CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

1390 Market Street, Suite 1150, San Francisco, CA 94102 (415) 552-9292
FAX (415) 252-0461

November 10, 2022

TO: Budget and Finance Committee

FROM: Budget and Legislative Analyst DY

SUBJECT: November 16, 2022 Budget and Finance Committee Meeting

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EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution approves the second amendment to the Clear Channel agreement, which (1) exercises the agreement's option to extend for five-years through December 2027, (2) decreases revenues due to MTA for the final five-years, and (3) changes Clear Channel maintenance responsibilities, and makes other changes, described below.

Key Points

- The City's current agreement with Clear Channel began in 2007 and grants Clear Channel rights to own, operate and manage transit shelters and public advertising displays. The agreement is for 15 years through December 2022 with one five-year option to extend through December 2027, at the City's sole discretion. The Agreement provides for Clear Channel to make the greater of either (1) annual minimum annual guaranteed (MAG) payments, or (2) a revenue share payment equal to 55 percent of advertising revenues, and make other annual payments to MTA and the Arts Commission
- Clear Channel has never generated sufficient revenues to pay the revenue share during the term of the existing agreement and had revenues that were less than the MAG in the four-year period between 2016 and 2019. In June 2021, the Board of Supervisors approved the first amendment to the Clear Channel agreement which reduced MAG revenues from $44.2 million to $17.9 million for the period January 2020 to June 2022.
- The proposed second amendment reduces MAG and other payments due to MTA for the five-year extension by $64.7 million in exchange for (1) increasing the frequency of cleaning transit shelters from two to three times per week, (2) transferring ownership of 1,200 transit shelters to MTA at the end of the agreement, (3) providing MTA $1 million in free advertising, and (4) $3 million in capital investment to update advertising displays at 50 transit shelters, which together are valued at $23 million.

Fiscal Impact

- According to MTA, the Agency's five-year financial plan assumes $50.6 million in MAG revenues from this contract, or approximately $5.8 million less than what would be provided in the proposed second amendment.

Policy Consideration

- Clear Channel currently carries a performance bond of $10 million, which is two to three years of transit shelter and platform maintenance. According to Jonathan Rewers, MTA Acting Chief Financial Officer, neither MTA nor Public Works have sufficient staffing to assume these maintenance responsibilities.

Recommendation

Approval of the proposed resolution is a policy matter for the Board of Supervisors

MANDATE STATEMENT

City Charter Section 9.118(a) provides for Board of Supervisors approval by resolution for contracts with revenues of $1 million or more, or for modification of such contracts.

BACKGROUND

Clear Channel Agreement

The proposed resolution is a request to the Board of Supervisors to amend the City's agreement with Clear Channel Outdoor, Inc. (Clear Channel). This agreement, which is between the Port, San Francisco Municipal Transportation Agency (MTA), and Clear Channel, was initially approved in 2007, granting Clear Channel rights to own, operate and manage transit shelters and public advertising displays, including transit shelters and kiosks located on Port property. The agreement is for 15 years through December 2022 with one five-year option to extend through December 2027, at the City's sole discretion. The MTA informed Clear Channel of its intention to exercise the option in late 2022 and began to re-negotiate the terms and conditions of the contract for the final five years to ensure continuous support and maintenance of Muni's transit shelters throughout the City.

The Agreement provides for Clear Channel to make the greater of either (1) minimum annual guaranteed (MAG) payments, or (2) a revenue share payment equal to 55 percent of advertising revenues. In June 2021, the Board of Supervisors approved the first amendment to the Clear Channel agreement which reduced MAG revenues from $44.2 million to $17.9 million for the period January 2020 to June 2022 to account for decreased advertising revenues during the onset of the pandemic. The first amendment also reduced the revenue share from 55% to 50% in FY 2020-21 and FY 2021-22 and reduced the annual administrative and marketing fees due to MTA for two years, which totaled approximately $700,000 per year. Total MAG payments from Clear Channel to MTA through 2022 are $159.8 million.

Clear Channel Financial Performance

Clear Channel has never generated sufficient revenues to pay the revenue share during the term of the existing agreement and had revenues that were less than the MAG in the four-year period between 2016 and 2019. According to a September 2022 MTA staff report to the MTA Board of Directors, total Clear Channel advertising revenues were $14.1 million in contract year 2018-19 or approximately $2 million less than the MAG payments due to MTA that year and advertising revenues were $8.0 million in contract year 2021-22, which was $1.7 million more than the $6.3 million in MAG payments due to MTA in FY 2021-22.[1]

According to its 2021 10-K (an annual financial report filed with the Securities and Exchange Commission), Clear Channel had a $433.8 million net loss in 2021 (including $375.1 million in

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[1] The original contract provided for a $18.7 million MAG payment in FY 2021-22, however the payment was reduced to $6.3 million in the first amendment to the contract.

negative cash flows) and the company's liabilities exceeded its assets by approximately $3.2 billion. According to its 2022 third quarter report (10-Q filling), the company remains unprofitable but is losing cash at a slower rate than in 2021; Clear Channel had a $193.8 million net loss through September 2022, including $81.8 million in negative cash flows. In 2019, transit advertising accounted for 30% of Clear Channel's advertising inventory and 12 percent of global revenues.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution approves the second amendment to the Clear Channel agreement, which (1) exercises the agreement's option to extend for five years through December 2027, (2) decreases revenues due to MTA for the final five-years of the agreement, (3) changes Clear Channel maintenance responsibilities, and (4) makes other changes, described below.

Revenues

Under the existing agreement, Clear Channel would pay $115.8 million in MAG payments during the proposed five-year contract extension or approximately $23.2 million annually in addition to the cost of maintenance expenses. This reflects an advertising revenue amount that has never been achieved over the first 15 years of the contract, which has ranged from $5.8 million to $14.5 million. On average, over the first 15 years of the contract, Clear Channel has achieved approximately $11.4 million in advertising revenues annually. The proposed second amendment reduces the MAG payments for that period to $56.45 million or by 51.3 percent, to reflect prior actual revenues and right-size the amount based on MTA's and Clear Channel's assessment of current economic conditions. The revised MAG would result in approximately $9.9 million in MAG provided to the City per year, a reduction of 13 percent from prior average annual amounts through June 2022.[2]

In addition, the current agreement requires approximately $1.1 million per year paid to the MTA for administrative fees and marketing support and $400,000 paid to the Arts Commission, escalated annually by inflation. The proposed second amendment eliminates payments to the Arts Commission and reduces MTA's payments to $500,000 per year in FY 2022-23 & FY 2023-24 and then $700,000 per year through December 2027.

The proposed second amendment also extends the current agreement's $1 million per year in free advertising for the City and removes the advertising revenue share, which is scheduled to increase to 57% under the current agreement. As noted above, under the current agreement, Clear Channel has never achieved revenues sufficient to pay the revenue share (that would exceed the MAG).

Maintenance

The proposed second amendment increases Clear Channel's inspection and cleaning responsibilities for transit shelters from two to three times per week, an increase of 50% but

[2] Average MAG payments were $12.7 million through 2019. The $9.9 million average MAG payment in the second amendment is 22 percent less than the average MAG payment prior to the pandemic.

reduces transit platform maintenance from daily to five time per week, to focus more resources across the entire Muni transit system. According to MTA, Clear Channel will increase maintenance staff from 15 to 30 FTEs to cover the increase maintenance frequency. The second amendment extends the period that Clear Channel must replace a destroyed transit shelter from 15 to 45 days, to match actual performance.

We have not been provided a record of the contractor's maintenance performance.

Security Deposits

In consideration of Clear Channel's reduced financial commitment to the City, the proposed second amendment reduces the performance bond that Clear Channel would be required to carry from $20 million to each year's MAG payment, which ranges from $7 million to $13.7 million, and reduces the letter of credit that Clear Channel would be required to carry from $6 million to $2 million. The City's Risk Management Division approved these changes.

Asset Management & Ownership

The proposed second amendment requires Clear Channel to hire a contractor to rate all 1,200 transit shelters and develop a maintenance plan that prioritizes equity and shelters in poor condition. Though not specified in the contract, MTA expects that Clear Channel would spend $3 million to replace and repair transit shelters, which would refresh approximately 400 shelters. Under the agreement, Clear Channel will also spend $3 million by June 2025 on improving digital advertising displays within the shelters, which would provide 50 shelters with more durable advertising screens.

Under the second amendment, at the end of the extension term, Clear Channel would transfer ownership of all 1,200 transit shelters and advertising kiosks to MTA, which Agency staff believe is valued at $6 million.

FISCAL IMPACT

Exhibit 1 below shows the decreased revenues to the City under the proposed second amendment, which total $64.8 million over the five-year extension ($59.4 million in decreased MAG payments and $5.35 million in other payments). As noted above, the advertising revenue share decreases from 57% to 0%.

Exhibit 1: Fiscal Impact of Five-Year Extension with Proposed Second Amendment

	Current	Proposed	Difference
MAG Payments	115,829,000	56,450,000	(59,379,000)
Other Payments	8,800,000	3,450,000	(5,350,000)
Free Advertising	0	5,000,000	5,000,000
Transit Shelter Ownership	0	6,000,000	6,000,000
Maintenance	18,000,000	27,000,000	9,000,000
Digital Advertising Capital	0	3,000,000	3,000,000
Total	**142,629,000**	**100,900,000**	**(41,729,000)**

Source: Clear Channel Agreement & Proposed Second Amendment

Note: Other Payments include $1.1 million per year paid to the MTA for administrative fees and marketing support and $400,000 per year to the Arts Commission, escalated annually by inflation

According to MTA staff, the Agency's five-year financial plan assumes $50.6 million in MAG revenues from this contract, or approximately $5.8 million less than would is provided in the proposed second amendment.

In consideration of the decreased payment obligations, as noted above, the proposed amendment provides for the transfer of all transit shelters to MTA ownership at the end of the agreement, which are valued at $6 million, provides $1 million per year of advertising space for MTA, and includes $3 million in capital investment to 50 existing advertising displays at shelters. Maintenance efforts are valued at $5 million in contract year 2023 and $27 million over the five-year term. The total value of these changes is $23 million over five years.

POLICY CONSIDERATION

Although extension of the agreement is at the City's sole discretion, Clear Channel currently carries a performance bond of $10 million, which is two to three years of transit shelter and platform maintenance. According to Jonathan Rewers, MTA Acting Chief Financial Officer, neither MTA nor Public Works have sufficient staffing to assume these maintenance responsibilities.

RECOMMENDATION

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

Item 3 **File 22-1092**	**Department:** Municipal Transportation Agency (MTA), Real Estate Division (RED)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve the First Amendment to the lease between the San Francisco Municipal Transportation Agency (SFMTA) as tenant and Hudson 1455 Market, LLC as landlord to operate the Transportation Management Center (TMC) at 1455 Market Street, exercising the first option to extend the lease 10 years through September 19, 2033, with initial annual rent of $1,691,202 and three percent annual adjustments, and authorize the Director of Property to enter into immaterial modifications of the lease.

Key Points

- The SFMTA operates the TMC at 1455 Market Street. The TMC provides various command, communication, and control functions for trains, subway stations, safety systems, traffic flows, security systems, and processing DMV record checks and Parking Control dispatch. In 2011, the Board of Supervisors approved a lease for SFMTA to operate the TMC at 1455 Market Street for a term of 10 years with two 10-year options to extend.
- Under the lease, the rent is adjusted three percent annually and five percent at the beginning of each extension term. An appraisal for the lease was not required because annual base rent is below $45 per square foot. However, the Real Estate Division (RED) performed an informal review of recent commercial leases in the Mid-Market/Van Ness area and determined that rent was below market rate.

Fiscal Impact

- Under the proposed First Amendment, SFMTA would pay initial annual rent of $1,691,202, with three percent annual escalation. Over the 10-year term of the lease, SFMTA would pay total rent of approximately $19,533,149.
- In addition to rent, SFMTA pays operating costs for the premises and a percentage share of the increase to the building costs since the base year (2012). SFMTA estimates that initial annual operating costs will be $632,589, with three percent annual escalation. Over the 10-year term, SFMTA would pay approximately $7,251,926 in operating costs, for total costs of approximately $26,785,075.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

City Administrative Code Section 23.27 states that any lease with a term of one year or longer and where the City is the tenant is subject to Board of Supervisors approval by resolution.

BACKGROUND

The San Francisco Municipal Transportation Agency (SFMTA) operates the Transportation Management Center (TMC) at 1455 Market Street. The TMC provides command, communication, and control functions for the Automatic Train Control System, public address and platform display systems at subway stations, monitoring and remotely operating subway fire, life, and safety systems, monitoring the traction power for train and trolley overhead wires, monitoring traffic flows and control traffic signal timing and variable message signs, the Closed Circuit Television (CCTV) system, and processing DMV record checks and dispatching Parking Control Officers to towing and traffic directing requests.

In June 2011, the Board of Supervisors approved a lease for SFMTA to operate the TMC at 1455 Market Street for a term of 10 years with two 10-year options to extend (File 11-0538). The premises consists of 38,894 square feet on the seventh floor for the TMC, 679 square feet on the first floor for locker rooms and showers, and bike storage on the third floor of the parking garage. After substantial tenant improvements, the lease commenced on September 20, 2013 and will expire on September 19, 2023. The lease requires SFMTA to provide at least 15 months' notice if it wishes to exercise the options to extend, and the Real Estate Division (RED) issued the notice on behalf of SFMTA for the first option on June 17, 2022.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the First Amendment to the lease between SFMTA as tenant and Hudson 1455 Market LLC as landlord, exercising the first option to extend 10 years through September 19, 2033, and authorize the Director of Property to enter into immaterial modifications of the lease.

The original lease specified that if SFMTA were to exercise the options to extend, the base rent would be increased by five percent at the beginning of each extension term, with three percent annual increases thereafter. SFMTA currently pays annual rent of $1,610,669 ($40.70 per square foot), and a five percent increase sets initial rent under the extension term at $1,691,202 ($42.74 per square foot).[1]

Per Administrative Code Section 23.27, an appraisal for the lease is not required because the initial annual rent is below $45 per square foot. According to Claudia Gorham, RED Deputy Managing Director, RED did not conduct an appraisal, but performed an informal review of recent commercial leases in the Mid-Market/Van Ness area, which we reviewed, and determined that rent was below market rate.

[1] The initial annual rent of $1,691,202 consists of $1,673,956 for the seventh floor TMC space ($43.04 per square foot) and $17,247 for the first-floor locker room space ($25.40 per square foot).

SFMTA & RED evaluated other properties available for purchase but did find any suitable alternatives. Furthermore, RED and SFMTA determined that relocating the TMC would be cost-prohibitive due to the specialized equipment located at 1455 Market Street and would require two sites to be operational simultaneously until all systems are transferred over. According to MTA, the cost to build out the TMC in 2011-2012 was approximately $12 million and would cost more now due to inflation.

Under the proposed First Amendment, SFMTA would continue to pay operating costs for the premises, which include electrical charges, chilled water charges, after-hours HVAC and excess services, equipment maintenance, janitorial services, any building modifications requested by the City, and any additional services requested by the City. In addition, the City must pay the percentage share of the increase to the building costs since the base year (2012) for utilities, repairs and maintenance, insurance, labor costs, management fees, accounting and legal expenses, depreciation, capital expenditures, and property taxes. According to William Zhao, SFMTA Principal Administrative Analyst, SFMTA estimates that initial annual operating costs will be $632,589, with three percent annual escalation.

FISCAL IMPACT

Under the proposed First Amendment, SFMTA would pay initial annual rent of $1,691,202, with three percent annual escalation. Over the 10-year term of the lease, SFMTA would pay total rent of approximately $19,533,149. In addition, SFMTA would pay approximately $7,251,926 in operating costs, for total costs of approximately $26,785,075. Annual estimated rent and operating costs are shown in Exhibit 1 below.

Exhibit 1: Annual Estimated Rent and Operating Costs

Year	Rent[2]	Operating Cost	Total Cost
Year 1	$1,703,887	$632,589	$2,336,476
Year 2	1,755,003	651,567	2,406,570
Year 3	1,807,653	671,114	2,478,767
Year 4	1,861,883	691,247	2,553,130
Year 5	1,917,739	711,985	2,629,724
Year 6	1,975,271	733,344	2,708,615
Year 7	2,034,530	755,345	2,789,875
Year 8	2,095,565	778,005	2,873,570
Year 9	2,158,432	801,345	2,959,777
Year 10	2,223,185	825,385	3,048,570
Total	**$19,533,149**	**7,251,926**	**26,785,075**

Source: Proposed lease amendment, SFMTA

[2] Under the lease, the rent is adjusted on July 1 of each year, rather than on the lease anniversary date. The Year 1 rent shown represents approximately nine months of rent at $140,934 per month ($1,691,202 annualized rate) and three months of rent at $145,162 per month ($1,741,939 annualized rate).

Rent and operating costs would be funded by SFMTA's annual operating budget. If the second option to extend is exercised, base rent would again be increased by five percent.

RECOMMENDATION

Approve the proposed resolution.

Item 7 **File 22-1127**	**Department:** Public Health (DPH)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution retroactively authorizes the Department of Public Health (DPH) to accept and expend a $6,000,000 California Board of State and Community Corrections (BSCC) Proposition 47 grant agreement to fund the Supporting Treatment & Reducing Recidivism (STARR) program for the period of September 1, 2022, through June 1, 2026.

Key Points

- Proposition 47 funds provide mental health services, substance use disorder treatment, and/or diversion programs for criminal justice involved individuals. DPH has been a grant recipient in all three cohorts of these funds in 2017, 2019, and 2022. The 2022 grant agreement continues funding the Supporting Treatment & Reducing Recidivism (STARR) program, initially funded by the 2019 grant.
- The STARR program provides detox beds, residential substance use disorder (SUD) treatment beds, and various supportive services for individuals with high-risk co-occurring disorders and criminal justice involvement.

Fiscal Impact

- The total grant award is $6 million, and $5.5 million of the award will be passed through to community-based service providers. The remaining funds support data collection and analysis, financial auditing, supplies, and 0.48 FTE DPH staff.
- The total amount of matching funds, sourced from the General Fund, is $3,144,717, which funds 7.19 FTE of existing DPH staff supporting the STARR program.

Policy Consideration

- The 2017 and 2019 Proposition 47-funded programs either met or were projected to meet 50% and 33% of their objectives, respectively.
- The program will reduce residential SUD treatment beds from 40 to 18 in 2023, which is less than the reported monthly client average of 28 for these services in 2022.
- The Department did not use utilize an RFP or other competitive solicitation process when selecting providers for Proposition 47-funded programs.

Recommendations

- Approve the proposed resolution.
- The Board should also consider requesting DPH provide a report on the occupancy of the program and the status of the 22 treatment beds no longer funded in the proposed grant agreement no later than May 2023.

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

In November 2014, California voters approved Proposition 47, an initiative reducing specific low-level drug and property crimes from felonies to misdemeanors. Sixty-five percent of the state savings generated by Proposition 47 are set aside annually for the California Board of State and Community Corrections (BSCC) to administer a competitive grant program. Proposition 47 funds are awarded to public agencies providing mental health services, substance use disorder treatment, and/or diversion programs for criminal justice involved individuals. These funds may serve both adults and juveniles through housing-related assistance and other community-based supportive services.

At the time of this writing, there have been three cohorts of Proposition 47 grant recipients, and the San Francisco Department of Public Health (DPH) has been awarded a grant in each cohort: 2017, 2019, and 2022. For these Proposition 47-funded programs, DPH serves as the lead agency responsible for project coordination, grant administration, and facilitating connections amongst the DPH system of care. Additionally, each grant has a minimum cost sharing requirement, which is mainly used to fund existing DPH staff that are supporting the program. The greatest allocation of grant funds is passed through to community-based service providers for the direct provision of client services. The grant requires at least 50 percent of the award must be passed through to community-based service providers. Out of the total $18 million awarded from all three cohorts, DPH has allocated $14.7 million, or approximately 82 percent to community-based providers. The remaining funds have supported DPH positions, data collection and analysis, financial auditing, and supplies.

Cohorts

The 2017 cohort funded the Promoting Recovery & Services for the Prevention of Recidivism (PRSPR) program, and the 2019 cohort funded the Supporting Treatment & Reducing Recidivism (STARR) program. These two Proposition 47 grants funded detox beds,[1] residential substance use disorder (SUD) treatment beds,[2] and various supportive services. According to DPH staff, programming focuses on jail diversion, recovery, and community reentry for individuals with high-risk co-occurring disorders and criminal justice involvement. As proposed in this resolution,

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[1] This is otherwise known as withdrawal management. This is a detox service with an average stay of 4-10 days and includes 21 hours of treatment/week. According to DPH, the average stay has recently increased to up to two weeks
[2] This is a residential substance use disorder (SUD) service with an average stay of 3-6 months, and includes individual and group counseling, case management, SUD and mental health classes, and physical wellness. According to DPH, the average stay has recently increased to 6-9 months.

DPH intends to continue to fund the STARR program with a third cohort of awarded Proposition 47 grant funding.

According DPH, the STARR program builds on the PRSPR program. From October 1, 2019, to August 15, 2021, or approximately 23 months, PRSPR and STARR program dates overlapped. The overlap allowed DPH to fund five more detox beds, doubling the number of detox beds available during this cohort from five to 10.

The 2019 STARR program intended to focus on centralizing intake, assessment, and triage at the CASC (Community Assessment and Services Center), a one-stop reentry center run by the Adult Probation Department (APD). However, due to the COVID-19 pandemic and the closure of the CASC, DPH began referring clients via law enforcement and community-based providers.

Cohort 1: Evaluation Report

According to a final evaluation report published by a third-party consultant in September 2021, the PRSPR program was evaluated based on a set of eight objectives written into the grant. From December 2017 through June 2021, four objectives were met, one objective was almost met, two objectives were not met, and one objective was unable to assess. For example, approximately 65 individuals were enrolled in residential treatment annually, meeting the program's goal of 64 annually enrolled individuals. The report also shows there was a statistically significant decrease in arrests for successful program completers. However, the program's residential program occupancy rate averaged 66%, falling short of the program's goal to maintain at least a 90% occupancy rate.

According to the report, there were delays in hiring and contracting between DPH and community-based service providers which resulted in a slower than anticipated start to the program and a reduced referral and intake flow.

Cohort 2: Evaluation Report

In August 2021, a two-year preliminary evaluation report by the same third-party consultant was published assessing STARR's progress towards nine objectives written into the grant agreement. According to this preliminary report, from January 2020 through March 2021, three objectives were on target to be achieved, three objectives were not yet achieved, and one objective was not yet reported. For example, the average detox treatment bed occupancy rate was 4.5%, substantially lower than the objective to maintain at least 90% occupancy rate for detox beds. The preliminary report also states no program participants enrolled in the first two years of STARR have recidivated, at the date of the publication.

According to the report, the greatest identified challenge was the COVID-19 pandemic: the CASC remained closed throughout the pandemic, the pool of clients narrowed, and Salvation Army Harbor Light Center had COVID-19 outbreaks.

Cohort 3

On July 26, 2022, the San Francisco Department of Public Health (DPH) received an award notice from BSCC of Proposition 47 grant funds in the amount of $6,000,000 to fund the next cohort of the STARR program from September 1, 2022, through June 1, 2026. According to DPH staff, spending for Cohort 3 is anticipated to begin February 16, 2023 pending approval, one day after Cohort 2 ends.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution retroactively authorizes DPH to accept and expend a $6,000,000 BSCC Cohort 3 Proposition 47 grant agreement to fund the STARR program for the period of September 1, 2022, through June 1, 2026.

The grant terms require a minimum cost sharing of $3,144,717. The match will fund existing DPH positions supporting the STARR program. The grant does not require an Annual Salary Ordinance Amendment. According to the proposed resolution, the cost sharing will be funded from the General Fund.

Continuation of STARR Program

As noted above, the STARR program provides residential treatment beds, low threshold case management, and wraparound support services for criminal justice involved adults with co-occurring substance use disorder and mental health issues. Of the $6,000,000, approximately $5.5 million will be passed through to community-based service providers to fund 10 detox beds and 18 residential SUD treatment beds at Salvation Army Harbor Light Center, low threshold case management from the Felton Institute, and wraparound support services from the broader DPH support system.

DPH has proposed modifications for Cohort 3 from the previous Cohorts. According to DPH, the overlap of Cohort 1 and 2 funding allowed DPH to pay for additional detox and residential treatment beds. There is no overlap in funding for this Cohort, so DPH is funding 18 residential treatment beds, a 55 percent decrease from the 40 currently provided. Also, Cohort 3 programming intends to implement a more decentralized approach for intake, assessment, and triage in comparison to Cohort 2. Instead of solely relying on CASC, DPH intends to utilize the relationships built with other service providers to provide a broad array of community resources, expand the pool of potential clients, and increase access points to services.

Exhibit 1 below demonstrates the similarities and differences between Cohorts 1,2, and 3.

Exhibit 1: Cohort Services and Budgets

	Cohort 1	*Cohort 2*	*Cohort 3*
Grant Program Dates	06/16/17-08/15/21[3]	10/1/19-05/15/23[4]	09/01/22-06/01/26
Program	PRSPR	STARR	STARR
Award Amount	$6 Million	$6 Million	$6 Million
Amount Passed to CBOs	$4.9 Million	$4.3 Million	$5.5 Million
Service Provider		Services Provided	
Salvation Army	5 Detox Beds, 32 Residential SUD Treatment Beds	10 Detox Beds[5], 40 Residential SUD Treatment Beds[6]	10 Detox Beds, 18 Residential SUD Treatment Beds
Richmond Area Multi-Services	Peer counselors to support participants 60 days after discharge from Salvation Army	-	-
Felton Institute	TAY-Specific Clinical Support and Curriculum Development[7]	Low Threshold Case Management	Low Threshold Case Management
Amount of Matching Funds	$6 Million	$2.9 Million	$3.1 Million
Use of Matching Funds	18 DPH FTE 5 Probation FTE CASC Rent	3.4 DPH FTE for years 1-2 and 12.9 DPH FTE in year 3. CASC Rent 5 Probation FTE	7.19 DPH FTE

Source: DPH

FISCAL IMPACT

The total grant award amount received from BSCC is $6,000,000. Most of that award (92%) is allocated towards community-based organizations providing direct service to clients. The remaining funds support data collection and analysis, financial auditing, supplies, and 0.48 FTE DPH staff. The total amount of matching funds is $3,144,717 from the General Fund for existing DPH FTEs supporting the STARR program.

[3] Includes a no-cost extension approving the program for an additional year (August 15, 2020-August 15, 2021)
[4] PRSPR and STARR program dates overlap from 10/1/19-08/15/21
[5] Increase in Detox Beds from 5 to 10.
[6] According to DPH, a budget modification in early 2022 reallocated cost savings to increase the Residential SUD Beds from 32 to 40. The 40 beds will remain until Cohort 3.
[7] the TAY-specific services did not continue after Cohort 1 funding, because, according to DPH, those services were underutilized by the target population.

Community-Based Organizations

As shown in Exhibit 2 below, approximately $5.5 million of the award will be passed through to community-based organizations providing direct service to clients. Proposition 47 grant recipients are required to pass through a minimum of 50 percent of the award to community-based service providers.

- Across the three years, $3.7 million is allocated to the Salvation Army for detox beds and residential treatment beds.
- $1.7 million is allocated to the Felton Institute, providing low threshold case management, for 4.9 FTE and benefits at 31%, staff and client transportation, and operational costs including insurance, rent, utilities, and supplies. The funded staff duties include program coordination, operations, case management services, clinical support, and data management.
- The remaining $12,000 is allocated to SF Public Health Foundation as flex funds to be used for motivation and engagement funds for clients including purchasing work clothes, hygiene supplies, or COVID-19 test kits.

Exhibit 2: Fiscal Impact of 2022 STARR Grant: Grant & Matching Funds (Three Year Term)

Budget Line Item	*Grant Funds*	*Matching Funds*
City Salaries and Benefits	$171,646	$3,144,717
Services and Supplies	$1,793	$0
Professional Services or Public Agency Subcontracts	$0	$0
*Community-Based Organization Contracts**	$5,501,661	$0
Data Collection and Evaluation	$300,000	$0
Equipment/Fixed Assets	$0	$0
*Financial Audit***	$24,900	$0
*Other****	$0	$0
Indirect Cost	$0	$0
Total	$6,000,000	$3,144,717

*Required minimum of 50% of grant funds
**Must not exceed $25,000
***Travel, Training, etc.
Source: DPH, 2022 Proposition 47 Grant Program Budget Application

Funding DPH Staff

As shown in Exhibit 3 below, the total amount of $3.14 million in matching funds is allocated to 7.19 FTE of existing DPH staff supporting the STARR program across the three years. The grant funds 0.48 FTE for a total $171,646 across all three years. The DPH staff duties include client triage, navigation, and assessments; project supervision; and DPH referral source oversight.

Exhibit 3: DPH Staff FTE Funds, STARR 2022

Personnel	Matching Funds		Grant Funding	
	Total Salary and Benefits	FTE	Total Salary and Benefits	FTE
Health Worker	$184,495	0.52	$171,646	0.48
Director	$13,941	0.02		
Deputy Director	$32,467	0.05		
Project Director	$50,529	0.1		
Health Program Coordinator	$229,127	0.5		
Behavioral Health Clinicians	$1,281,719	3.00		
Health Workers	$580,788	2.00		
Nurse Practitioner	$771,651	1.00		
Total	$3,144,717	7.19	$171,646	0.48

Source: DPH STARR Budget, Received from Department

POLICY CONSIDERATION

Program Performance

DPH has been utilizing Proposition 47 funds to enable community-based organizations to reduce incarceration and recidivism and improve addiction recovery and community re-entry for individuals with high-risk co-occurring disorders. The program has provided essential services to this population and has been successful in its goal to reduce recidivism rates of participants.

However, based on previous evaluation reports, the 2017 and 2019 Proposition 47-funded programs either met or were projected to meet only 50% and 33% of their objectives, respectively. Specifically, these programs have not met their occupancy goals for residential SUD treatment beds, both prior to and during COVID.

According to DPH, there is uncertainty in the rate of client utilization of these services in the near future, but the Department reports a monthly average of 28 residential treatment bed clients from January 2022 through August 2022. The 2022 grant will fund 18 residential treatment beds, which is 22 less than the currently funded beds and 10 less than the recent monthly average. According to DPH, the Department is seeking alternative sources of funding for the beds and believes the Salvation Army will fund the 22 beds with private funds in the meantime.

Provider Selection

DPH did not utilize a Request For Proposals or other competitive solicitation process when selecting providers for Proposition 47-funded programs. We do not know whether the procurement of service providers was before or after the September 2021 effective date for

Administrative Code Chapter 21G, which requires competitive solicitations for grant agreements. The Department reports plans to continue to sole-source funding to the Salvation Army ($3.7 million in the proposed grant) and the Felton Institute ($1.4 million in the proposed grant) but will be undertaking competitive procurements for these services in 2023.

RECOMMENDATIONS

1. Approve the proposed resolution.

2. The Board should consider requesting DPH provide a report on the occupancy of this program and the funding status of the 22 treatment beds no longer funded in the proposed grant agreement no later than May 2023.