Program Budget	**$4,108,295**	**$4,108,295**	**$4,108,295**	**$12,324,885**

Source: Standard Agreement Exhibit B and DPH Service Budget

The $791,433 grant from the California Department of Rehabilitation (DOR) would reimburse DPH for the cost of providing 1.59 FTEs to support the State Vocational Rehabilitation Services Program, as shown in Exhibit 1 above. The grant does not require an amendment to the Annual Salary Ordinance, as the existing and new positions were budgeted through the annual budget process. The grant budget also includes $43,333 in indirect costs, or 5.79 percent of salaries.

The proposed grant requires $2,456,625 in matching funds from DPH, equal to 21.3 percent of Department of Rehabilitation funding of $11,533,452. The matching funds are sourced from the City General Fund (59 percent) and from the State's Mental Health Services Act funds (41 percent). Sufficient funding is provided in the FY 2022-23 and FY 2023-24 DPH budgets to cover these costs.

RECOMMENDATION

Approve the proposed resolution.