

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

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TO: Homelessness & Behavioral Health Select Committee 
FROM: Budget and Legislative Analyst
SUBJECT: June 2, 2023 Homelessness & Behavioral Health Select Committee Meeting

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Item 7 File 23-0476	Department: Public Health
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would approve Amendment No. 2 to the agreement between Conard House and the Department of Public Health (DPH), extending the contract term from June 2023 through December 2027 and increasing the not-to-exceed amount from \$44.9 million to \$93.3 million. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • Following competitive solicitations, in 2018 DPH entered into a one-year agreement with Conard House to provide mental health outpatients services, including for residents in supportive and transitional housing. The agreement also includes “rep payee” services, to help clients manage their public income benefits. • In March 2019, the Board of Supervisors approved the first amendment to that agreement, extending the term through June 2023 and increasing the not to exceed amount to \$44.9 million. • FY 2021-22 program monitoring is still ongoing. However, DPH provided data that shows that in FY 2021-22, Conard House, Inc. provided 6.9 percent more actual units of service than budgeted. • DPH evaluated Conard House’s financial condition in May 2023 and rated the entity as “moderate risk” because it was unable to review its most recent audited financial statement from FY 2021-22, which should have been completed in December 2022, per best practice. As of the audited financial statement from June 2021, the organization was not at risk of not meeting its financial obligations due within one year. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • Annual program costs total \$12.3 million in FY 2023-24. The proposed amendment is funded by approximately 7 percent from federal funds, 24 percent from state funds, and 69 percent from local funds. • Total projected spending is \$92,276,311, including spending through FY 2022-23 under the existing agreement, projected spending through December 2027 under the proposed amendment, and a 12 percent contingency. We therefore recommend a reduction in the proposed resolution’s not to exceed amount from \$93,255,538 to \$92,300,000. <p style="text-align: center;">Recommendations</p> <ul style="list-style-type: none"> • Reduce the not to exceed amount of the proposed resolution to \$92,300,000. • Approve the resolution, as amended. 	

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 Department of Public Health (DPH) issued two Request for Proposals (RFP): (1) RFP 8-2017 for Mental Health Outpatient Modality Services including regular mental health outpatient services and supportive housing¹ in 2017, and (2) RFP 4-2011 in 2011 for Representative Payee Services (Rep Payee) to provide financial management services for those experiencing serious disability and severe mental health conditions. Technical evaluation panels reviewed and scored the proposals as shown below in Exhibit 1.

¹ Clients eligible for the Supportive Housing Program are individuals who have chronic and severe mental health conditions and functional impairments whose lives would remain more stable, without hospitalization or homelessness, with the provision of Specialty Mental Health Case Management, Mental Health, and Crisis Services. Across all supportive housing sites, approximately 97% of clients eligible for services are recipients of Medi-Cal.

Exhibit 1: Proposals and Scores from RFPs**RFP 8-2017: Supportive Housing Mental Health Outpatient Services²**

Proposer	Percentage of Points Earned
UCSF Citywide - 240 Direct Access to Housing Residents (RCA and Richardson Apartments)	93
UCSF Citywide - SRO's under Housing First Portfolio	93
Community Housing Partnership - Scattered Sites	89
Progress Foundation	89
Community Housing Partnership - CHP Richardson Apartments	88
Community Housing Partnership - CHP Rene Cazenave	88
Baker Places, Inc. - Odyssey House	85
Baker Places, Inc. - Baker Assisted Independent Living Program	85
Conard House	84

Source: DPH

RFP 4-2011: Representative Payee Services³

Proposer	Percentage of Points Earned
Conard House, Inc.	87.5
Walden House	85.6
Community Payee Partnership ⁴	59.3

Source: DPH

In 2018, DPH entered into a one-year (FY 2018-19) agreement with Conard House for \$8.5 million to provide mental health outpatient, mental health outpatient at supportive housing sites, and representative payee services. In March 2019, the Board of Supervisors approved the first

² The evaluation panel for RFP 8-2017 Supportive Housing Services included an Assistant Director from OA System of Care (DPH), a Manager of Adult Housing Programs from the San Francisco Department of Homelessness and Supportive Housing, a Director of Public Funding from Larkin Street Youth Services, the President and CEO of Rams, Inc., a Program Assistant from RAMS Peer Wellness Center.

³ The evaluation panel for RFP 4-2011 included a Consumer of CBHS TAY Services, an SSI Case Management Services Supervisor from Human Services Agency (HSA), a Medical Director from the Homeless & Community Program (DPH), a Sr. Psychiatric Social Worker (HSA), an Executive Director from Bayview Hunter's Point Foundation, and a Director from SF Homeless Outreach (CATS/DPH/HAS). Evaluation Criteria/Scoring included Project Approach, Assigned Project Staff, and Experience of Firm and Subconsultants.

⁴ Community Payee Partnership did not meet minimum qualifications.

amendment to that agreement, extending the term through June 2023 and increasing the not to exceed amount to \$44.9 million.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve Amendment No. 2 to the agreement between Conard House and the Department of Public Health (DPH), extending the contract term from June 2023 through December 2027 and increasing the not-to-exceed amount from \$44.9 million to \$93.3 million.

Under the contract, Conard House would provide the following services:

1. Outpatient Services and Supportive Housing mental health services, targeted to adults with chronic and severe mental health conditions that have the ability to maintain independent living without hospitalization or avoid homelessness with the provision of the services. The service has two components:
 - a. Outpatient: Provides mental health services including collateral, therapy assessment, plan/development, individual therapy, individual rehabilitation, group therapy, group rehabilitation, crisis intervention, and outreach including mental health education and consultation. The program serves 255 unduplicated clients.
 - b. Supportive Housing Services: Provides range of mental health services, including case management, crisis services, rep payee/money management, and community support to those living in Conard House supportive housing (residential hotels and co-operative housing) and transitional housing. The program serves 503 unduplicated clients.⁵
2. Rep Payee Services provides financial management services to help clients manage their public income benefits. The program serves 727 unduplicated clients.

The solicitation authorization for Rep Payee Services RFP 4-2011 expires June 2023. Under Administrative Code Section 21.42, DPH may extend behavioral health agreements on a sole source basis, subject to approval of the Health Commission, which approves such requests in batches every year. The proposed contract amendment funds this service through FY 2023-24 to allow for this service to be re-procured.

The proposed resolution cites Administrative Code Section 21.24, which pertains to short-term contract extensions, however the Department will propose an amendment to the resolution to correctly cite Section 21.42.

⁵ Services are provided to residents at Cooperative Apartments, Midori Hotel, El Dorado Hotel, Jordan Apartments, Lyric Hotel, Washburn Residence, Plaza Apartments, and Marilyn Inn.

Fiscal and Performance Monitoring

The FY 2020-21 Monitoring Report for Outpatient and Supportive Housing Services shows Conard House, Inc. met 96 percent of the contracted units of service and 80 percent of its performance objectives. The client satisfaction survey showed an overall satisfaction rate of 82 percent. The FY 2020-21 Monitoring Report for Rep Payee services indicates the program met its contracted units of service and performance objectives. The program was exempt from its client satisfaction survey. Monitoring scoring was suspended for both programs due to the COVID response. FY 2021-22 program monitoring is still ongoing. However, DPH provided data that shows that in FY 2021-22, Conard House, Inc. provided 6.9 percent more actual units of service than budgeted.

DPH evaluated Conard House's financial condition in May 2023 and rated the entity as "moderate risk" because it was unable to review its most recent audited financial statement from FY 2021-22, which should have been completed in December 2022, per best practice. As of the audited financial statement from June 2021, the organization was not at risk of not meeting its financial obligations due within one year.

FISCAL IMPACT

Uses of funds by program for the four-year and six-month contract extension are shown in Exhibit 2 below.

Exhibit 2: Estimated Uses of Funds

Uses	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28 (6 Months)	Total
Outpatient	1,735,765	1,735,765	1,735,765	1,735,765	867,883	7,810,943
Supportive Housing	6,676,670	6,676,670	6,676,670	6,676,670	3,338,335	30,045,015
Rep Payee	1,915,032	0	0	0	0	1,915,032
Cost of Doing Business	721,578	1,086,939	1,466,914	1,862,088	1,136,534	6,274,052
Contingency						5,525,405
Total Uses	12,374,930	10,639,298	11,064,870	11,507,466	5,983,882	\$51,570,446
Actual Expenditures (through FY 2022-23)						40,705,865
Total Projected Spending						\$92,276,311

Source: DPH

Note: Projected spending differs from the amounts shown in Appendix B of the proposed amendment. DPH had updated the budget for the provider since drafting the amendment.

As shown above, total projected spending is \$92,276,311, including spending through FY 2022-23 under the existing agreement, projected spending through December 2027 under the proposed amendment, and a 12 percent contingency. We therefore recommend a reduction in the proposed resolution's not to exceed amount from \$93,255,538 to \$92,300,000.

Funding Sources

The funding sources for the proposed amendment include approximately 7 percent from federal funds, 24 percent from state funds, and 69 percent from local funds.

RECOMMENDATIONS

1. Reduce the not to exceed amount of the resolution to \$92,300,000.
2. Approve the resolution, as amended.